

# 2019

ANNUAL REPORT



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)

(Stock Code : 2880)

# CONTENTS

|     |   |
|-----|---|
| 2   | General Information on the Company                        |
| 8   | Chairman's Statement                                      |
| 11  | Financial Highlights                                      |
| 12  | Management Discussion and Analysis                        |
| 62  | Directors' Report   |
| 77  | Corporate Governance Report                               |
| 94  | Profiles of Directors, Supervisors and Senior Management  |
| 98  | Auditor's Report  |
| 103 | Consolidated Balance Sheet                                |
| 105 | Consolidated Income Statement                             |
| 107 | Consolidated Statement of Changes in Shareholders' Equity |
| 109 | Consolidated Cash Flow Statement                          |
| 111 | Company Balance Sheet                                     |
| 113 | Company Income Statement                                  |
| 114 | Company Statement of Changes in Shareholders' Equity      |
| 116 | Company Cash Flow Statement                               |
| 118 | Notes to the Financial Statements                         |
| 326 | Supplementary Information to the Financial Statements     |
| 328 | Financial Highlights for the Past Five Financial Years    |
| 329 | Environmental, Social and Governance Report               |

# 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.

# General Information on the Company

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.

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 equipment, and aims to develop as the transshipment base for fine steel, coal and equipment. 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 a traditional loading and discharging services provider to a 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                           | Wei Minghui  |
| 3. | Contact person                                 | WANG Huiying   |
|    | Joint Company Secretary/Secretary to the Board | Address: Room 2618, Xingang Commercial Building,<br>Jingang Road, Dalian International Logistics Park Zone,<br>Liaoning Province, the PRC<br>Telephone: 86 411 87599899<br>Facsimile: 86 411 87599854<br>E-mail: wanghuiying@portdalian.com        |
|    | Joint Company Secretary/Qualified Accountant   | Lee, Kin Yu Arthur<br>Address: Room 2618, Xingang Commercial Building,<br>Jingang Road, Dalian International Logistics Park Zone,<br>Liaoning Province, the PRC<br>Telephone: 852 53774873<br>Facsimile: 86 411 87599854<br>E-mail: lijr@dlport.cn |
| 4. | Registered office                              | Xingang Commercial Building, Dayao Bay, Dalian Free<br>Trade Zone, the PRC   |
|    | Postal Code                                    | 116600   |
|    | Place of Business and Postal Code in PRC       | Xingang Commercial Building, Jingang Road, Dalian<br>International Logistics Park Zone, Liaoning Province,<br>the PRC (116601)   |
|    | Place of Business in Hong Kong                 | 31st Floor, Tower Two, Times Square, 1 Matheson Street,<br>Causeway Bay, Hong Kong   |
|    | Company website                                | www.dlport.cn  |
|    | Company e-mail                                 | ir@dlport.cn   |

# General Information on the Company

- |                         |  |   |                         |   |             |             |                   |                  |
|-------------------------|--|---|-------------------------|---|-------------|-------------|-------------------|------------------|
| 5.                      | <p>Designated newspapers for information disclosure of the Company</p> <p>Website designated by the China Securities Regulatory Commission for publishing the A share annual report</p> <p>Website for publishing the H share annual report</p> <p>Place for collection of annual report</p> | <p>China Securities Daily, Shanghai Securities Daily, Securities Times, and Securities Daily</p> <p><a href="http://www.sse.com.cn">www.sse.com.cn</a></p><br><p><a href="http://www.hkexnews.hk">www.hkexnews.hk</a></p> <p>Room 2601, Xingang Commercial Building, Jingang Road, Dalian International Logistics Park Zone, Liaoning Province, the PRC</p> |                         |   |             |             |                   |                  |
| 6.                      | <p>Places of listing</p><br><p>Stock abbreviations</p> <p>Stock codes</p>  | <table border="0"> <tr> <td style="padding-right: 20px;">Shanghai Stock Exchange</td> <td>The Stock Exchange of Hong Kong Limited</td> </tr> <tr> <td>Dalian Port</td> <td>Dalian Port</td> </tr> <tr> <td>601880 (Shanghai)</td> <td>2880 (Hong Kong)</td> </tr> </table>  | Shanghai Stock Exchange | The Stock Exchange of Hong Kong Limited | Dalian Port | Dalian Port | 601880 (Shanghai) | 2880 (Hong Kong) |
| Shanghai Stock Exchange | The Stock Exchange of Hong Kong Limited  |   |                         |   |             |             |                   |                  |
| Dalian Port             | Dalian Port  |   |                         |   |             |             |                   |                  |
| 601880 (Shanghai)       | 2880 (Hong Kong)   |   |                         |   |             |             |                   |                  |
| 7.                      | <p>A share registrar and transfer office</p><br><p>H share registrar and transfer office</p>   | <p>China Securities Depository and Clearing Corporation Limited, Shanghai Branch</p> <p>Computershare Hong Kong Investor Services Limited</p>   |                         |   |             |             |                   |                  |
| 8.                      | <p>Auditors</p>  | <p>Ernst &amp; Young Hua Ming LLP</p> <p>Address: No. 1 Chang An Avenue, Dong Cheng District, Beijing, PRC</p>  |                         |   |             |             |                   |                  |
| 9.                      | <p>Other information</p>   | <p>Legal counsel (as to Hong Kong law)</p> <p>Paul Hastings</p> <p>21-22/F, Bank of China Tower, 1 Garden Road, Hong Kong</p><br><p>Major bankers</p> <p>Industrial and Commercial Bank of China</p> <p>Agricultural Bank of China</p> <p>China Construction Bank</p> <p>Bank of China</p> <p>Bank of Communications</p>                                    |                         |   |             |             |                   |                  |

# General Information on the Company

## 3) Business Milestones in the Past 12 Months

### March

- The Company announced the annual results for the year 2018.

### April

- The Group's passenger and roll-on and roll-off terminal completed the simultaneous berthing operation of the departing cruise ship "Chinese Taishan" and the anchored cruise ship "Seabourn Sojourn". This was the first twin ships berthing operation for international cruise since the commencement of operation of the Group's international cruise center, and marked the new level of the production, organization and reception service of the Group's international cruise business.

### May

- The Group's passenger and roll-on and roll-off terminal and Bohai Ferry Group Co., Ltd. entered into the cruise vessel berthing agreement with regard to the "Zhong Hua Fu Xing", laying a solid foundation for the Group to further enhance the core competitiveness of passenger and roll-on and roll-off business.

### June

- The Company convened the annual general meeting for the year 2018.
- The ore mixing device researched and developed by the Group's bulk and general cargo terminal was successfully put into operation, and was awarded the national utility model patent.
- The Group's Lvshun Port Terminal opened a cargo roll-on and roll-off business route from Lvshun to Weifang, making a breakthrough in Lvshun Port's cargo roll-on and roll-off business, which further laid the foundation for the Group to expand its market share and enhance its business capabilities.

### July

- The Guangludao Beigang Passenger Terminal Building, which was jointly invested and constructed by the Group and the Changhai County government, was put into service, which has comprehensively enhanced the Group's reception service capabilities in the region.

### September

- The actual controller of the Group was changed from the State-owned Assets Supervision and Administration Commission of the People's Government of Liaoning Province to China Merchants Group Co., Ltd.\* (招商局集团有限公司).
- Trial operations of K08 and L08 blocks and three rail crane stacking yard automation projects at the Group's container terminals have commenced, which marked a promising start for the transformation of container terminals from traditional operational to automated and intelligent terminals. Through this project, full automation of the stacking yard and the seaside lanes was achieved with low capital investment, while at the same time making innovative breakthroughs in single machine technology and operating systems.

# General Information on the Company

## October

- The National Inspection Team, which is led by the National Port Management Office (國家口岸管理辦公室), conducted an inspection on the facilities of Changxing Island Port Customs Supervision Zone, and agreed on the opening up of four port-related companies, including Changxing Island Port. The rapid development, transformation and upgrading of the near-port industries within the Changxing Island Port will also have a positive effect on improving the quality and efficiency of port economic development in Changxing Island region.

## November

- The Dalian Maritime Bureau officially approved the provision of night service of general berths at Changxing Island of the Group, allowing cargo ships to operate at berth at any time, which greatly improved the cargo turnover of the port.

## December

- The “container sea-rail-road multimodal transportation demonstration project at the ‘Asia-Pacific-Northeast’ corridor of Dalian Northeast Asia International Shipping Center”, which is the Group’s container terminal, was awarded the title of “National Demonstration Project for Multimodal Transportation System”.
- Given that the electronic inventory record business of its container terminal has substantially matured, the Group accelerated the promotion of the electronic inventory record business this year, continued to improve the efficiency of the port logistics business, and further reduced logistics costs.
- The Group’s automobile terminal opened the Ningbo routes for the commodity vehicles under NISSAN and FAW brands this year, which further expanded the coverage of the relevant business routes and strengthened the Group’s status as a north-south water transportation hub port.
- The Group’s automobile terminal completed a record high of annual throughput of 837,000 vehicles this year. The annual throughput of commercial vehicles by sea-rail transportation reached 474,000 vehicles, ranking first among domestic ro-ro terminals.



# 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 2019.

In 2019, despite the slowing world economy growth and sluggish pickup in the global trade growth, China continued to top all the other countries worldwide given its stable and positive macro economy. The transformation and upgrading of China's economic structure continuously advanced towards the goal of active adaption and comprehensive reform. The annual gross domestic product (GDP) reached RMB99.09 trillion, with a year-on-year growth of 6.1% (Data source: Statistical Communiqué of the People's Republic of China on the 2019 National Economic and Social Development published by National Bureau of Statistics)

## 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 from the state's appropriate leverage on macro policies and the implementation of positive fiscal policy and prudent and steady monetary policy, 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 steady rebound.

In 2019, the Group's net profit attributable to shareholders of the parent amounted to RMB718,230,462.31. To better reward the Shareholders, the Board has recommended the payment of cash dividends of RMB0.21 (withholding tax included) for every 10 shares for the year 2019.

## Business Review

As the integrated platform for port and logistics services in Dalian port, the Group is the largest comprehensive port operator in Northeast China, mainly engaging in oil/liquefied chemicals terminal and related logistics services (Oil Segment), container terminal and related logistics services (Container Segment), automobile terminal and related logistics services (Automobile Terminal Segment), bulk and general cargo terminal and related logistics services (Bulk and General Cargo Segment), bulk grain terminal and related logistics 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, gave full play to the advantages of the multimodal transportation capacity of the railway system, expanded the crude oil transfer and dispatch market for refineries in Northeast China, and continued to consolidate 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, while promoting the development of special logistics business, and striving to achieve transformation and upgrading of ports, which strongly guaranteed the smooth operation of relevant businesses. 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 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 seventh consecutive year in the commercial vehicles roll-on, roll-off industry in the northeast. For the Bulk and 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, innovated its “railway- road- sea” intermodal transport project, 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

In 2020, amid the grim outlook of the global economy, the international market demand is not expected to resume in the short term due to the impact at various degree arising from certain major economies. Affected by the novel coronavirus pandemic, barriers in transportation caused by inter-regional trade control will bring significant challenges to production activities at ports. To cope with this, the Group will take advantage of various favorable policies promulgated by the state in a reasonable manner and optimise the allocation of resources with a comprehensive perspective, while collaborating with premium enterprises in related upstream and downstream industries to overcome difficulties and hardships and forge ahead. The year 2020 will see the adjustment of domestic economic and industrial structure and the business model innovation stepping 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 completion 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 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 building up a maritime ocean power under the “Belt and Road” initiatives, 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 the current steady growth in 2020. In particular, the oil and chemical business will continue to maintain a steady development when international oil price continues to fall while the automobile and container businesses will sustain its previous momentum, while seeking to attain growth in market share. 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's 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**

**Wei Minghui**

*Chairman*

26 March 2020

# Financial Highlights

|   | <b>2019</b><br><i>RMB'000</i> | 2018<br><i>RMB'000</i> | <b>Changes (%)</b> |
|---|-------------------------------|------------------------|--------------------|
| <b>Highlights of Income Statement</b>                         |                               |                        |                    |
| Revenue   | <b>6,645,907</b>              | 6,754,445              | -1.6               |
| Gross profit  | <b>1,990,967</b>              | 1,612,710              | 23.5               |
| Operating profit  | <b>1,136,490</b>              | 859,396                | 32.2               |
| Net profit attributable to shareholders of the parent company | <b>718,230</b>                | 523,316                | 37.2               |
| Basic earnings per share (RMB)                                | <b>0.056</b>                  | 0.041                  | 37.2               |
| <b>Highlights of Balance Sheet</b>                            |                               |                        |                    |
| Cash and bank balances  | <b>4,051,413</b>              | 5,757,831              | -29.6              |
| Net current assets  | <b>4,513,568</b>              | 3,857,490              | 17.0               |
| Total assets  | <b>35,098,275</b>             | 35,315,583             | -0.6               |
| Borrowings  | <b>8,220,756</b>              | 12,124,862             | -32.2              |
| Gearing ratio (%)   | <b>33.4</b>                   | 22.0                   | 51.8               |
| Net assets value per share (RMB)                              | <b>1.46</b>                   | 1.42                   | 2.8                |
| Return on net assets (%)                                      | <b>3.86</b>                   | 2.86                   | 35.0               |
| <b>Highlights of Cash Flow Statement</b>                      |                               |                        |                    |
| Net cash flow from operating activities                       | <b>1,606,592</b>              | 1,885,626              | -14.8              |
| Net cash flow from investing activities                       | <b>1,783,969</b>              | -1,444,655             | 223.5              |
| Net cash flow from financing activities                       | <b>-4,930,063</b>             | -2,004,075             | -146.0             |
| Net increase in cash and cash equivalents                     | <b>-1,512,206</b>             | -1,371,253             | -10.3              |

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

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



# Management Discussion and Analysis



# Management Discussion and Analysis

## I. OPERATING DISCUSSION AND ANALYSIS

In 2019, the global economic growth was sluggish, external demand remained weak, and the international trade situation was extremely turbulent. China's foreign trade development faced many risks and challenges. 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, improved the construction of logistics system, enhanced the innovation of product and services, expanded service functions of port, thereby achieving steady growth for production and operation of the port.

## II. MAJOR OPERATIONS DURING THE REPORTING PERIOD

### 1. Overall Results Review

In 2019, the Group's net profit attributable to shareholders of the parent company amounted to RMB718,230,462.31, representing an increase of RMB194,914,862.22 or 37.2% as compared with RMB523,315,600.09 in 2018.

In 2019, The growth of the Group's crude oil storage business led to an increase in operating gross profit and investment income, and the acquisition of insurance claims and government subsidies raised other income, and the credit impairment losses decreased. However, the profit margin was cut down, which is attributed to, among others, reduced exchange gains resulted from the exchange settlement of the US dollar and exchange rate fluctuations and increased finance costs due to the implementation of new accounting standards on leases. In light of the above, the Group's net profit attributable to the parent company reported a year-on-year increase of 37.2%.

In 2019, the Group's basic earnings per share amounted to RMB5.57 cents, representing an increase of RMB1.51 cents or 37.2% as compared with RMB4.06 cents in 2018.

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

| Item   | 2019<br>(RMB)           | 2018<br>(RMB)    | Changes (%)                 |
|--|-------------------------|------------------|-----------------------------|
| <b>Net profit attributable to shareholders of the parent company</b> | <b>718,230,462.31</b>   | 523,315,600.09   | 37.2                        |
| Including:   |                         |                  |                             |
| Revenue  | <b>6,645,907,276.19</b> | 6,754,444,902.38 | (1.6)                       |
| Cost of sales  | <b>4,654,940,360.28</b> | 5,141,735,182.50 | (9.5)                       |
| Gross profit   | <b>1,990,966,915.91</b> | 1,612,709,719.88 | 23.5                        |
| Gross profit margin  | <b>30.0%</b>            | 23.9%            | Up by 6.1 percentage points |
| Administrative expenses  | <b>658,917,252.38</b>   | 690,284,666.90   | (4.5)                       |
| Financial expenses   | <b>580,891,348.90</b>   | 288,306,943.32   | 101.5                       |
| Credit impairment loss   | <b>15,740,841.83</b>    | 77,901,590.39    | (79.8)                      |
| Other income   | <b>106,352,640.53</b>   | 85,358,984.79    | 24.6                        |
| Investment income  | <b>365,068,663.83</b>   | 280,500,274.39   | 30.1                        |
| Net non-operating income (Note 1)                                    | <b>25,683,267.79</b>    | 16,084,042.48    | 59.7                        |
| Income tax expense   | <b>267,241,328.40</b>   | 193,498,370.29   | 38.1                        |

Note 1: Net non-operating income = Non-operating income – Non-operating expenses

# Management Discussion and Analysis

In 2019, the Group's revenue decreased by RMB108,537,626.19 or 1.6% year-on-year, primarily attributable to the year-on-year decrease of 71.9% in the revenue from trading business. Excluding the effect of trading business, the revenue would have increased by 7.6% year-on-year, mainly due to the increase of revenue as a result of the growth of crude oil storage business, improvement to structure of branch line business in Bohai Rim region, and the increased volume of container transit business. But the growth rate of revenue was partially offset by the reduction on harbour dues caused by policy factors and the decrease in grain and container throughputs.

In 2019, the Group's cost of sales decreased by RMB486,794,822.22 or 9.5% year-on-year, mainly due to the year-on-year decrease of 72.7% in costs of trading business. Excluding the effect of trading business, cost of sales would have increased by 1.5% year-on-year, mainly due to the increase of tank rental costs resulting from the growth of crude oil storage business, the increase of repair costs arising from regular equipment maintenance, as well as the increase of transportation costs as a result of increased volume of container transit business. However, the implementation of the new accounting standards on leases had caused a reduction in total operating costs.

In 2019, the gross profit of the Group increased by RMB378,257,196.03 or 23.5% year-on-year, with the gross profit margin up by 6.1 percentage points, mainly attributable to the combined effect of the growth of crude oil storage business with high gross profit margin, shrink of trading business with lower gross profit margin and reduction in total operating costs due to the implementation of new accounting standards on leases. The growth rate of gross profit was curtailed by reduction on harbour dues caused by policy factors and the decrease in grain and container throughput with high gross profit margins.

In 2019, the selling expenses of the Group decreased by RMB411,061.22 or 60.7% year-on-year, mainly attributable to the decline in sales exhibition fees.

In 2019, the Group's administrative expenses decreased by RMB31,367,414.52 or 4.5% year-on-year, mainly due to the decrease in rental costs resulted from the implementation of the new accounting standards on leases whereas labor costs increased.

In 2019, the Group's R&D expenses increased by RMB3,118,599.29 or 26.6% year-on-year, mainly due to the increased R&D labor costs caused by the increase of R&D projects.

In 2019, the Group's finance costs increased by RMB292,584,405.58 or 101.5% year-on-year, mainly due to the more exchange income obtained in the previous year. The implementation of new accounting standards on leases this year increased the finance costs significantly, but the repayment of short-term debt reduced the interest expenses.

In 2019, the credit impairment losses of the Group decreased year-on-year by RMB62,160,748.56 or 79.8%, mainly due to the recovery of contract asset payments and reduction in provision for other credit impairment loss.

# Management Discussion and Analysis

In 2019, the Group's other income increased year-on-year by RMB20,993,655.74 or 24.6%, mainly due to the inland port enterprises having received the subsidy of transit freight railway line from the local government and the income from the policy of Additional Deduction on Value-added Tax.

In 2019, the Group's investment income increased year-on-year by RMB84,568,389.44 or 30.1%, mainly due to the growth of bulk and general cargo and LNG business of the joint venture, as well as the increase in handling charges boosting the performance of investment companies, and wealth management income also increased.

In 2019, the Group's net non-operating income increased year-on-year by RMB9,599,255.31 or 59.7%, mainly due to the fact that the container terminal company received a one-time insurance claim, but the ore business generated a certain demurrage.

In 2019, the Group's income tax expenses increased year-on-year by RMB73,742,958.11 or 38.1%, mainly due to the increased taxable income caused by the increased gross profit and the decline of expected credit losses, while the taxable income was correspondingly offset by the increase in finance costs due to the implementation of new accounting standards on leases.

## 2. Assets and Liabilities

As at 31 December 2019, the Group's total assets and net assets amounted to MB35,098,274,540.65 and RMB21,404,415,590.73, respectively. Net asset value per share was RMB1.46, slightly increased compared with the net asset value of RMB1.42 per share as at 31 December 2018.

As at 31 December 2019, the Group's total liabilities amounted to RMB13,693,858,949.92, of which total outstanding borrowings amounted to RMB8,220,755,785.02 (this part of the borrowings is fixed rate borrowings). The gearing ratio was 39.02% (the total liabilities amounted to RMB13,693,858,949.92/the total assets amounted to RMB35,098,274,540.65), representing a decrease of 1.91 percentage points as compared with 40.93% as at 31 December 2018, which was mainly due to the reduction of overall debt size through repayment of bank borrowings, while the increase in lease liabilities due to the implementation of new accounting standards on leases has raised the level of debt-to-assets ratio.

## 3. Financial Resources and Liquidity

As at 31 December 2019, the Group had a balance of cash and cash equivalents of RMB4,042,339,664.50, representing a decrease of RMB1,512,205,579.83 as compared to that of 31 December 2018.

In 2019, the Group's net cash inflows generated from operating activities amounted to RMB1,606,591,983.51, net cash inflows for investment activities amounted to RMB1,783,969,367.11, and net cash outflows for financing activities amounted to RMB4,930,062,651.91.



# 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 2019, the Group's outstanding borrowings amounted to RMB8,220,755,785.02 (this part of the borrowings is fixed rate borrowings), in which RMB827,677,202.72 were borrowings repayable within one year, and RMB7,393,078,582.30 were borrowings repayable after one year.

The Group's net debt-equity ratio was 33.4% as at 31 December 2019 (22.0% as at 31 December 2018), mainly due to the implementation of new accounting standards on leases which has impact on lease liabilities. Shielded against in solvency risk, the group maintained an overall healthy financial structure.

As of 31 December 2019, the Group's unutilized bank line of credit amounted to RMB7.263 billion.

Dual listed in the A-share and the H-share markets, 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 ratings of AAA on the Group with stable credit rating outlook, indicating the Group's sound condition in capital market financing.

The Group continued to closely monitor its interest rate risk and exchange rate risk. As of 31 December 2019, the Group has not entered into any foreign exchange hedging contracts. Please refer to the auditor's 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 and several 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 2019, DNPL had made rental payments of RMB81 million.

# Management Discussion and Analysis

## 5. Use of Proceeds

### Use of Proceeds for A Shares

Net proceeds of the public offering of 762 million A Shares in 2010 obtained by the Company amounted to approximately RMB2,772,091,519.47. As at 31 December 2019, the Company had used approximately RMB2,418,162,800.00 of the proceeds and RMB353,928,700.00 of the proceeds remained unused. In March 2019, idle cash of RMB400,000,000.00 out of the proceeds was used to replenish the Company's working capital (including an interest income of RMB81,000,000.00), and the remaining account balance was RMB39,119,300.00 (including an interest income of RMB4,190,600.00).

Unit: Yuan Currency: RMB

| Projects   | Total proceeds          | Use of<br>proceeds as at<br>31 December 2019 | Balance               |
|--|-------------------------|--|-----------------------|
| Construction of oil storage tanks with a total capacity of 1,000,000 m <sup>3</sup> in Xingang               | 760,000,000.00          | 526,373,500.00                               | 233,626,500.00        |
| Construction of oil storage tanks with a total capacity of 600,000 m <sup>3</sup> in the Xingang resort area | 550,000,000.00          | 550,000,000.00                               | -                     |
| Construction of phase II of the oil storage tanks project in Shatuozi, Xingang                               | 29,600,000.00           | 29,600,000.00                                | -                     |
| LNG Project  | 320,000,000.00          | 320,000,000.00                               | -                     |
| No.4 stacking yard for ore terminal  | 520,000,000.00          | 417,694,900.00                               | 102,305,100.00        |
| Purchase of ship unloader for ore terminal   | 37,200,000.00           | 37,200,000.00                                | -                     |
| Purchase of 300 bulk grain carriages   | 150,000,000.00          | 150,000,000.00                               | -                     |
| Ro-ro ships for carrying cars  | 230,000,000.00          | 212,002,900.00                               | 17,997,100.00         |
| Construction of railway siding in Muling   | 41,250,000.00           | 41,250,000.00                                | -                     |
| Construction of information systems  | 50,000,000.00           | 50,000,000.00                                | -                     |
| Investment in phase III of Dayao Bay Terminal  | 84,041,500.00           | 84,041,500.00                                | -                     |
| <b>Total</b>   | <b>2,772,091,500.00</b> | <b>2,418,162,800.00</b>                      | <b>353,928,700.00</b> |

*Note:* In order to reduce the amount of idle cash, achieve more efficient use of funds and lower capital costs for the Company, the first meeting of the five session of the Company's Board of Directors in 2019 passed a resolution regarding the temporary use of certain idle cash from the IPO proceeds to improve the liquidity of the Company's working capital. The Company was authorised to continue to use idle cash of RMB400,000,000.00 out of the proceeds (including an 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 passing of the relevant Board resolution. 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 2019.

# 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. All net proceeds of approximately HK\$4,283 million were remitted to Mainland China, and exchanged into US\$550 million and deposited in the H shares' proceeds account of the Company in Mainland China. The use of proceeds for H shares changed into repaying the loan and replenishing the working capital, which was approved by the Company's shareholders at the general meeting on 27 June 2019. As of 31 December 2019, the proceeds remained unused was RMB840 million.

## 6. Capital Expenditure

In 2019, the Group's capital expenditure amounted to RMB310,692,420.03, which was mainly funded by the 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 2019 is as follows:

### *Oil Segment*

The following table sets out the oil/liquefied chemicals throughput in 2019 as compared to the 2018 figures:

|                              | 2019<br>( <i>'0,000 tonnes</i> ) | 2018<br>( <i>'0,000 tonnes</i> ) | Increase/(Decrease) |
|------------------------------|----------------------------------|----------------------------------|---------------------|
| Crude oil                    | <b>3,742.4</b>                   | 3,834.0                          | (2.4%)              |
| – Foreign imported crude oil | <b>2,090.7</b>                   | 2,468.0                          | (15.3%)             |
| Refined oil                  | <b>1,119.7</b>                   | 1,107.7                          | 1.1%                |
| Liquefied chemicals          | <b>148.5</b>                     | 155.7                            | (4.6%)              |
| Others (including LNG)       | <b>737.7</b>                     | 708.8                            | 4.1%                |
| Total                        | <b>5,748.3</b>                   | 5,806.2                          | (1.0%)              |

In 2019, the Group handled a total of 57.483 million tonnes of oil/liquefied chemicals, representing a year-on-year decrease of 1.0%.

In 2019, the Group's crude oil throughput was 37.424 million tonnes, representing a year-on-year decrease of 2.4%, of which imported crude oil throughput was 20.907 million tonnes, representing a year-on-year decrease of 15.3%. With the continuous improvement of storage and transportation facilities at all ports in the Bohai Rim region, customers' raw materials are returned to the local terminal for loading and unloading. The completion and operation of some cargo terminals in the hinterland of Northeast China also inhibited the increase of crude oil throughput, thereby reducing the annual crude oil throughput of the Group slightly.

In 2019, the Group's refined oil throughput amounted to 11.197 million tonnes, representing a year-on-year increase of 1.1%. Due to the improvement of the capacity of private refineries in the hinterland, the processing capacity of refined oil in the major refineries in Northeast China increased, and the Group's refined oil throughput increased slightly.

# Management Discussion and Analysis

In 2019, the Group's liquefied chemicals throughput amounted to 1.485 million tonnes, representing a year-on-year decrease of 4.6%. The decrease in the Group's liquefied chemicals throughput was due to the shutdown of some refineries in the hinterland for maintenance.

In 2019, liquefied natural gas (LNG) throughput handled by the Group amounted to 7.377 million tonnes, representing a year-on-year increase of 4.1%. The country continued to implement the new clean energy policy. In addition, in most parts of northern China and parts of north-eastern China, winter heating and household energy use were changed from coal to gas. Hence the demand for LNG gradually increased. As a result, the Group's LNG throughput continued to increase.

In 2019, the total imported crude oil volume handled by the Group's port accounted for 60.9% (100% in 2018) of the total amount of crude oil imported into Dalian and 35.3% (54% in 2018) 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 following reason: with the continuous improvement of storage and transportation facilities in the Bohai Rim region, constant upgrading of terminal capacity at all ports in Liaoning port, and the successive completion and operation of cargo terminals of private refineries in the hinterland, the source of crude oil has gradually been diverted, which resulted in a continuous decrease in the proportion of imported crude oil handled by the Group's Liaoning port.

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

| Item                              | 2019<br>(RMB)           | 2018<br>(RMB)    | Change (%)                      |
|-----------------------------------|-------------------------|------------------|---------------------------------|
| Revenue                           | <b>1,615,465,343.53</b> | 1,195,109,934.31 | 35.2                            |
| Share of the Group's revenue      | <b>24.3%</b>            | 17.7%            | Up by 6.6<br>percentage points  |
| Gross profit                      | <b>626,478,863.64</b>   | 307,389,435.11   | 103.8                           |
| Share of the Group's gross profit | <b>31.5%</b>            | 19.1%            | Up by 12.4<br>percentage points |
| Gross profit margin               | <b>38.8%</b>            | 25.7%            | Up by 13.1<br>percentage points |

In 2019, the revenue from the Oil Segment increased year-on-year by 35.2%, mainly due to the higher revenue from storage services as the crude oil storage volume increased, and the lower revenue from handling services as the crude oil throughput decreased and the policy of the decrease of harbour dues.

The gross profit margin of the segment increased year-on-year by 13.1 percentage points, mainly due to the growth of crude oil storage business with a high gross profit margin.

In 2019, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

We deepened cooperation and launched transshipment business of crude oil into North China and the hinterland of Liaoning.

# Management Discussion and Analysis

We steadily distributed the business of crude oil in the north Shandong and Hebei province, so as to build an efficient and convenient transshipment platform for traders, and continued to cooperate with the customs to promote the integration of customs clearance across the affiliated customs, further accelerating the efficiency of customs clearance.

We expanded the transshipment and distribution business of railway and crude oil to inland refineries in northeast China, and gave full play to the advantages of the collection and distribution capacity of the railway system for the Northeast refineries that have the demand of railway transportation, to expand the transshipment and distribution market of crude oil in Northeast refineries.

## Container Segment

The following table sets out the container segment's throughput in 2019 as compared to the 2018 figures:

|                |                      | 2019<br>(‘0,000 TEUs) | 2018<br>(‘0,000 TEUs) | Increase/(Decrease) |
|----------------|----------------------|-----------------------|-----------------------|---------------------|
| Foreign trade  | Dalian port          | 543.2                 | 540.1                 | 0.6%                |
|                | Other ports (Note 1) | 5.9                   | 11.9                  | (50.4%)             |
|                | Sub-total            | <b>549.1</b>          | 552.0                 | (0.5%)              |
| Domestic trade | Dalian port          | 320.7                 | 425.2                 | (24.6%)             |
|                | Other ports          | 151.8                 | 133.5                 | 13.7%               |
|                | Sub-total            | <b>472.5</b>          | 558.7                 | (15.4%)             |
| Aggregate      | Dalian port          | 863.9                 | 965.3                 | (10.5%)             |
|                | Other ports (Note 1) | 157.7                 | 145.4                 | 8.5%                |
|                | Total                | <b>1,021.6</b>        | 1,110.7               | (8.0%)              |

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 2019, in terms of container throughput, the Group handled a total of 10.216 million TEUs, representing a year-on-year decrease of 8.0%. At Dalian port, container throughput was 8.639 million TEUs, representing a year-on-year decrease of 10.5%. In 2019, 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, and comprehensively enhanced the service functions as an international shipping center in Northeastern Asia, thereby achieving staged results in cost reduction, quality upgrading and efficiency improvement of the container segment.

# Management Discussion and Analysis

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

| Item                              | 2019<br>(RMB)           | 2018<br>(RMB)    | Change (%)                    |
|-----------------------------------|-------------------------|------------------|-------------------------------|
| Revenue                           | <b>2,671,206,238.68</b> | 2,765,234,588.22 | (3.4)                         |
| Share of the Group's revenue      | <b>40.2%</b>            | 40.9%            | Down by 0.7 percentage point  |
| Gross profit                      | <b>754,543,073.50</b>   | 705,095,842.40   | 7.0                           |
| Share of the Group's gross profit | <b>37.9%</b>            | 43.7%            | Down by 5.8 percentage points |
| Gross profit margin               | <b>28.2%</b>            | 25.5%            | Up by 2.7 percentage points   |

In 2019, the revenue from the Container Segment decreased year-on-year by 3.4%, mainly due to the drop in the revenue from trading business. Excluding the effect of trading business, revenue was basically unchanged from the corresponding period of last year because the increase in transportation revenue, which was driven by improvement to structure of branch line freight business in Bohai Rim region and increased volume of container transit business, was offset by the shrink in revenue from agency business.

The gross profit margin of the segment increased year-on-year by 2.7 percentage points. Excluding the effect of trading business, the gross profit margin increased year-on-year by 1.7 percentage points, mainly due to the reduction in operating costs resulting from the implementation of new accounting standards on leases and the improvement of structure to branch line business in Bohai Rim region.

In 2019, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

In line with the national strategic needs for the “One Belt and One Road” and the building of China-Japan-RoK Free Trade Zone, etc., we improved the layout of shipping routes and comprehensively improved the level and standards of opening up. In the year, four new foreign trade routes were added, realizing full coverage of ports in Southeast Asia and increasing the density of flight schedules between Japan and South Korea, and facilitating the growth of foreign trade container volume.

In light of internal and external changes, we took the initiative to adjust the Bohai Rim strategy. Through the unification of branch line business, co-load cabin financing and business cooperation to readjust the route network planning, we deeply explored the resource of foreign trade goods around the Bohai Rim region and created a shipping channel layout of “integration of main and branch stream”, to achieve sound results with ensuring the shipping schedule and transshipment services and greatly reducing the operating cost.

# Management Discussion and Analysis

We further accelerated the construction of the Northeast New Silk Road economic belt 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 Zhaodong and Lujiatun, and actively solicited key supplies such as petrochemicals and automobiles. As for the cross-border train business, based on the supply of Samsung's public railway line, we developed transit goods from Tianjin and other ports in the south, and solicited project supplies such as automobiles and iron pipes by utilizing Harbin, Tongliao and other China-Europe railway line platforms.

We continued to accelerate the development of specialised logistics, strived to achieve transformation and upgrading of the port. The cold chain logistics business grew strongly, taking the leading position in China's coastal ports. We operated the integrated automotive logistics project for internationally renowned automobile enterprises, using the asset-light model and maintaining steady growth. The rear logistics business showed a sound growth momentum to build the core station service brand of Dalian port.

## **Automobile Segment**

The following table sets out the throughput handled by the Group's automobile terminal in 2019 as compared to the 2018 figures:

|                    |                | 2019    | 2018    | Increase/<br>(Decrease) |
|--------------------|----------------|---------|---------|-------------------------|
| Vehicles (units)   | Foreign trade  | 14,139  | 11,898  | 18.8%                   |
|                    | Domestic trade | 823,619 | 814,421 | 1.1%                    |
|                    | Total          | 837,758 | 826,319 | 1.4%                    |
| Equipment (tonnes) |                | 12,549  | 23,142  | (45.8%)                 |

In 2019, the Group handled a total of 837,758 vehicles, representing a year-on-year slight increase of 1.4%.

In 2019, 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 Segment is set out as follows:

| Item                              | 2019<br>(RMB)         | 2018<br>(RMB)  | Change (%)                        |
|-----------------------------------|-----------------------|----------------|-----------------------------------|
| Revenue                           | <b>21,391,017.34</b>  | 234,269,367.27 | (90.9)                            |
| Share of the Group's revenue      | <b>0.3%</b>           | 3.5%           | Down by 3.2<br>percentage points  |
| Gross profit                      | <b>(3,803,269.11)</b> | 9,175,447.96   | (141.5)                           |
| Share of the Group's gross profit | <b>(0.2%)</b>         | 0.6%           | Down by 0.8<br>percentage point   |
| Gross profit margin               | <b>(17.8%)</b>        | 3.9%           | Down by 21.7<br>percentage points |

In 2019, the revenue from the Automobile Terminal Segment decreased year-on-year by 90.9%, which was mainly due to the decrease in trade service business. Excluding the effect of trading business, the revenue increased year-on-year by 193.7%, mainly due to the joint influence of the operation of Haijia automobile terminal and the increase of vehicle logistics business.

The gross profit margin of the segment decreased year-on-year by 21.7 percentage points. Excluding the effect of trading service business, the gross profit margin decreased year-on-year by 6.9 percentage points, mainly due to the operation of Haijia automobile terminal and the substantial increase in depreciation and amortization of fixed assets.

In 2019, major measures taken by the Group and the progress of key projects related to the Group are as follows:

We continued to deepen the multi-party cooperation with China Railway Special Cargo Logistics (CRSCL), shipping companies and main engine factories in the hinterland, to build a multi-modal transport model port for domestic commercial vehicles. By improving the resource integration capabilities of automobile logistics chain, we launched the whole logistics general contracting business from Brilliance Auto to East China, achieving a prominent breakthrough in the integrated logistics business of ports.



# Management Discussion and Analysis

## Bulk and General Cargo Segment

The following table sets out the throughput handled by the Group's Bulk and General Cargo Segment in 2019 as compared with the 2018 figures:

|           | 2019<br>('0,000 tonnes) | 2018<br>('0,000 tonnes) | Increase/(Decrease) |
|-----------|-------------------------|-------------------------|---------------------|
| Steel     | 623.8                   | 659.7                   | (5.4%)              |
| Ore       | 3,261.3                 | 3,400.0                 | (4.1%)              |
| Coal      | 1,054.1                 | 1,183.4                 | (10.9%)             |
| Equipment | 150.2                   | 118.6                   | 26.6%               |
| Others    | 1,634.7                 | 1,477.3                 | 10.7%               |
| Total     | 6,724.1                 | 6,839.0                 | (1.7%)              |

In 2019, the throughput handled by the Group's Bulk and General Cargo Segment amounted to 67.241 million tonnes, representing a year-on-year decrease of 1.7%.

In 2019, the Group's ore throughput was 32.613 million tonnes, representing a year-on-year decrease of 4.1%. Such decrease was mainly due to the dam break in Brazil, heavy rains in the North, and hurricanes in Australia, resulting in a reduction in ore supply and continuous rise in ore prices, and the increase in the proportion of local ore and scrap steel usage, thereby lowering the consumption of external mines.

In 2019, the Group's steel throughput was 6.238 million tonnes, representing a year-on-year decrease of 5.4%, mainly due to the drop in the growth of real estate investment, and the demand for local steel products falling in industries such as home appliances and automobiles, and the increase in steel sales in Northeast China, all of which led to the decline in the transshipment volume of steel ports in Northeast China.

In 2019, the Group's coal throughput was 10.541 million tonnes, representing a year-on-year decrease of 10.9%. Currently, coal resources in the three provinces of Northeast China were insufficient, and their supply capacity reduced. However, the demand for coal resources in the hinterland was gradually increasing, coupled with the advance implementation of the "railway-to-waterway, highway-to-waterway" policy, part of the transportation of coal was shifting from highway and railway to waterways, resulting in an overall increase in the demand for coal transfer in the three provinces of Northeast China. Influenced by the fact that customs restricted the import of foreign trade coal, steel mills occupied the coal quota in foreign trade and actively procured them. In the first half of 2019, they mainly focused on reducing stocks, leading to a year-on-year decline in coal transshipment volume.

In 2019, the Group's equipment throughput was 1.502 million tonnes, representing a year-on-year increase of 26.6%. Such increase was mainly due to the deepening cooperation with Dalian Heavy Industry Port-based project, the promotion of service quality, the provision of value-added services, and the continuous reinforcement of the construction of cutting-edge workshop service brand, so as to increase the equipment transfer volume of customers in our port.

# Management Discussion and Analysis

In 2019, the Group's steel throughput accounted for 12.3% (13.6% in 2018) of the total throughput of the ports in Northeast China. In 2019, the Group's coal throughput accounted for 17.3% (19.4% in 2018) of the total throughput of the ports in Northeast China.

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

| Item                              | 2019<br>(RMB)         | 2018<br>(RMB)  | Change (%)                       |
|-----------------------------------|-----------------------|----------------|----------------------------------|
| Revenue                           | <b>979,864,121.71</b> | 974,808,697.32 | 0.5                              |
| Share of the Group's revenue      | <b>14.7%</b>          | 14.4%          | Up by 0.3<br>percentage point    |
| Gross profit                      | <b>267,487,370.44</b> | 260,264,374.23 | 2.8                              |
| Share of the Group's gross profit | <b>13.4%</b>          | 16.1%          | Down by 2.7<br>percentage points |
| Gross profit margin               | <b>27.3%</b>          | 26.7%          | Up by 0.6<br>percentage point    |

In 2019, the revenue from the Bulk and General Cargo Segment increased year-on-year by 0.5%, basically unchanged from the corresponding period of last year.

The gross profit margin of the segment increased year-on-year by 0.6 percentage point, basically unchanged from the corresponding period of last year.

In 2019, 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 and 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 base 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.

# Management Discussion and Analysis

## Bulk Grain Segment

The following table sets out the throughput handled by the Group's Bulk Grain Segment in 2019 as compared to the 2018 figures:

|              | 2019<br>( <i>'0,000 tonnes</i> ) | 2018<br>( <i>'0,000 tonnes</i> ) | Increase/(Decrease) |
|--------------|----------------------------------|----------------------------------|---------------------|
| Corn         | 197.2                            | 236.5                            | (16.6%)             |
| Soybean      | 102.7                            | 143.4                            | (28.4%)             |
| Barley       | 37.2                             | 45.2                             | (17.7%)             |
| Wheat        | 0.8                              | 0.5                              | 60.0%               |
| Others       | 114.2                            | 164.9                            | (30.7%)             |
| <b>Total</b> | <b>452.1</b>                     | 590.5                            | (23.4%)             |

In 2019, the throughput handled by the Group's Bulk Grain Segment was 4.521 million tonnes, representing a year-on-year decrease of 23.4%.

In 2019, the Group's corn throughput was 1.972 million tonnes, representing a year-on-year decrease of 16.6%. The decrease was mainly attributable to the sluggish market demand in the sales markets resulting from the outbreak of African swine fever, together with the auction price of grains higher than market expectations and the price of grains between north and the south being inverted, which blocked the system and led to a decline in the amount of corn transshipment in our port.

In 2019, the Group's soybean throughput was 1.027 million tonnes, representing a year-on-year decrease of 28.4%. The substantial year-on-year decrease of soybean throughput was mainly due to the US-China trade conflict.

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

| Item                              | 2019<br>( <i>RMB</i> ) | 2018<br>( <i>RMB</i> ) | Change (%)                       |
|-----------------------------------|------------------------|------------------------|----------------------------------|
| Revenue                           | 146,470,191.95         | 389,256,179.86         | (62.4)                           |
| Share of the Group's revenue      | 2.2%                   | 5.8%                   | Down by 3.6<br>percentage points |
| Gross profit                      | (13,663,235.86)        | (11,966,733.06)        | (14.2)                           |
| Share of the Group's gross profit | (0.7%)                 | (0.7%)                 | Stable                           |
| Gross profit margin               | (9.3%)                 | (3.1%)                 | Down by 6.2<br>percentage points |

# Management Discussion and Analysis

In 2019, the revenue from the Bulk Grain Segment decreased year-on-year by 62.4%. Excluding the effect of trading business, the revenue decreased year-on-year by 7.6%, which was mainly due to the combined effect of the decrease in throughput of corn, soy bean, barley and other commodities and reduction in bulk grain cart fee.

The gross profit margin of the segment decreased year-on-year by 6.2 percentage points. Excluding the effect of trading business, the gross profit margin of the segment decreased year-on-year by 0.7 percentage point, which was mainly due to the decrease of gross profit margin caused by the decrease of the throughput of corn and soy bean with high gross profit margin.

In 2019, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

The Group 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. The Group also stepped up efforts in attracting grain shipments for foreign trade to further improve the soy bean futures business.

## **Passenger and Ro-Ro Segment**

The following table sets out the passenger and roll-on roll-off throughput handled by the Group in 2019 as compared to the 2018 figures:

|   | 2019  | 2018  | Increase/<br>(Decrease) |
|---|-------|-------|-------------------------|
| Passengers ('0,000 persons)             | 403.8 | 392.0 | 3.0%                    |
| Ro-Ro volume ('0,000 vehicles) (Note 2) | 86.9  | 97.9  | (11.2%)                 |

*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 2019, the Group's passenger throughput was 4.038 million passengers, representing a year-on-year increase of 3.0%, and the ro-ro vehicle throughput was 869,000 units, representing a year-on-year decrease of 11.2%.

In 2019, the Company, joined by shipping companies, increased its efforts in market development and endeavoured to solicit passengers. Although the number of passengers was affected by the diversion of high-speed rail, civil aviation and other transportation means, the total passenger throughput still rose slightly. Influenced by factors such as weather conditions, shipping companies' military shipments, and ship repair, the roll-on roll-off throughput decreased slightly compared with that in the previous year.

# Management Discussion and Analysis

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

| Item                              | 2019<br>(RMB)         | 2018<br>(RMB)  | Change (%)                       |
|-----------------------------------|-----------------------|----------------|----------------------------------|
| Revenue                           | <b>182,302,187.14</b> | 177,260,260.61 | 2.8                              |
| Share of the Group's revenue      | <b>2.7%</b>           | 2.6%           | Up by 0.1<br>percentage point    |
| Gross profit                      | <b>46,359,971.88</b>  | 53,705,758.13  | (13.7)                           |
| Share of the Group's gross profit | <b>2.3%</b>           | 3.3%           | Down by 1.0<br>percentage point  |
| Gross profit margin               | <b>25.4%</b>          | 30.3%          | Down by 4.9<br>percentage points |

In 2019, the revenue from the Passenger and Ro-Ro Segment increased year-on-year by 2.8%, mainly attributable to the increase in departing passenger volume.

Gross profit margin decreased year-on-year by 4.9 percentage points, mainly due to the fact that revenue growth did not cover the increased depreciation and operating costs generated from the newly built passenger stations.

In 2019, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

Lvshun port innovatively developed a "railway-highway-waterway" intermodal transport project, and launched the combined transport business of trailers and open-top containers, creating a new transport mode across the strait in Liaoning and Shandong.

The international cruise ship has realized additional ship operations throughout the year, and has successfully introduced the "Selena" cruise ship to dock, which is 114,000 tons and is the largest tonnage and has the biggest number of passengers carried by a single vessel since the opening of the International Cruise Center.

# Management Discussion and Analysis

## **Value-added Services Segment**

### *Tugging*

The Group's tugging throughput increased by 9% year-on-year due to the effect of increase in business of nearby shipyards.

### *Tallying*

The Group's total tallying throughput decreased by 11.4% year-on-year.

### *Railway*

The operation of railway transportation handled by the Group increased by 2.9% year-on-year.

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

| <b>Item</b>                       | <b>2019<br/>(RMB)</b> | <b>2018<br/>(RMB)</b> | <b>Change (%)</b>                |
|-----------------------------------|-----------------------|-----------------------|----------------------------------|
| Revenue                           | <b>953,913,597.31</b> | 931,171,459.21        | 2.4                              |
| Share of the Group's revenue      | <b>14.4%</b>          | 13.8%                 | Up by 0.6<br>percentage point    |
| Gross profit                      | <b>323,185,220.85</b> | 296,229,841.06        | 9.1                              |
| Share of the Group's gross profit | <b>16.2%</b>          | 18.4%                 | Down by 2.2<br>percentage points |
| Gross profit margin               | <b>33.9%</b>          | 31.8%                 | Up by 2.1<br>percentage points   |

In 2019, the revenue from the Value-added Services Segment increased year-on-year by 2.4%, mainly due to the increase in revenue from barge and railway driven by the increase of the operation volume of tug at the outer port and the increase in railway collection and transportation volume.

The gross profit margin of the segment increased year-on-year by 2.1 percentage points.

# Management Discussion and Analysis

## 8. Effects of the Application of New Formats of Financial Statements for Presentation and the Effectiveness of New Accounting Standards in 2019

**8.1** The Group implemented the new format of financial statements, based on the requirements of “Notice on Revision of the General Format of 2019 Financial Statements of Business Enterprises” (Cai Kuai [2019] No. 6) and the “Notice on Revision of the Format of Consolidated Financial Statements (2019)” (Cai Kuai [2019] No. 16) in the 2019 annual report:

In the balance sheet, “Notes receivable and accounts receivable” is divided into “Notes receivable” and “Accounts receivable”, and “Notes payable and accounts payable” is divided into “Notes payable” and “Accounts payable”, and “Interest receivable” in “Other receivables” has been changed to reflect only the interest that the relevant financial instruments have expired, being receivable but not yet received at the balance sheet date (interest on financial instruments based on the actual interest rate method is included in the book balance of the corresponding financial instrument). “Interest payable” in “Other payables” has been changed to reflect only the interest that the relevant financial instruments have expired, being payable but not yet paid at the balance sheet date (interest on financial instruments based on the actual interest rate method is included in the book balance of the corresponding financial instrument);

In the income statement, “Research and development expenses” includes the amortisation of self-developed intangible assets originally presented in the “General and administrative expenses”, in addition to the costly expenditures incurred in the process of research and development;

The Group adjusted the comparative data retrospectively. The change in accounting policy has no impact on the consolidated and the Company’s net profit and owner’s equity.

**8.2** In 2018, the Ministry of Finance promulgated the revised “Accounting Standards for Business Enterprises No. 21 – Leases” (referred to as the “New Accounting Standards on Leases”). The New Accounting Standards on Leases adopt a single model similar to the current accounting treatment of financing lease, requiring lessees to recognise right-of-use assets and lease liabilities for all leases other than short-term leases and leases with low-value assets, and recognise depreciation and interest expenses, respectively. The Group has begun accounting in accordance with the newly revised lease standards from 1 January 2019, and does not adjust information for comparable periods in accordance with the convergence requirements. The differences between the New Accounting Standards on Leases on the initial implementation date and the current lease standards are retroactively adjusted for retained earnings at the beginning of 2019:

- (1) For financial leases prior to the initial implementation date, the Group measured the right-of-use assets and lease liabilities based on the original book value of financing lease assets and financing lease payables, respectively;
- (2) For operating leases prior to the initial implementation date, the Group assumed that the New Accounting Standards on Leases have been adopted since the beginning of the lease period, and the incremental borrowing for the lessee adopted by the Group on the initial implementation date has been adopted as the book value of the discount rate to determine the lease liabilities and measure right-of-use assets;

# Management Discussion and Analysis

- (3) The Group performed impairment tests on right-of-use assets, as well as the corresponding accounting treatment.

The Group adopted simplified treatments for operating leases whose leased assets are low-value assets prior to the initial implementation date, or operating leases to be completed within 12 months, without recognising right-of-use assets and lease liabilities. In addition, the Group adopted the following simplified treatments for operating leases prior to the initial implementation date:

- (1) When lease liabilities being measured, the same discount rate can be adopted for leases with similar characteristics; the measurement of the right-of-use assets may not include initial direct costs;
- (2) If there is an option to renew or terminate a lease, the Group determines the lease period based on the actual exercise of the option prior to the initial implementation date and other latest conditions;
- (3) For lease changes prior to the initial implementation date, the Group performs accounting treatment based on the final arrangements for lease changes.

For details of the impact of the application of the New Accounting Standards on Leases on the Group's financial data, please see the statements in 2019 annual report of the Group. In addition to this, the application of the New Accounting Standards on Leases has not had a significant impact on other aspects of the Group.

## 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                                 | <b>6,645,907,276.19</b>  | 6,754,444,902.38                            | -1.61       |
| Cost of sales                           | <b>4,654,940,360.28</b>  | 5,141,735,182.50                            | -9.47       |
| Sales expenses                          | <b>266,329.03</b>        | 677,390.25                                  | -60.68      |
| Administrative expenses                 | <b>658,917,252.38</b>    | 690,284,666.90                              | -4.54       |
| Research and development expenses       | <b>14,842,826.17</b>     | 11,724,226.88                               | 26.60       |
| Financial expenses                      | <b>580,891,348.90</b>    | 288,306,943.32                              | 101.48      |
| Net cash flow from operating activities | <b>1,606,591,983.51</b>  | 1,885,625,733.33                            | -14.80      |
| Net cash flow from investing activities | <b>1,783,969,367.11</b>  | -1,444,655,179.27                           | 223.49      |
| Net cash flow from financing activities | <b>-4,930,062,651.91</b> | -2,004,074,929.60                           | -146.00     |



# Management Discussion and Analysis

## 9.2 Income and cost analysis

(1) Main operations by industries, products and regions

Unit: Yuan Currency: RMB

| By industries          | Analysis of main operations by industries |                  |        |            |               |                                |
|------------------------|---|------------------|--------|------------|---------------|--------------------------------|
|                        | Revenue                                   | Cost of sales    | Gross  | Changes in | Changes in    | Changes in                     |
|                        |   |                  | margin | revenue    | cost of sales | gross margin                   |
|                        |   |                  | (%)    | (%)        | (%)           | (%)                            |
| Oil products           | 1,615,465,343.53                          | 988,986,479.89   | 38.8   | 35.2       | 11.4          | Up by 13.1 percentage points   |
| Containers             | 2,671,206,238.68                          | 1,916,663,165.18 | 28.2   | -3.4       | -7.0          | Up by 2.7 percentage points    |
| Bulk and general cargo | 979,864,121.71                            | 712,376,751.27   | 27.3   | 0.5        | -0.3          | Up by 0.6 percentage point     |
| Bulk grain             | 146,470,191.95                            | 160,133,427.81   | -9.3   | -62.4      | -60.1         | Down by 6.2 percentage points  |
| Passenger              | 182,302,187.14                            | 135,942,215.26   | 25.4   | 2.8        | 10.0          | Down by 4.9 percentage points  |
| Value-added product    | 953,913,597.31                            | 630,728,376.46   | 33.9   | 2.4        | -0.7          | Up by 2.1 percentage points    |
| Automobiles            | 21,391,017.34                             | 25,194,286.45    | -17.8  | -90.9      | -88.8         | Down by 21.7 percentage points |
| Unallocated            | 75,294,578.53                             | 84,915,657.96    | -12.8  | -13.8      | -10.2         | Down by 4.6 percentage points  |

Explanation of main operations by industries, products and regions

Please refer to the details described in “Overall Analysis of Results” of Major Operations During the Reporting Period for reasons of changes in revenue and cost of sales.

# Management Discussion and Analysis

## (2) Statement of cost analysis

Unit: RMB'0,000 Currency: RMB

| By industries            | Cost components               | Amount for the period | Segment information                             |   |   | 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 | Percentage of the total cost for the same period of the previous year (%) |  |             |
| Oil products             | Cost of sales                 | 98,898.65             | 21.2  | 88,772.05                                       | 17.30   | 11.4   |             |
| Oil products             | Depreciation and amortisation | 26,566.50             | 5.7   | 21,698.55                                       | 4.20  | 21.0   |             |
| Oil products             | Labor cost                    | 23,736.65             | 5.1   | 23,264.20                                       | 4.50  | 2.0  |             |
| Containers               | Cost of sales                 | 191,666.32            | 41.2  | 206,013.87                                      | 40.10   | -7.0   |             |
| Containers               | Depreciation and amortisation | 39,546.08             | 8.5   | 39,861.69                                       | 7.80  | -5.1   |             |
| Containers               | Labor cost                    | 23,669.47             | 5.1   | 24,989.90                                       | 4.90  | -5.3   |             |
| Bulk and general cargoes | Cost of sales                 | 71,237.68             | 15.3  | 71,454.43                                       | 13.90   | -0.3   |             |
| Bulk and general cargoes | Depreciation and amortisation | 19,462.50             | 4.2   | 17,890.90                                       | 3.50  | 7.1  |             |
| Bulk and general cargoes | Labor cost                    | 23,233.77             | 5.0   | 23,072.54                                       | 4.50  | 0.7  |             |
| Bulk grain               | Cost of sales                 | 16,013.34             | 3.4   | 40,122.29                                       | 7.80  | -60.1  |             |
| Bulk grain               | Depreciation and amortisation | 6,192.50              | 1.3   | 5,875.81  | 1.10  | 3.7  |             |
| Bulk grain               | Labor cost                    | 5,054.10              | 1.1   | 5,368.01  | 1.00  | -5.8   |             |
| Passenger                | Cost of sales                 | 13,594.22             | 2.9   | 12,355.45                                       | 2.40  | 10.0   |             |
| Passenger                | Depreciation and amortisation | 4,330.46              | 0.9   | 3,190.59  | 0.60  | 31.0   |             |
| Passenger                | Labor cost                    | 5,514.51              | 1.2   | 5,345.94  | 1.00  | 3.2  |             |
| Value-added products     | Cost of sales                 | 63,072.84             | 13.5  | 63,494.16                                       | 12.30   | -0.7   |             |
| Value-added products     | Depreciation and amortisation | 6,986.01              | 1.5   | 6,126.16  | 1.20  | 7.4  |             |
| Value-added products     | Labor cost                    | 34,510.19             | 7.4   | 34,190.99                                       | 6.60  | 0.9  |             |
| Automobiles              | Cost of sales                 | 2,519.43              | 0.5   | 22,509.39                                       | 4.40  | -88.8  |             |
| Automobiles              | Depreciation and amortisation | 840.23                | 0.2   | 229.30  | 0.0   | 129.2  |             |
| Automobiles              | Labor cost                    | 202.60                | 0.0   | 72.30   | 0.0   | 180.2  |             |
| Unallocated              | Cost of sales                 | 8,491.57              | 1.8   | 9,451.87  | 1.80  | -10.2  |             |
| Unallocated              | Depreciation and amortisation | 5,542.65              | 1.2   | 1,225.39  | 0.20  | 208.7  |             |
| Unallocated              | Labor cost                    | 1,838.49              | 0.4   | 1,874.88  | 0.40  | -1.9   |             |

# Management Discussion and Analysis

Other explanation of cost analysis

Please refer to the details described in “Overall Analysis of Results” of Major Operations During the Reporting Period for the explanation of the reason of change in cost of sales.

(3) *Major sales customers and major suppliers*

The sales to the top five customers amounted to RMB1,271.82 million, representing 19% 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 RMB400.76 million, representing 9% 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” of Major Operations During the Reporting Period.

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

*Statement of R&D Investment*

|  | Unit: Yuan    |
|--|---------------|
| Expensed R&D investment for the period             | 14,842,826.17 |
| Capitalised R&D investment for the period          | –             |
| Total R&D investment                               | 14,842,826.17 |
| Percentage of total R&D investment in revenue (%)  | 0.22          |
| Number of R&D personnel                            | 69            |
| Percentage of R&D personnel in total employees (%) | 1.05          |
| Percentage of capitalized R&D investment (%)       | –             |

### 9.5 Cash Flow

Net cash inflow from operating activities amounted to RMB1,606,591,983.51, representing a year-on-year decrease in inflow of RMB279,033,749.82 or 14.8%, which was mainly due to the longer settlement cycle of crude oil storage business.

Net cash inflow from investing activities amounted to RMB1,783,969,367.11, representing a year-on-year increase in inflow of RMB3,228,624,546.38 or 223%, which was mainly due to the net inflow from the maturity of principal and interest as a result of the maturity of wealth management business purchased last year.

Net cash outflow from financing activities amounted to RMB4,930,062,651.91, representing a year-on-year increase in outflow of RMB2,925,987,722.31 or decrease by 146%, which was mainly due to the payment of due borrowings and interests by operating cash balance for the year.

# Management Discussion and Analysis

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

During the year, due to the exchange rate fluctuations in the international currency market, the Company recorded unrealized exchange gains of RMB25.82 million by holding its foreign currency assets, representing a significant difference as compared with exchange gains of RMB181.3131 million in the same period of previous year.

## 11. Analysis of assets and liabilities

### 11.1 Assets and liabilities

Unit: Yuan Currency: 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                    | 4,051,413,174.71                   | 11.54%   | 5,757,830,508.67                            | 16.30%  | -29.64%                  | It was mainly due to the repayment of short-term borrowings using with existing funds  |
| Financial assets held for trading           | 304,951,193.83                     | 0.87%  | 1,892,520,046.14                            | 5.36%   | -83.89%                  | It was mainly due to the decrease in balance of structured deposits  |
| Accounts receivable                         | 1,322,772,566.55                   | 3.77%  | 658,194,719.05                              | 1.86%   | 100.97%                  | It was mainly due to the fact that income from new crude oil storage business was not settled with customers during the year   |
| Inventories                                 | 105,065,586.94                     | 0.30%  | 149,488,331.40                              | 0.42%   | -29.72%                  | It was mainly due to the decrease in inventories as a result of the shrinkage of trade-related businesses  |
| Contract assets                             | -                                  | 0.00%  | 37,162,200.00                               | 0.11%   | -100.00%                 | It was mainly due to the recovery of relevant amounts  |
| Other current assets                        | 66,743,698.10                      | 0.19%  | 105,735,304.45                              | 0.30%   | -36.88%                  | It was mainly due to the decrease in prepaid taxes   |
| Right-of-use assets                         | 3,126,927,918.95                   | 8.91%  | -   | 0.00%   | 100.00%                  | It was mainly due to the implementation of New Standards on Leases by the Group as a result of changes in accounting policies  |
| Short-term borrowings                       | 497,660,595.83                     | 1.42%  | 3,404,071,430.31                            | 9.64%   | -85.38%                  | It was mainly due to the repayment of short-term borrowings  |
| Taxes payable                               | 96,991,071.20                      | 0.28%  | 54,113,243.93                               | 0.15%   | 79.24%                   | It was mainly due to the increase in difference between taxes and accounting treatment arising from implementation of New Standards on Leases and the increase in profits for the year |
| Non-current liabilities due within one year | 400,779,150.69                     | 1.14%  | 965,808,339.33                              | 2.73%   | -58.50%                  | It was mainly due to the repayment of part of non-current liabilities due within one year  |
| Lease liabilities                           | 3,132,442,496.82                   | 8.92%  | -   | 0.00%   | 100.00%                  | It was mainly due to the implementation of New Standards on Leases by the Group as a result of changes in accounting policies  |

Other explanation  
Nil.

# Management Discussion and Analysis

## **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.

## **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 services (automobile terminal segment), bulk and general cargo terminal and related logistics services (bulk and general cargo segment), bulk grain terminal and related logistics 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 2019, the growth momentum of the world economy was insufficient, and growth in some emerging economies slowed down. In terms of the domestic environment, the domestic economic growth has slowed down due to the tightening international trade situation, the weakening momentum of global economic growth and the lack of domestic demand. However, the basic trend of steady and long-term improvement of the Chinese economy remains unchanged. The Chinese economy has taken the initiative to adapt to the new normal, adhered to the guiding principles of seeking steady progress, focused on promoting supply-side structural reform, and helped the port industry to continue its transformation and upgrading.

At present, the Group's development is at a leading position in the industry. In 2019, the Group ranked eighth amongst the national coastal ports in terms of 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<br>(RMB) | Number of shares held<br>(shares) | Carrying value as at the end of the period<br>(RMB) | Percentage of total securities investment | Profit or loss during the reporting period<br>(RMB) |
|---|--------------------------|------------|--------------------------------|-----------------------------|-----------------------------------|---|---|---|
|   |                          |            |                                |                             |                                   |   | as at the end of the period<br>(%)        |   |
| 1   | Stock                    | 601558     | Sinovel                        | 3,780,000.00                | 252,000                           | 274,680.00  | 15.96                                     | -5,040.00   |
| 2   | Stock                    | 601616     | SGEG                           | 1,045,000.00                | 99,000                            | 301,950.00  | 17.54                                     | -11,880.00  |
| 3   | Stock                    | 002563     | SEMIR                          | 1,943,000.00                | 116,000                           | 1,144,920.00  | 66.50                                     | 110,200.00  |
| Profit or loss from disposal of securities investment during the reporting period |                          |            |                                |                             |                                   |   |   | -1,024,237.50                                       |
| Total   |                          |            |                                | 6,768,000.00                | 467,000                           | 1,721,550.00  | 100                                       | -930,957.50   |

##### 2. Equity interests in financial company

| Name | Initial investment<br>(RMB) | Percentage of shares of that company<br>(%) | Carrying value as at the end of the period<br>(RMB) | Profit or loss during the reporting period<br>(RMB) | Changes in interests of owners during the reporting Period<br>(RMB) | Accounting items | Source of shares |
|------|-----------------------------|---|---|---|---|------------------|------------------|
|      |                             |   |   |   |   |                  |                  |

# Management Discussion and Analysis

## 3. Purchase and sale of shares of other listed companies

| No.   | Stock name            | Shares held<br>as at the<br>beginning<br>of the period<br><i>(shares)</i> | Shares  |                               | Shares sold<br>during the<br>reporting<br>period<br><i>(shares)</i> | Shares held<br>as at the<br>end of the<br>period<br><i>(shares)</i> | Investment<br>gains<br>generated<br><i>(RMB)</i> |
|-------|-----------------------|---|---|-------------------------------|---|---|--|
|       |                       |   | purchased<br>during the<br>reporting<br>period<br><i>(shares)</i> | Fund utilised<br><i>(RMB)</i> |   |   |  |
| 1     | Sinovel               | 252000  | -   | -                             | -   | 252000  | -  |
| 2     | SGEG                  | 99000   | -   | -                             | -   | 99000   | 3,960.00   |
| 3     | Xingyu Co., Ltd       | 55000   | -   | -                             | 55000   | -   | 3,569,233.98                                     |
| 4     | Tongyu Heavy          | 243750  | -   | -                             | 243750  | -   | -373,750.00                                      |
| 5     | SEMIR                 | 116000  | -   | -                             | -   | 116000  | 40,600.00  |
| 6     | ZJB                   | 1000  | -   | -                             | 1000  | -   | 3,374.60   |
| 7     | China Lion Securities | -   | 500   | 1,810.00                      | 500   | -   | 2,904.60   |
| Total |                       | 766750  | 500   | 1,810.00                      | 300250  | 467000  | 3,246,323.18                                     |

# Management Discussion and Analysis

## (2) Major non-equity investments

Unit: RMB'0,000 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                     | 138.94                  | 52,637.35   | 69%              | Income of approximately RMB105.23 million; profit of approximately RMB63.99 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                     | 0.00                    | 55,000  | 100%             | Income of approximately RMB68.15 million; profit of approximately RMB35.75 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                      | 0.00                    | 2,960   | 100%             | Project investment gain of RMB4.46 million  | N/A  |
| LNG project   | Financing through issuance of A shares | 32,000                     | 0.00                    | 32,000  | 100%             | Project investment gain of RMB141.34 million  | N/A  |
| No. 4 stacking yard for ore terminal  | Financing through issuance of A shares | 52,000                     | 318.73                  | 41,769.49   | 80%              | Income of approximately RMB21.05 million; profit of approximately RMB-1.76 million  | Please refer to the note headed "Reasons for failure to achieve the expected gain (2)" |
| Purchase of ship unloader for ore terminal  | Financing through issuance of A shares | 3,720                      | 0.00                    | 3,720   | 100%             | Income of approximately RMB21.14 million; profit of approximately RMB13.11 million  | N/A  |
| Purchase of 300 bulk grain carriers   | Financing through issuance of A shares | 15,000                     | 0.00                    | 15,000  | 100%             | Income of approximately RMB4.33 million; profit of approximately RMB-1.38 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                    | 21,200.29   | 92%              | Income of approximately RMB26.65 million; profit of approximately RMB40,000         | Please refer to the note headed "Reasons for failure to achieve the expected gain (4)" |



# 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  |
|---|--|----------------------------|-------------------------|---|------------------|--|---|
| Construction of railway siding in Muling  | Financing through issuance of A shares | 4,125                      | 0.00                    | 4,125   | 100%             | Project investment gain of RMB-10.85 million   | Please refer to the note headed "Reasons for failure to achieve the expected gain (5)"            |
| Information construction  | Financing through issuance of A shares | 5,000                      | 0.00                    | 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                   | 0.00                    | 8,404.15  | 100%             | Income of approximately RMB336.18 million; profit of approximately RMB53.23 million  | N/A   |
| Dayao Bay No. 13-16 berths in Phase II  | Own funds and loans                    | 378,300                    | -36.09                  | 233,251.59  | 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  | Own funds and loans                    | 41,377                     | 272.23                  | 35,158.70   | 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                 | 693.87                  | 510,226.57  | /                | N/A  |   |

# Management Discussion and Analysis

Reasons for failure to achieve the expected gain

- (1) Construction of crude oil storage tanks with a capacity of 1 million cubic meters in Xingang and Construction of crude oil storage tanks with a capacity of 600,000 cubic meters in Xingang resort: 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 2019, because of the complex and ever-changing situation of international economy, Sino-US trade disputes and the expected decline in global economic growth, the growth rate of international crude oil demand had slowed down. In addition, the coming into use of new-established large crude oil terminals and pipelines in the Bohai Rim region, especially in Shandong, transmission of crude oil pipelines covering most local refineries and other factors caused significant changes to the logistics of import crude oil throughout the region and had an impact on the crude oil transit market in the Bohai Rim area. 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, increase the efforts in development of crude oil transfer markets in North Shandong and Hebei by exploring market potential, 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 UNIPEC 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. In 2019, the Company took advantage of the fast and efficient centralized transportation system to develop an integrated transportation mode with the railway to promote an increase in the cargo supply. However, due to the renovation of some steel mills in Benxi and the failure of VALE of Brazil, the foreign trade import supply did not meet expected standard. Going forward, the Company 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. Affected by the "African Swine Fever" in 2019, feed demand decreased significantly, and the corn market continued to be sluggish. In addition, the transportation scale of the open-top containers with more price advantage gradually expanded and partially replaced the transportation by bulk grain carriers. Therefore, the overall operation of the bulk grain carriers is lower than that of the same period of previous year.

# 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 2019, the Company grasped the opportunity that local government’s action to introduce Russian coal and Russian timber enterprises to settle in, to successfully introduce a number of enterprises. Although the business volume increased during the year, however, due to the failure to follow up with the pricing strategy in time, coupled with the sharp reduction in operating subsidies given by the local government, the Company recorded temporary operating losses in 2019. With the rapid development of Sino-Russian trade, the Company will fully benefit from the increase in cargo turnover at the Suifenhe port in the future, and its profitability will be improved significantly.

*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 | 304,951,193.83  | -1,587,568,852.31 | 42,625,050.35                |
| Other equity instrument investments | 179,146,371.30   | 189,782,564.95  | 10,636,193.65     | 9,019,773.00                 |
| Total                               | 2,071,666,417.44 | 494,733,758.78  | -1,576,932,658.66 | 51,644,823.35                |

## 14. Analysis of Major Subsidiaries and Investee Companies

The shareholders of the Dalian Container Terminals Co., Ltd. (“DCT”) and this respective percentages of ownership were 48.15% for Dalian Port Container Development Co., Ltd. (“Dalian Port Container”), a wholly-owned subsidiary of the Company, 4.35% for COSCO Terminal (Dalian) Company Limited, 10.99% for China Shipping Terminal Development Co., Ltd., 3.66% for China Shipping Ports Development Co., Ltd., 26% for Singapore Dalian Port Investment Pte. Ltd., and 6.85% for Nippon Yusen Kabushiki Kaisha. Dalian Port Container entered into the Concerted Action Agreement on Dalian Container Terminals Co., Ltd., by which they agreed to act in concert on voting in relation to DCT’s operating decision-making. The registered capital of DCT is RMB3,480 million. 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. As of the end of December 2019, DCT recorded a total asset of RMB8,221.9409 million and net asset of RMB3,843.6739 million. From January to December 2019, it achieved a revenue of RMB1,382.4048 million and net profit of RMB343.6489 million.

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 RMB2,964.1114 million. 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 and maintenance services for port facilities, equipment and port machines, property leasing, corporate management services, consulting services etc. As of the end of December 2019, Dalian Port Container recorded a total assets of RMB5,306.7968 million and net asset of RMB3,471.2655 million. From January to December 2019, it achieved a revenue of RMB125.7489 million and net profit of RMB173.8412 million.

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., with a shareholding of 20%, 75% and 5%, respectively. The registered capital of LNG is RMB2,600 million. Its principal businesses include storage and operation of compressed gas and liquefied gas and natural gas, provision of LNG unloading services in the port area. As of the end of December 2019, LNG recorded a total asset of RMB3,665.0133 million and net asset of RMB3,513.6104 million. From January to December 2019, it achieved a revenue of RMB1,374.9656 million and a net profit of RMB706.71 million. It contributed investment income of RMB141.342 million to the Company, representing 15.79% of the Company’s net profit.

# Management Discussion and Analysis

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

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

In 2020, the global economic and trade situation will become more complex and fluid, with significant increases in unfavorable factors and continuous greater uncertainties in development, the international trade situation will be severe, and related impacts will be difficult to eliminate in the short term. Recession of the real economy increasing global financial risks will result in the weakness of global investors' confidence. Affected by the COVID-19, domestic and overseas economic and trade cooperation will be slowing down, and transportation difficulties caused by interregional trade controls will adversely affect the production of ports. Therefore, it is difficult to fundamentally change the overall shrinking trend of global economic and trade development in 2020.

2020 will mark the conclusion of the general development of a moderately prosperous society and the "13th Five-Year Plan", in spite of the considerable downward pressure on the economy. However, the ultra large scale of China's economy, continuous improvement in business environment and constant optimization of the supply system will bring huge potentials to the consumer market. It is expected that the domestic economic will show a steadily positive outlook.

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 is more risk resilient.

### 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.

In 2020, the Group's major initiatives for market development in its business segments are set out as follows:

# Management Discussion and Analysis

## ***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 as to 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 and automobiles, 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.



# Management Discussion and Analysis

## ***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.

## ***Bulk and 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, optimize the market strategy, so as to stabilize our market share in Northeast China in terms of ore mixing, 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 to expand the roll-roll shipment business.

# Management Discussion and Analysis

## ***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.

## **3. Business plans**

In 2020, with a focus on customers' demands, the Group will, by leveraging our comprehensive advantages in logistics, finance 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 drive 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 2020, the world economy will face greater uncertainties in its development. Affected by the COVID-19 at the beginning of the year, the international economic and trade situation will be more severe, as such, the domestic economic growth momentum may slow down, and the port industry will continue to be subject to downside pressure. Firstly, the world's economy situation is complicated and changeable, 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 logistics value-added services at a faster speed. Fifthly, the increasing competition pressure among Japanese and South Korean ports and 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

## MANDATORY UNCONDITIONAL CASH OFFER

On 4 June 2019, the Company and Broadford Global Limited (“Broadford”) jointly announced that Broadford and parties acting in concert with it were required to make a mandatory unconditional cash offer, as a result of the transfer of 1.1% equity interest in Liaoning Port Group Limited (“Liaoning Port Group”) from State-owned Assets Supervision and Administration Commission of Liaoning Provincial government to China Merchants (Liaoning) Port Development Company Limited for nil consideration as contemplated under the equity transfer agreement dated 31 May 2019 between the parties. The mandatory unconditional cash offer (the “H Share Offer”) was for all outstanding H Shares (other than those already owned or agreed to be acquired by Broadford and parties acting in concert with it (but including the H Shares held by China Merchants Port Holdings Company Limited through Team Able International Limited)).

Immediately after the close of the H Share Offer on 28 October 2019, Broadford and parties acting in concert with it were interested in 5,378,599,052 A Shares and 4,293,248,695 H Shares (including 2,714,736,000 H Shares through Team Able International Limited), representing an aggregate of approximately 75.01% of the total issued share capital of the Company. Details of the H Share Offer were set out in the joint announcement dated 4 June 2019 and the composite document dated 5 October 2019 jointly issued by Broadford and the Company.

On 16 December 2019, as a result of the completion of the disposal of an aggregate of 1,000,000 A Shares (representing approximately 0.0078% of the total issued share capital of the Company) by a subsidiary of Liaoning Port Group in the A Share secondary market to independent third parties, a total of 3,223,688,252 Shares (representing approximately 25.0004% of the total issued share capital of the Company) were held by the public and a total of 9,670,847,747 Shares (representing approximately 74.9996% of the total issued share capital of the Company) were held by Broadford and parties acting in concert with it. Accordingly, the public float of the Company has been restored to no less than 25% of the total issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules.

## Human resources management

### 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. As of 31 December 2019, the Company had a total of 4,299 full-time employees. The Company and its invested businesses together had a total of 6,607 employees.

### Compensation policy

Focusing on position, performance and ability, the Company has established a compensation system compatible with the human resources management through optimizing remuneration system and increasing positive incentives in various aspects. The Company makes determination or corresponding adjustments based on its performance and employees’ performance evaluation results on an annual basis after taking into account the prevailing rates in the local labour market.

# Management Discussion and Analysis

## Training plan

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. The Company 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.

## 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 the establishment of a good relationship with existing and potential investors.

In 2019, in order to allow all interested parties to fully understand the Company's performance, operating strategies and development prospects, the Company received investors' inquiries, 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 websites 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

## 2019 Corporate Social Responsibility Report

### I. Summary on Fulfilment of Social Responsibilities

In 2019, 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 progresses 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 occupational 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 has 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, occupational 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 RMB444,000,000 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 operation 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 strives 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 logistic development

In 2019, the Company aimed at quality and efficiency enhancement on the basis of promoting the comprehensive logistic system, and attached importance to expanding service functions of the port, and strengthening 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, we strengthened the building of a system for collective transport and delivery, and in terms of land sector, enhanced business cooperation with the railway bureau and promoted scheduled railway transportation and bulk cargo port logistics; in terms of sea sector, vigorously developed scheduled shipping service and created a low-cost, efficient and convenient shipping service system connecting the north and south of China. Secondly, 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. Thirdly, 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 developed steadily. Fourthly, 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. Fifthly, we worked closely with the port regulatory authorities and implemented a variety of initiatives to promote the development of foreign trade through ports.

## III. *Caring for Customers*

### 1. Product quality and customer service

In 2019, 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.

# Management Discussion and Analysis

## 2. Production safety

In 2019, the Company achieved again the target of no production accident or incident throughout the year through efforts made in the following major aspects:

First, we advanced the establishment of “four mechanisms” and enhanced long-term safety control mechanism. In particular, we continuously enhanced the establishment of a long-term safety control mechanism to implement the requirements of “same accountability for CPC committee members and government officials, dual responsibilities for one post” in the post responsibility rules for each entity and department, and promoted the “four mechanisms” to intensify the responsibilities of enterprises at various levels and gradually subdivide and implement the management responsibility of the responsibility area; continued to sort out and refine production safety responsibility system covering all staff in accordance with the Notice Regarding Opinions on Implementation of Production Safety Responsibility System for All Staff of Enterprises in Liaoning Province and Dalian City, to ensure clear line and execution of post responsibilities; through promoting safety undertaking announcement system, improved risk study and judgment and level-by-level reporting procedures, standardized procedure records, inspection and assessment files at each level, and strengthened the implementation of level-by-level responsibility system; strictly implemented the work system of daily check, weekly report, monthly scheduling, quarterly announcement and annually summary; and attached high important to the report on production safety to the staff representative meeting by the major person-in-charge of the enterprise, and urged such person-in-charge to finalize the contents of the report so as to ensure effective guarantee of the interests and rights of employees.

Second, we strengthened the “double prevention system” and improved accident prevention and resolving capability. In particular, we increased efforts on graded safety risk control and, with post and key procedures as the main line, enhanced re-identification and re-assessment of various risks to make sure effective execution of the measures for graded safety risk control; continued publicity and education on safety risks with risk handbook, risk alert on the wall and other forms as the carrier and through the implementation and assessment measures such as safety contest, examination to improve the employees’ ability to prevent and resolve safety risks on a continual basis; strictly implemented the system of reliability report on safety risk prevention and control measures adopted by dangerous chemical entities, strengthened risk study and judgment level by level and focused on the implementation of risk control measures. Meanwhile, we enhanced hidden danger screening and management capacity and facilitated the building of a “four-level” hidden danger screening and management system featuring daily inspection of teams, weekly inspection of workshops, monthly inspection of the primary units, and temporary inspection of the Company; enhanced the assessment on the time limit on and results of rectification of the troubles and hidden dangers identified in various inspections to strive to achieve the target of no rectification of hidden dangers, and supervised all units to conduct level-by-level self-inspection and self-rectification of troubles and hidden dangers to ensure the implementation of responsibility, measures, funds, time limit and proposal in the rectification; and continued to implement the incident and hidden danger report and reward system and encouraged employees to actively identify and report hidden dangers, forming a new layout of comprehensive hidden danger screening and management with involvement of all staff. In 2019, Dalian Port identified 2,337 safety hazards in total, and achieved no rectification of hidden dangers. 360 hazards were reported by the employees with a reward fund of RMB72,000 distributed.

# Management Discussion and Analysis

Third, we focused on four key works and enhanced the ability at management from the source. The first key work was to strictly implement outsourcing team management. We strengthened the files and assessment of such team and maintained strict safety access threshold. In 2019, Dalian Port's 78 outsourcing teams, 29 labour service companies and 9 dispatching units all completed files and received assessment; we carried out special inspection on safety management of the outsourcing team, precisely implemented strategies to deal with the weak links, and conducted "Looking Back"; increased efforts on outsourcing team training, and endeavoured to cope with the issues such as weak safety awareness, lack of safety knowledge and skills of the team. During the year, the Company organized 43 trainings for relevant staff with over 4,100 participants. The second key work was to strictly implement high-risk operation management. We increased efforts on safety control for high-risk operations, strictly implemented review and approval system and procedures, clarified review and approval level for risks of varied degrees, and sort out, level by level, the list of responsibilities of the units, workshops and teams to ensure a seamless connection between review & approval and management & control; strengthened control over the risk of change to be able to timely identify and assess risks and formulate management measures in case of changes in manufacturing process, production organization mode and staff so as to bring the risk of change under control; continued to focus on the implementation of production safety confirmation system, highlighted the control over high safety risk, and promoted production safety confirmation by the management, which ensured the effective operation of production safety confirmation system at each level; strictly implemented special operation safety permit system, reinforced the safety confirmation on special operations by the technical, business, safety inspection departments, etc., supported and encouraged dangerous chemical entities to appoint experts or professional institutions for third party process supervision. In 2019, Dalian Port implemented a total of 19,252 high-risk operations after process review and approval and on-site monitoring, representing a year-on-year increase of 10%. The third key work was to strictly implement old equipment and facility management. We focused on the application of information technology in safety management in each sector, and adopted the approach of venturing abroad and importing to seek advanced domestic or foreign safety inspection technologies and inspection methods for improvement in safety risk prevention and hidden danger screening and management capabilities for old equipment and facilities. Meanwhile, we continued to give play to the combined roles of functional departments and primary units to push forward the maintenance, upgrading and renovation plan for old equipment and facilities. A batch of safety inspection, automated monitoring, anti-explosion, anti-falling, and leak-proof systems have been launched into the market, research on and application of some safety protection systems and technologies in respect of dangerous chemicals have been in the process, which provides a solid technical support for the safe operations of old equipment and facilities. The fourth key work was to strictly implement safety responsibility area management. We combined professional division of work and regional management, and deepened the refined management of safety responsibility area to ensure each inch of land of Dalian Port has a responsible unit and person, and each equipment or facility has a user and manager, and achieve full coverage of management system for each responsibility area, which advanced safety guarantee level for the entire area.



# Management Discussion and Analysis

Fourth, we enhanced the supervision of key fields and continuously conducted special rectifications. In 2019, with “risk prevention, hidden danger elimination and incident prevention” as the main line, Dalian Port focused on improving safety control in key time periods and supervision of key fields to conduct a variety of general production safety inspections and special rectifications on an ongoing basis. For key enterprises engaging in dangerous chemicals, road transport, passenger and roll-on, roll-off terminal, fire safety, construction, or involving special equipment, explosive dust, ammonia-related refrigeration, coal gas related, operation in confined space, and the enterprises operating in other industries relating to significant risks with probably or frequently happening incidents, we engaged experts in various fields to inspect in terms of management and technology so as to identify hidden dangers from the prospective of human factor and equipment; focused on regulating production and operation order, cracked down illegal production or operation, and remedied illegal on-site operations to ensure stable operation of the construction projects; and stepped up efforts on special governance of key sectors, ensured the execution of production safety measures during the special periods, such as “two sections, two conferences”, World Economic Forum in Davos, typhoon and flood control periods, the 70th Anniversary of the National Day, etc., comprehensively implemented the system of none production safety incidents reported, and strictly executed the key post on-duty system and team lead on-duty system during key periods. During the year, the safety and environmental protection department of the Company conducted two general comprehensive inspections and 13 special inspections and 15 holiday inspections, and various units conducted 694 inspections in total.

Fifth, we valued post skills cultivation and strengthened the practicality of safety education training. In 2019, Dalian Port further consolidated the results of previous education training, adopted innovative forms and contents of education training, strengthened graded training responsibilities, and improved training quality to make sure employees are equipped with safety knowledge, operational skills and code of conduct in line with their posts; highlighted the safety training for outsourcing team and high risk posts, increased investment in professional training for major person-in-charge and safety manager of the outsourcing team, strengthened safety training for key posts at operation site, and regarded safety quality improvement of key post personnel as a basis for such post’s access and duty performance ability; enhanced in-house trainer team building, and established examination database and informationized examination mode to contribute to a continual improvement in targeted and practical education training; explored experiencing safety training and safety experience sharing, cultivated the core safety cultural concept of the merchants group, and carried out various forms of safety promotion activities to create an educational atmosphere integrating safety training, education and culture; and extensively carried out alert education activities such as the “Safety Promotion Month” and “Safe Production Month”. During the year, Dalian Port organized a total of 1,520 training programs, with 35,428 participants.

Sixth, we improved occupational hygiene management. Dalian Port now has 20 occupational disease hazard control units. To avoid occurrence of occupational disease, Dalian Port has been tracking, under the basic principles of legal prevention, management from the source and comprehensive policy adoption, the development of the employees at key units who might develop a disease, and has implemented measures such as hazard factor inspection, notification, alert and employee health checks. In 2019, we completed 228 occupational disease hazard inspection centers, and 2,890 occupational health checks, completing the target for the year; strengthened occupational hygiene education and training, personnel files, labour protection and other fundamental works, and during the year, we held 58 on-site consultations, and a total of 85 trainings with 4,294 participants; enhanced guidance and supervision on outsourcing team, rented places and other places which may cause occupational hazards, and we inspected the occupational hygiene management of 38 outsourcing teams and 14 rented places, and issued 21 rectification recommendations.

# Management Discussion and Analysis

Seventh, we ensured safe and ordered traffic and firefighting in the port area. As to traffic management, the public security and traffic police closely centered the main line of preventing and reducing major or extra serious traffic accidents, comprehensively facilitated traffic safety and team building, and endeavoured to reduce accidents, guarantee safety and promote development, successfully accomplishing various tasks. During the year, we organized over 60 collective special rectifications, completed 74 traffic and security tasks at various levels, and identified 8,984 violations of the traffic law. We recorded a year-on-year decrease by 10.8% in accidents with no relatively serious traffic accidents causing more than three fatalities. As to fire management, we continuously strengthened fire safety supervision of each area. The fire prevention branch effectively implemented hidden fire danger screening and management of the entire port area through advancement by area, by step and by stage during the fire prevention and control periods in winter and spring, the special action on hundred-day battle of fire safety rectification, the special action on cracking down illegal gas stations, electrical fire prevention and inspections, “Risk Prevention and Safety Guarantee to Embrace the National Day” and other fire safety law enforcement and inspections. In 2019, the fire prevention branch carried out 21 special fire safety rectifications in total, 356 fire safety inspections, checked over 400 hidden troubles which have all been rectified, and issued 120 legal instruments.

## IV. *Caring for Employees*

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

We insisted on leveraging our strengths in democratic corporate management, transparency in factor affairs and other systems, respected the democratic rights of employees, safeguarded the legitimate interests of employees, and performed, according to the law, relevant primary unit's equity transfer and employee settlement, and other procedures. Meanwhile, we implemented the requirements of the labour union, and combined the requirements of “AAA-level Employee Home Building”, “Employee Home Construction”, etc., to improve rules of procedures, decision making policies, regulate management provisions, innovate work assessment and appraisal mechanism, and deepen the construction of the Employee Home. We continued to display the roles of employee interests appeal and expression, labour dispute pre-warning and other systems, listened to the voices from the employees and resolved any conflicts or disputes in a timely manner, to earnestly maintain the democratic and harmonious development of Dalian Port. Furthermore, we actively performed supervisory duties in production safety and labour protection, and gave further play to the roles of the “Good Health” Cup competition as a carrier through rearranging the assessment rules, improving the incentive standard and adding typical case recommendation and selection activities, thereby upholding the rights and interests of employees in safety and health.

### 2. Supporting and caring for the employees

The Company adhered to a combination of targeted poverty alleviation and inclusive services. In particular, we 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, and employee relief fund. Meanwhile, we carried out employee psychological counseling and psychological health training, as well as “extending cool in summer and warm in winter” activities to promote internal and external health, healing and recuperation mechanism and health checks for employees, caring for their physical and mental health. In addition, we proactively facilitated the construction of the “Special Caring Room for Female Employees”, and the health checks and special female checks for over 4,000 female employees, demonstrating our care and love for employees in such multi-dimensional, multi-level and multi-carrier assistance measures.

# Management Discussion and Analysis

## 3. Improving employment mechanism

The Company continuously stimulated the work enthusiasm of staff with model worker spirit and craftsman spirit, and adhered to the typical cultivation, selection, leadership and echelon training mode to consolidate the craftsman brand of Dalian Port.

We adhered to elite cultivation. In particular, we organized skills contests for over ten posts including port machinery operators, shipping clerks and maintenance men. We leveraged on our strengths in national vocational skills education and training base, mobile APP for employee occupational skills and other platform resources, and adhered to the integration of learning, contest, promotion and incentive, to effectively improve the experienced talent training system. By virtue of our well-established talent cultivation system, the younger generation of our technical elites have achieved good results in a variety of top-notch national and provincial port skill contests: in the China Skill Contest – the Final of the 10th and 11th Session of the Vocational Skill Contest of PRC Transportation Industry, four of our employees won the first and eleventh place in terms of waterway dangerous goods drivers, and the second and fourth place in terms of liquid handling operators, respectively, among whom three gained the title of “National Technical Expert”, being the highest honor for technical workers, and the representative team also won as a team the third and second place in the two contests; in the China Seaman Construction System Skill Contest – the “Ningbo Zhoushan Port” Cup Portal Crane and Ship Unloader Skill Contest, our representative team won as a team the first and second place, respectively, and the second place in terms of the total score; and in the Liaoning “Revitalization” Cup Employee Skill Contest, two employees of the Group won the first place in terms of ship-to-shore crane drivers and forklift drivers, respectively.

We displayed the driving roles of the model, and steadily promoted the construction of the “Model Worker (Employee) Innovation Workshop” to stimulate the creative enthusiasm of our employees. A batch of “Workshops” have been named by the provincial and municipal governments, injecting internal vitality into the Company’s high quality development.

On the basis of promoting models, the Company continuously conducted selection of excellent labour workers to college. During the year, another 15 labour workers passed the college entrance exam for adults, improving the overall quality of our labour team.

## V. Ecological Development

### 1. Environmental protection

2019 is a critical year for combating pollution prevention and control, and realizing a well-off society in general. Following Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company comprehensively implemented the policies, decisions and arrangements of the CPC Central Committee and the State Council on ecological civilization construction and environmental protection by adhering to the green, low-carbon and sustainability concepts with winning the battle for the protection of blue sky, clear water and clean land as the main line, and stepping up efforts on pollution management from the source to prevent and contain the occurrence of various emergent environmental incidents, and continuously improve the environmental quality of each port area with remarkable results achieved in construction of a green port.

# Management Discussion and Analysis

In 2019, as driven by the deepening of ecological civilization system reform and required by “same accountability for CPC committee members and government officials, dual responsibilities for one post” and “comprehensive governance and all-staff participation”, the Company continued to enhance organizational leader and system building, strengthened ecological environmental protection responsibilities, implemented management duties, amended ecological environmental protection rules, refined operational specifications for pollution prevention and control devices, and optimized assessment and appraisal system, which contributed to a normal operation of the ISO-14001 environmental management system and a continual improvement in scientific decision making and management for ecological environmental protection.

In 2019, as guided by pollution prevention and control policies on atmosphere, water, soil and solid waste, the Company implemented pollution prevention and control measures to further improve the dust pollution management for terminals, depots, bulk cargo uploading and unloading operation, fencing, covering and cleaning of the construction sites; enhanced operation and maintenance management for waste water collection and treatment system, and implemented pollutant discharge permit system to ensure stable operation of facilities and discharge pollutants in a legal manner; strengthened solid waste and hazardous waste management, implemented standardized whole-process management of hazardous waste collection, storage and delivery, reasonably put warning signs, and strictly executed hazardous waste transfer processing system. During the year, the execution rate of “three-simultaneity” policy for environmental protection in newly-built construction projects reached 100%, pollutant discharge showed a decline tendency in general with no occurrence of major violations of law or environmental issues and stability in ecological environmental protection overall.

In 2019, by combining the requirements of the CPC Central Committee on the battle for protection of the Bohai Sea and of clear water, blue sky and clean land, the Company conducted collective special rectifications of key fields, and endeavoured to proceed with special research in key fields, and implemented Dayaowan waste water pipeline renovation, waste water treatment plant upgrading and renovation, ship pollution prevention capacity assessment, research on oil and gas recycling plan, environmental incident emergency proposal and research on “one policy for one factory” plan and other key works.

In 2019, based on the environmental protection supervision plan as proposed by the central government and provincial or municipal government, and as guided by the issues identified in such environmental protection supervision, the Company increased efforts on supervision and inspection, and carried out extensive screening of ecological environmental risk hazards. With a focus on pollution prevention and control facility maintenance and operation, standard pollutant discharge and ship pollution prevention capacity, the Company conducted special inspections on ship pollution prevention capacity, hidden danger screening and management, monitoring of key pollutant discharge units in the entire port area, to screen and eliminate hidden environmental troubles, and conduct special supervision, follow-up and summary on key problems; carried out special investigations into ship pollution prevention and control capacity, emergency proposal and materials equipment, hazardous waste and container cleaning business, studied and formulated special optimization plan, which served as a basis for subsequent management work. Meanwhile, we assisted and cooperated with ecological environment, transport, maritime affairs and audit departments, and other relevant departments in completing reporting of central government environmental protection supervision cases, reporting on progress of circum-Bohai-Sea comprehensive governance battle, inspection on sewage outlet into the sea, statistical annual report on waterway environment in transportation industry, circum-Bohai-Sea ecological environment audit, statistics on ship water pollution collection facilities, etc.

# Management Discussion and Analysis

In 2019, the Company took the opportunities of the Environment Day on 5 June, and carried out promotion and education activities by use of various media to facilitate spreading ecological civilization and environmental protection knowledge to the government departments and primary units and improve the environmental awareness of employees and the public. In the meantime, our green port construction results were well received by all sectors of the society at home and abroad. We successively received the visits and investigations made by the Sino-Japanese Friendship & Environmental Protection Center of the Ministry of Ecology and Environment, the Institute of Global Environment Strategy, and the Environmental Protection Century of the Environmental and Resources Protection Committee of the NPC, Dalian Branch, and won the honorable title of “Advanced Unit in Ecological Environment Public Welfare” in Dalian City.

## 2. Energy conservation and reduction

The Company completed various energy conservation and reduction work under the guideline of the Group on energy management work to help construction of its world-class port through development of a green port with the target of building a “green and low-carbon port”, the means of integrated energy management, and the focus on energy conservation and reduction.

In response to the government call of the “construction of green port”, the Company actively promoted construction of shore power. By use of the Group’s technological innovation results in 2018, we vigorously proceeded with the project of “Construction of No. 14 Berth High-voltage Distributed Ship Power Supply Facilities” in 2019, which had completed its construction at the end of 2019. Through such project, No. 14 berth was equipped with the ability to power the docking of 6600V and 60Hz large container ships, which increased the ratio of Dayaowan No. 13 to 15 berths high-voltage shore power ship takings, and provided a solid support for the “construction of green port”.

The Company vigorously promoted the replacement of high energy consumption technologies with new energy-saving ones while conducting research on energy supply and saving and implementing renovation. For example, in the project of “Completing Two Field Bridge Hybrid Energy Saving Renovations in Dalian Container Terminal” (大連集裝箱碼頭完成兩臺場橋混動節能改造), an outstanding renovation project of the Company, the previous high-power diesel units were replaced with high-power battery unit + low-power diesel unit to power the field bridge. After such renovation, upon actual measurement and calculation, the oil saving rate reached 60%, which reduced energy consumption of equipment, mitigated exhaust gas emission and noise impacts, while ensuring the original flexibility of the equipment.

As to energy consumption management, the Company further standardized energy management system, increased efforts on energy consumption management, and timely identified problems through monthly statistical data analysis, and guided, supervised and assessed relevant subordinated enterprises to cope with the problems at first time. Meanwhile, 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.

# Management Discussion and Analysis

## 3. Emergency response

In 2019, all units of Dalian Port continued to strengthen emergency drills, carried out dangerous chemical incident scenario building, and promoted hypothetical scenario of production safety and “double-blind” drills to improve the practicality of emergency drills; organized various forms of emergency trainings to improve the quality and ability of emergency professionals, and organized similar units to cross-participate in various emergency drill observation and emergency assessment to enhance the comprehensive handling capabilities of full-time and part-time staff, thereby improving the emergency response capabilities of all units. During the year, we organized 1,953 emergency drills with 36,417 participants. In addition, we participated in undertaking dangerous chemical container leakage and port security emergency drills in Dalian City to further improve our emergency response capabilities in case of large and complicated incidents; enhanced risk pre-warning and pre-judgment during flood periods, in winter and other special periods, and implemented emergency response measures to prevent occurrence of incidents. During the year, we released 105 times of emergency pre-warning information, conducted 72 emergency checks, inspected 85 typhoon and flood control parts and facilities, and 245 hidden safety troubles have all been rectified.

## 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 local governments, including blood donation. In addition, we built a village clinic for impoverished village in Heishan County; dispatched a poverty alleviation cadre stationed in Shangyuan Village, Beipiao City, Chaoyang City to help this village in building a clothing factory and an orchard; enhanced the construction of infrastructure for the impoverished village in Pulandian City; and visited the needy households from Anshanyu Village in Gaizhou, etc.

## 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 2020, 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 financial statements of the Group (the "Auditor's Report") for the year ended 31 December 2019.

## 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 related logistics services; (ii) container terminal and related logistics services; (iii) automobile terminal and related 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 Financial Statements.

Details of the analysis of the Group's operating results by business segments for the year ended 31 December 2019 are set out in Note XIII (1) to the Financial Statements.

## Results and appropriations

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement of the Auditor's Report.

In 2019, the Group's net profit attributable to owners of the parent amounted to RMB718,230,462.31, representing a year-on-year increase of 37.2%. To provide better returns for the Shareholders, the Board recommended the payment of cash dividend of RMB0.21 (withholding tax included) for every 10 shares for 2019.

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 2019.

## Financial highlights for the past five financial years

A summary of the Group's results and assets and liabilities for the past five financial years is 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 Company and the Group during the year are set out in the consolidated statement of changes in shareholders' equity of the Auditor's Report.

## Distributable reserves

As at 31 December 2019, the Company's reserves available for distribution were RMB2,124,672,469.98 which was calculated in accordance with the generally accepted accounting principles of the People's Republic of China.

## Bank loans and other borrowings

As at 31 December 2019, the total amount of outstanding bank loans and other borrowings of the Group was RMB8,220,755,785.02. Details of the relevant loans are set out in Note V (22) Short-term borrowings, Note V (28) Other payables, Note V (29) Non-current liabilities due within one year, Note V (30) Long-term borrowings, and Note V (31) Bonds payable to the Financial Statements.

# Directors' Report

## Group assets pledged

As at 31 December 2019, 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 Financial Statements.

## Capitalisation of interest

The total amount of capitalised interest of the Group was approximately RMB7,000,704.63 for 2019.

## 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 (13) Fixed assets and Note V (14) Construction in progress to the Financial Statements.

## Investment properties

Details of the properties held for investment purpose of the Group during the year are set out in Note V (12) Investment properties to the Financial Statements.

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

The Group has no significant acquisition or disposal of subsidiaries, associates and joint ventures during the year.

## Share capital

The share capital structure of the Company as at 31 December 2019 is set out in the table below:

| Class of shares | Number of shares<br>(shares) | Percentage<br>(%) |
|-----------------|------------------------------|-------------------|
| 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 (36) 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

The Group did not purchase, redeem or sell the securities during the year.



# 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. Cao Dong (*appointed on 27 June 2019*)  
Dr. Li Jianhui (*appointed on 27 June 2019*)  
Mr. Yuan Yi (*appointed on 27 June 2019*)  
Mr. Xu Song (*resigned on 16 December 2019*)  
Mr. Bai Jingtao (*resigned on 22 March 2019*)  
Mr. Yin Kong (*resigned on 17 December 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*)  
Ms. Zhang Hong (*appointed on 6 March 2020*)  
Mr. Liu Xianfeng (*appointed on 6 March 2020*)  
Mr. Jiao Yingguang (*resigned on 6 March 2020*)  
Mr. Lu Yongkui (*resigned on 6 March 2020*)

## 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' Report

## 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

During the year, 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.

Details of the directors' and supervisors' remuneration are set out in Note XIII (3) to the Financial Statements.

# Directors' Report

## Five highest paid individuals

As of 31 December 2019, information in respect of the five highest paid individuals of the Group is set out in Note XIII (3) to Financial Statements.

## Management contracts

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

## Connected transactions

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

### Ordinary continuing connected transactions under the Listing Rules

### Exempted continuing connected transactions under rule 14A.33 of the Listing Rules

The summary of the Group's various non-exempt continuing connected transactions during the year 2019

| Connected transactions |  | Connected persons     | Exemption threshold<br>(RMB'000)        | Actual amount<br>for 2019<br>(RMB'000) |           |
|------------------------|--|-----------------------|---|--|-----------|
| A                      | Construction supervision and management services     | PDA                   | 118,900                                 | 8,152                                  |           |
| B                      | Supply of goods and services                         | PDA                   | 190,000                                 | 107,416                                |           |
| C                      | Purchase of goods and services                       | PDA                   | 276,000                                 | 135,532                                |           |
| D                      | Terminal facilities design and construction services | PDA                   | 140,000                                 | 7,461                                  |           |
| E                      | Leases   | Leases (as leasee)    | PDA                                     | 130,000                                | 110,724   |
|                        |  | Leases (as lessor)    | PDA                                     | 10,000                                 | 781       |
|                        |  | Deposit               | PDA                                     | 4,000,000                              | 3,617,133 |
|                        |  | Loan                  | PDA                                     | 5,000,000                              | 792,072   |
|                        |  | Factoring             | PDA                                     | 120,000                                | 32,711    |
|                        |  | Finance lease         | PDA                                     | 1,140,000                              | –         |
|                        | Settlement and others                                | PDA                   | 30,000                                  | 115                                    |           |
| F                      | Financial services                                   | Deposit               | China Merchants Group Finance Co., Ltd. | 4,000,000                              | –         |
|                        |  | Credit                | China Merchants Group Finance Co., Ltd. | 5,000,000                              | –         |
|                        |  | Settlement and others | China Merchants Group Finance Co., Ltd. | 30,000                                 | –         |

# Directors' Report

## A. Construction supervision and management services

Dalian Port Construction Supervision and Consultation Co., Ltd. entered into the Construction Management and Supervision Services Agreement with PDA on 9 November 2018 with a term of three years effective from 1 January 2019 until 31 December 2021, pursuant to which, Dalian Port Construction Supervision and Consultation Co., Ltd. shall provide construction management and supervision services to PDA and/or its associates. The transaction cap and the actual amount of transaction for construction supervision and management services for the year ended 31 December 2019 were RMB118.9 million and RMB8.152 million respectively.

The key terms and conditions of the Construction Supervision and Management Services Agreement are as follows:

- ① The reasonable charges are made according to the pricing principles stipulated in the agreement for the services provided to PDA and/or its associates and the relevant terms and conditions shall be no less favorable than those offered by a third party for such services, which shall surely meet the quality standard required by Party A from time to time. Party B and Party A guarantee each other that they will perform their respective obligations under the agreement in accordance with the principles and the provisions under the agreement.
- ② The term of the Construction Management and Supervision Services Agreement shall be of three years effective from 1 January 2019 until 31 December 2021. Upon expiration of the first transaction term, if neither party raises objection in writing, the term of the agreement will be automatically extended for no more than 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 laws, regulations, decisions, orders or policies of the PRC government (at central level), provincial government or other regulatory authorities in respect to such services;
  - (b) Where there is no government – prescribed price, the price to be set by both parties after negotiation with reference to the market price.

## B. Supply of goods and services

The Group 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, 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 2019 were RMB190 million and RMB107.416 million respectively. The key terms and conditions of the Sales of Goods and Provision of Services Agreement concerning provision of goods and services are as follows:

# Directors' Report

- ① Goods and services to be provided by the Group to PDA and/or its associates include:
  - (a) Products: Network and office information equipment, accessories and software;
  - (b) Services: Supply of electricity and heat, tugboat service, security service, telecommunications and related engineering services, network system maintenance, software development and other related or similar services.
- ② The Group shall provide products and services to Party B on normal commercial terms or on better terms.
- ③ The term of the Sales of Goods and Provision of Services Agreement shall be of three years from 1 January 2019 until 31 December 2021. Upon expiration of the first transaction term, if neither party raises objection in writing, the term of the agreement will be automatically extended for no more than three years and will be further extended automatically in the manner as aforementioned upon each expiration. Unless otherwise provided in the agreement, within the term of the agreement, either party may terminate the agreement by giving at least three months' prior written notice to the other party.
- ④ The sales of goods and provision of services shall be priced in accordance with the following pricing principles:
  - (a) Government – prescribed price, being the price set by laws, regulations, decisions, orders or policies of the PRC government (at central level), provincial government or other regulatory authorities in respect to such services;
  - (b) Where there is no government-prescribed price but a market price, the price is to be set out with reference to the market price.

## C. Purchase of goods and services

The Group 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, 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 2019 were RMB276 million and RMB135.532 million, respectively. The key terms and conditions of the Purchase of Goods and Receipt of Services Agreement concerning purchase of goods and receipt of services are as follows:

- 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.

# Directors' Report

- ② PDA and/or its associates shall provide products and services to Party A on normal commercial terms or on terms favorable to Party A.
- ③ The term of the Purchase of Goods and Receipt of Services Agreement shall be of three years effective from 1 January 2019 until 31 December 2021. Upon expiration of the first transaction term, if neither party raises objection in writing, the term of the agreement will be automatically extended for no more than three years and will be further extended automatically in the manner as aforementioned upon each expiration. Unless otherwise provided in the agreement, within the term of the agreement, either party may terminate the agreement by giving at least three months' prior written notice to the other party.
- ④ The purchase of goods and receipt of services will be priced in accordance with the following principles:
  - (a) Government – prescribed price, being the price set by laws, regulations, decisions, orders or policies of the PRC government (at central level), provincial government or other regulatory authorities in respect to such services;
  - (b) Where there is no government-prescribed price but a market price, the price is to be set out with reference to the market price.

## D. Terminal facilities design and construction services

On 9 November 2018, the Group 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 transaction cap and the actual amount of transaction for terminal facilities design and construction services for the year ended 31 December 2019 were RMB140 million and RMB7.461 million, respectively. The key terms and conditions of the Terminal Facilities Design and Construction Services Agreement 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 on normal commercial terms or more 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 2019 until 31 December 2021. Upon expiration of the first transaction term, if neither party raises objection in writing, the term of the agreement will be automatically extended for no more than 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 fair and reasonable and priced in accordance with the following principles:
  - (a) Government – prescribed price, being the price set by laws, regulations, decisions, orders or policies of the PRC government (at central level), provincial government or other regulatory authorities in respect to such services;
  - (b) Where there is no government – prescribed price, the price will be determined with reference to market price;
  - (c) Where a public tender is required for the project, the price will be determined by the public tender procedure.

## E. Lease agreement

The Group 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 transaction cap (as a lessee) and the actual amount of transaction for leasing for the year ended 31 December 2019 were RMB130 million and RMB110.724 million respectively; and the transaction cap (as a lessor) and the actual amount of transaction for leasing for the year ended 31 December 2019 were RMB10 million and RMB0.781 million respectively.

The key terms and conditions of the Lease Agreement concerning leasing and renting 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 rental shall be paid on a quarterly (three months) 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. If the day is not a working day, it will be postponed to the next working day. For a lease term of less than one quarter, the lessee shall pay the rent for the actual occupation period at any time during the period.
- ② The lease term of the leased property to the lessee under the lease agreement is three years effective from 1 January 2019 until 31 December 2021. Subject to compliance with laws, regulations and regulatory requirements, including but not limited to the Rules governing the Listing of Securities on the Stock Exchange and Rules governing the Listing of Stocks on the Shanghai Stock Exchange, the lessor undertakes that upon the expiration of the lease term, if the lessee does not raise 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., but the lessee may from time to time send a written notice to the lessor at least three months in advance to terminate the lease or terminate any individual subject matter.
- ③ During the lease term (including the renewal term), all taxes and fees of the subject shall be borne by the lessor; the stamp duty and registration fee paid for the signing of this agreement shall be borne by both parties in accordance with the provisions of national laws and regulations.

# Directors' Report

## F. Financial Services

### (1) *Financial Services Agreement signed with Dalian Port Group Financial Company Limited*

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, including deposit services, loan services, settlement services, factoring service, other financial services and finance lease (including lease back) services. The maximum daily closing balance of deposits and the maximum daily closing balance of loan for the year ended 31 December 2019 amounted to RMB4,000 million and RMB5,000 million, respectively; and the annual caps for factoring services, finance lease (including lease back) services and other financial services amounted to RMB120 million, RMB1,140 million and RMB30 million, respectively.

The actual daily closing balance of deposits and the actual daily closing balance of loans for the year ended 31 December 2019 amounted to RMB3,617.133 million and RMB792.072 million; the actual amount for factoring service, finance leases and other financial services amounted to RMB32.711 million, RMB0 and RMB0.115 million, respectively.

The main terms and conditions of the Financial Services Agreement are as follows:

- ① The financial services to be provided by Dalian Port Group Financial Company Limited, Xinghai International Commercial Factoring (Tianjin) Co., Ltd., Dalian Equipment Finance Lease Co., Ltd. and Ocean Harvest Container 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 other financing services;
  - (c) Settlement services: including provision by Party B to Party A as required by Party A of the payment and receivable settlement services and some ancillary services for settlement;
  - (d) Other financial services (including international services);
  - (e) Factoring services;
  - (f) Finance lease (including leaseback);
- 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 2019 and expiring on 31 December 2021. The Agreement may be amended or cancelled upon consent by both parties thereto through consultation and written agreement; the agreement shall be effective before written agreement is reached and 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 provides 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;
  - (f) The rental rates within the term of finance lease (including leaseback) are determined in comprehensively consideration of the relevant value of the leased assets, service life and lease interest rate of the lessor, etc., adopting a fair market price or not less than the same price level that third parties can provide and through negotiation by both parties;
- ⑤ The information and data, financial information and product information of the other party that the Group and PDA learned during the signing and performance of the Financial Services Agreement will be kept strictly confidential in strict compliance with the confidentiality clauses under the agreement.

# Directors' Report

## **(2) Financial Services Agreement with China Merchants Group Finance Co., Ltd.**

On 20 December 2019, the Group signed the New Financial Services Agreement with China Merchants Group Finance Co., Ltd. with a term until 31 December 2021, including deposit services, credit loan services, settlement services, foreign exchange services and other financial services.

For the year ended 31 December 2019, the maximum daily closing balance of deposits and the maximum daily closing balance of loans of the company and its subsidiaries with China Merchants Group Finance Co., Ltd. amounted to RMB4 billion and RMB5 billion, respectively, and the annual cap for other financial services shall be no more than RMB30 million. As of 31 December 2019, none of the above transactions involved actual transaction amounts. The main terms and conditions of the Financial Services Agreement are as follows:

- ① The financial services to be provided by China Merchants Group Finance Co., Ltd. to the Group include:
  - (a) Deposit services: including current deposit, fixed term deposit, call deposit and agreement deposit; the deposit currency includes RMB and foreign currency, and the interest rate is not lower than the interest rate of similar deposits of major domestic commercial banks in China during the same period.
  - (b) Credit loan services: Subject to the relevant national laws and regulations, Party A is provided with comprehensive credit services, including but not limited to fixed asset loans, project revolving loans, working capital loans, bill acceptance and discounting, guarantees, and merger loans. The loan interest rate shall be no higher than that of other domestic financial institutions in the same period.
  - (c) Settlement services: Party B handles the internal transfer settlement and external payment between Party A and its subsidiaries in accordance with the instructions of Party A and its subsidiaries, and provides corresponding settlement, clearing plan design and other auxiliary services related to settlement business. Party B provides Party A with domestic settlement services free of charge, and the cross-border and overseas settlement rates will not be higher than the charges for similar businesses in other domestic and local financial institutions.
  - (d) Other financial services: Party B can provide Party A with other financial services within the business scope, including but not limited to financial and financing consultants, credit verification and related consulting and agency services. The fees charged by Party B for providing other financial services will not be higher than the fees charged by major financial institutions in China for similar services.
  - (e) Foreign exchange services: Party B provides foreign currency settlement and sales services for Party A and its subsidiaries. The relevant exchange rate will not be inferior to the exchange rates adopted by other domestic financial institutions for similar services.

# 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 2019. 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 2019, 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 customers and suppliers

During the year, the Group's major 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           | 2.8%  |
| The top five suppliers as a percentage of the Group's total purchases   | 8.6%  |
| The largest customer as a percentage of the Group's sales               | 9.5%  |
| The top five sales customers as a percentage of the Group's total sales | 19.1% |

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) Employee benefits payable to the Financial Statements.

## 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 2019, 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                          | A shares        | 5,310,255,162<br>(long position)                 | Beneficial owner                    | 68.65  | 41.18                                      |
| China Merchants Securities (HK) Co., Ltd.                | H shares        | 2,720,755,000<br>(long position)                 | Interest of controlled corporations | 52.74  | 21.10                                      |
| China Securities Depository and Clearing Company Limited | H shares        | 882,450,200<br>(long position)                   | Beneficial owner                    | 17.11  | 6.84                                       |
| Dalian Port Corporation Limited                          | H shares        | 722,166,000<br>(long position)                   | Beneficial owner                    | 14.00  | 5.60                                       |
| BOCI Securities Limited                                  | H shares        | 147,437,200<br>(long position)                   | Beneficial owner                    | 2.86   | 1.14                                       |

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

Save as disclosed above, as at 31 December 2019, 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 2019 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 2018.

## 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. The independent non-executive directors have conducted a review and made necessary enquiries for the year 2019 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

Wei Minghui  
*Chairman*

Dalian, PRC  
26 March 2020

# 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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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. Cao Dong (appointed on 27 June 2019)

Dr. Li Jianhui (appointed on 27 June 2019)

Mr. Yuan Yi (appointed on 27 June 2019)

Mr. Xu Song (resigned on 16 December 2019)

Mr. Bai Jingtao (resigned on 22 March 2019)

Mr. Yim Kong (resigned on 17 December 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 or her 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 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.

# Corporate Governance Report

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.

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 period, 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.



# Corporate Governance Report

During the reporting period, the Board held a total of 9 board meetings. The attendance of the directors at those board meetings is as follows:

| Member of the Board | Number of meetings in his/her incumbency | Number of attendance in person | Number of attendance by his/her proxy | Attendance rate |
|---------------------|--|--------------------------------|---------------------------------------|-----------------|
| Xu Song             | 8  | 8                              | 0                                     | 100%            |
| Wei Minghui         | 9  | 7                              | 2                                     | 100%            |
| Wang Zhifeng        | 9  | 8                              | 1                                     | 100%            |
| Sun Xiyun           | 9  | 9                              | 0                                     | 100%            |
| Law Man Tat         | 9  | 6                              | 3                                     | 100%            |
| Yim Kong            | 4  | 1                              | 3                                     | 100%            |
| Cao Dong            | 5  | 5                              | 0                                     | 100%            |
| Li Jianhui          | 5  | 3                              | 2                                     | 100%            |
| Yuan Yi             | 5  | 5                              | 0                                     | 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.

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

| Member of the Board | Number of meetings in his/her incumbency | Number of attendance | Attendance rate |
|---------------------|--|----------------------|-----------------|
| Xu Song             | 1  | 1                    | 100%            |
| Wei Minghui         | 1  | 1                    | 100%            |
| Wang Zhifeng        | 1  | 1                    | 100%            |
| Sun Xiyun           | 1  | 1                    | 100%            |
| Law Man Tat         | 1  | 0                    | 0%              |
| Yim Kong            | 0  | 0                    | 0%              |
| Cao Dong            | 0  | 0                    | 0%              |
| Li Jianhui          | 0  | 0                    | 0%              |
| Yuan Yi             | 0  | 0                    | 0%              |

# Corporate Governance Report

## 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, operating results and cash flows of the Company for that period. In preparing the accounts for the year ended 31 December 2019, 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, is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management.

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 continuing 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.

# Corporate Governance Report

In order to ensure the effective operation of the Company, the management is required to submit a monthly management report on the operation of the Company, or submit other quarterly project reports 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 are also subject to the approval of the shareholders at the Company's general meetings.

## 5. Continuing Professional Development of Directors

During the reporting period, the directors actively participated 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:

| <b>Particulars of the continuous professional development</b>                    | <b>Types</b>     | <b>Participants</b> |
|--|------------------|---------------------|
| ESG online training  | Self-learning    | All directors       |
| Trainings on compliance of directors and supervisors of listed companies in 2019 | Training courses | All directors       |

# Corporate Governance Report

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 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 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.

## 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.

# Corporate Governance Report

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. Yuan Yi (non-executive director, elected as a member of the Audit Committee on 27 June 2019)

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 6 meetings to review the Company’s periodic reports, internal control, risk management and 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.

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                      | 6   | 6                                     | 100%                   |
| Mr. Law Man Tat                       | 6   | 6                                     | 100%                   |
| Mr. Yuan Yi                           | 4   | 4                                     | 100%                   |
| Mr. Yin Shihui                        | 0   | 0                                     | 0%                     |

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 2019 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.

# Corporate Governance Report

## 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 one non-executive director and one independent non-executive director, namely:

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

Mr. Yuan Yi (non-executive director, elected as a member of the Financial Management Committee on 27 June 2019)

Mr. Xu Song (resigned as the chairman of the Financial Management Committee on 16 December 2019)

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

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. Law Man Tat                                      | 6   | 6                                     | 100%                   |
| Mr. Yuan Yi  | 4   | 4                                     | 100%                   |
| Mr. Xu Song*   | 5   | 5                                     | 100%                   |
| Mr. Yin Shihui                                       | 0   | 0                                     | 0%                     |

\* Following the resignation of Mr. Xu Song as the chairman of the Financial Management Committee on 16 December 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.

# Corporate Governance Report

## 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.

The remuneration of directors and supervisors (excluding employee representative supervisors) was reviewed by the Nomination and Remuneration Committee and the Board and shall be subject to final approval by the general meeting. In particular, remuneration of directors who concurrently served as senior management shall be determined by the Board under the delegation by the general meeting with reference to remuneration of senior management and appraisal measures. The remuneration of senior management is determined based on Salary Management Measures of Senior Management of Dalian Port (PDA) Company Limited, Organizational Performance Management Measures of Dalian Port (PDA) Company Limited and Staff Post Performance Management Measures of Dalian Port (PDA) Company Limited.

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

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

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

Mr. Cao Dong (vice chairman, non-executive director, appointed as a member of the of the Nomination and Remuneration Committee on 27 June 2019)

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

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

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

| <b>Members of the Nomination and Remuneration Committee</b> | <b>Number of meetings in his/her incumbency</b> | <b>Number of attendance in person</b> | <b>Attendance rate</b> |
|---|---|---------------------------------------|------------------------|
| Mr. Sun Xiyun   | 3   | 3                                     | 100%                   |
| Mr. Wang Zhifeng  | 3   | 3                                     | 100%                   |
| Mr. Cao Dong  | 1   | 1                                     | 100%                   |
| Mr. Zhang Yiming  | 0   | 0                                     | 0%                     |

# Corporate Governance Report

## 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.

During the reporting period, the Strategy Development Committee consists of one non-executive director and one executive director, namely:

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

Mr. Cao Dong (vice chairman, non-executive director, appointed as a member of the Strategy Development Committee on 27 June 2019)

Mr. Xu Song (resigned as the chairman of Strategy Development Committee On 16 December 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. Xu Song as the chairman of the Strategy Development Committee on 16 December 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 2019 by the shareholders at the 2018 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 2019 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 (44) 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 2019 are as follows.

| Name               | Position  | Pre-tax remuneration paid by the Company during the reporting period (RMB) |
|--------------------|---|--|
| Wei Minghui*       | Executive director and general manager          | 829,200  |
| Sun Dequan*        | General manager                                 | 0  |
| Tai Jingang*       | Vice general manager                            | 0  |
| Yin Kaiyang*       | Vice general manager                            | 0  |
| Luo Dongxi*        | Vice general manager                            | 0  |
| Wang Ping          | Chief financial officer                         | 493,300  |
| Zhang Tie*         | Chief safety officer                            | 0  |
| Wang Huiying       | Secretary to the board, joint company secretary | 352,900  |
| Lee Kin Yu, Arthur | Qualified accountant, joint company secretary   | 1,316,500  |
| Xing Jianfei*      | Vice general manager                            | 404,500  |
| Zhao Qiang*        | Vice general manager                            | 86,100   |
| Wang Jilu*         | Vice general manager, secretary to the board    | 67,600   |

\* Mr. Wei Minghui was resigned as the general manager on 17 December 2019 and appointed as the chairman on 31 December 2019; Mr. Sun Dequan was appointed as the general manager on 31 December 2019; Mr. Tai Jingang, Mr. Yin Kaiyang and Mr. Luo Dongxi were appointed as the deputy general managers on 31 December 2019; Mr. Zhang Tie was appointed as the chief safety officer on 31 December 2019; Mr. Xing Jianfei was resigned as the deputy general manager on 17 December 2019; Mr. Zhao Qiang was resigned as the deputy general manager on 29 April 2019; and Mr. Wang Jilu was resigned as the deputy general manager and secretary to the board on 28 February 2019.

# Corporate Governance Report

## H. Company Secretary

During the reporting year, the joint company secretaries of the Company, Ms. Wang Huiying 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. Ms. Wang Huiying 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, is 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.

### 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.

# Corporate Governance Report

## 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 auditors 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.

### 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.

# Corporate Governance 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 2019 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 2019 are effective and adequate.

## 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.

# Corporate Governance Report

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:

|  |                        |  |
|--|------------------------|--|
| Joint company Secretary/secretary to the Board | Ms. Wang Huiying       | (Tel:86-411-87599899)<br>(Fax:86-411-87599854) |
| Joint company Secretary/qualified accountant:  | Mr. Lee Kin Yu, Arthur | (Tel:852-53774873)<br>(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 2017, 2018 and 2019 were 40.2%, 41.7% and 41.5% respectively.

# Corporate Governance Report

## K. Investor Relations

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

The Company's annual general meeting of 2018 was held on 27 June 2019 to consider and approve the amendments to the Articles of Association of the Company as follows:

Article 13 of the Article of Association to be amended as follows:

The Company's scope of business shall be consistent with the scope of operation approved by the authority responsible for the Company's registration.

The Company's major scope of business includes: provision of loading and discharging, transportation, trans-shipment, storage and other port and logistics services at international and domestic levels; provision of facilities and services for passengers in respect of vessel waiting, going aboard and disembarking; provision of terminal services for passenger vessels (cruises) of domestic routes and international routes; provision of storage services for crude oil (operated subject to the competent approvals) and refined oil within port area; import and export of goods and technology; (the items which are prohibited by laws and regulations are not allowed to be operated and the items which are limited by laws and regulations shall be operated subject to the competent approvals).

The Company also engages in the following ancillary businesses: tallying labors for international and domestic routes vessels; tugging business; port logistics and port information technology consultancy services; real estate business; financial business.

### 2. Convening of General Meetings

During the reporting year, one annual general meeting held on 27 June 2019 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. Wei Minghui (魏明暉先生)**, born in 1969, Chinese. Mr. Wei held various positions including 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., a director of Dalian Port Corporation Limited\* (大連港集團有限公司) and the general manager of Dalian Port (PDA) Company Limited. He is currently the chairman and an executive director of the Company. 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. Cao Dong (曹東先生)**, born in 1966, Chinese, was a member of the Party Working Committee, head of the Party and Mass Work Department and Director of the Editorial Office in Dalian Free Trade Zone, the secretary of Disciplinary Committee and a member of the Party Committee in Dalian Municipal Bureau of Foreign Trade & Economic Cooperation as well as the secretary of Disciplinary Committee of Dalian Port Corporation Limited\* (大連港集團有限公司). He is currently the vice chairman and a non-executive director of the Company. Mr. Cao possesses a bachelor's degree in applied chemistry from Harbin Institute of Ship Engineering\* (哈爾濱船舶工程學院) and a master's degree in logistics engineering from Dalian Maritime University.

**Dr. Li Jianhui (李建輝博士)**, born in 1974, Chinese (Hong Kong), was the Deputy General Manager and General Manager of the Corporate Management Department as well as Director of the Safety Committee in COSCO International Holdings Limited, and now serves as the General Manager of the Strategy and Operations Department in China Merchants Port Holdings Company Limited and the assistant to the General Manager and the General Manager of the Operations Department in China Merchants Port Group Co., Ltd.\* (招商局港口集團股份有限公司) and a non-executive director of the Company. Dr. Li possesses both a bachelor's degree and a master's degree in ship engineering from Tianjin University, a master's degree in management of Dongbei University of Finance and Economics and a doctorate in structural engineering from the University of Hong Kong.

**Mr. Yuan Yi (袁毅先生)**, born in 1965, Chinese, was the secretary of the Party Committee and Disciplinary Committee in Dalian Port Siergou Stevedoring Company\* (大連港寺兒溝港務公司), General Manager of Dalian Ocean Shipping Tally Co., Ltd.\* (大連港外輪理貨公司) and Dalian Port Ore Terminal Company\* (大連港礦石碼頭公司), assistant to the general manager of Dalian Port Corporation Limited\* (大連港集團有限公司) as well as the General Manager of Dalian Port Corporation (Jinzhou) West Liaoning Port Investment and Development Co., Ltd.\* (大連港集團(錦州)遼西港口投資開發有限公司). He currently serves as the chairman of labor union of Dalian Port Corporation Limited\* (大連港集團有限公司) and a non-executive director of the Company. Mr. Yuan graduated from the economics and management department of the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China and from business administration of the Party School of Liaoning Provincial Party Committee and is a senior logistics specialist.

# Profiles of Directors, Supervisors and Senior Management

**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., and the senior specialist of assets and liabilities department of the head office of Agricultural Bank of China. He is currently an independent non-executive director of the Company. 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 chairman, party secretary and general manager of China CNR Dalian Locomotive & Rolling Stock Co., Ltd. (中國北車大連機車車輛有限公司), the president assistant at the headquarters and the general manager of Locomotive Business Department of China CNR Corporation (中國北車集團). He is currently an independent non-executive director of the Company. 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.

**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, Union Medical Healthcare 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 director of Greater China of The CFO Centre Group, a multinational group, as well as an independent non-executive director of the Company. 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) and a fellow member of the Hong Kong Institute of Directors (FHKIoD).

## 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\* (大連港集團有限公司). He is currently the deputy chief economist and the head of capital operation department of Liaoning Port Group Limited, and the chairman of the supervisory committee of the Company. 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, was the senior manager of the Engineering Department of China Merchants International (招商局國際), 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 assistant to the general manager and 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 the Company. Mr. Qi obtained a bachelor degree in Harbour and Waterway Engineering from Dalian University of Technology and a MBA degree from Tsinghua University.



# Profiles of Directors, Supervisors and Senior Management

**Mr. Kong Xianjing (孔憲京先生)**, born in 1952, Chinese. Mr. Kong served as a vice president and the executive deputy secretary of the CPC committee 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. 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 the Company. 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.

**Ms. Zhang Hong (張弘女士)**, born in 1981, Chinese. Ms. Zhang held various positions, including a legal director of Dalian Port Corporation Limited\* (大連港集團有限公司), a legal director of the Dalian Port (PDA) Company Limited, a legal manager and a deputy head of the enterprise development department of Dalian Port Corporation Limited\* (大連港集團有限公司), and a deputy head of the legal department of Liaoning Port Group Limited. Ms. Zhang currently serves as the head of the risk control department/legal compliance department of the Company. Ms. Zhang obtained a bachelor's degree in law from the department of law of Beijing Technology and Business University and a master's degree in engineering from the transportation planning and management department of Dalian Maritime University.

**Mr. Liu Xianfeng (劉顯峰先生)**, born in 1978, Chinese. Mr. Liu held various positions, including a deputy director of the Party work department of Dalian Port Corporation Limited\* (大連港集團有限公司), a section head of the Party affairs management group of Dandong port association management working group of Liaoning Port Group Limited. He currently serves as a deputy director (deputy officer) of the administration department/the Party Committee office of the Company. Mr. Liu graduated from Dalian University of Technology with a master's degree in business administration.

## Senior Management

**Mr. Sun Dequan (孫德泉先生)**, born in 1962, Chinese. Mr. Sun held various positions, including the general manager of Dalian Port Oil Terminal Company, an assistant general manager of Dalian Port Corporation Limited\* (大連港集團有限公司) and the general manager of Dalian Port Oil Terminal Company, and the general manager of Dalian Port Oil Terminal Company. Mr. Sun is currently the general manager of the Company and the general manager of Dalian Port Oil Terminal Company. Mr. Sun obtained a bachelor degree in storage and transportation from East China Petroleum Institute and a master degree in business administration management from Party School of Liaoning Provincial Party Committee. He is a senior engineer.

**Mr. Tai Jingang (台金剛先生)**, born in 1976, Chinese, was a director of the operation department of Dalian Port (PDA) Company Limited. He is currently a deputy general manager of the Company. Mr. Tai obtained a bachelor' degree in mechanical design and manufacturing from Harbin University of Civil Building & Architecture and a masters' degree in mechanical engineering of Dalian University of Technology and is a senior specialist in logistics.

**Mr. Yin Kaiyang (尹凱陽先生)**, born in 1967, Chinese, was a director of corporate development department of Dalian Port Corporation Limited\* (大連港集團有限公司). He is currently a deputy general manager of the Company. Mr. Yin obtained a bachelor's degree in arts from the College of Adult Education of Liaoning University and is a senior specialist in logistics.

# Profiles of Directors, Supervisors and Senior Management

**Mr. Luo Dongxi (羅東曦先生)**, born in 1965, Chinese, was the general manager of Dalian Port Machinery Co., Ltd. and the director of technical engineering department of Dalian Port Corporation Limited\* (大連港集團有限公司). He is currently a deputy general manager of the Company. Mr. Luo obtained a bachelor's degree in hydraulic transmission and control of Wuhan Institute of Water Transportation Engineering and is a senior engineer.

**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\* (大連港集團有限公司), 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, the deputy chief accountant and the deputy head of the finance department of Dalian Port (PDA) Company Limited. She is currently the chief financial officer of the Company. 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. Zhang Tie (張鐵先生)**, born in 1968, Chinese, was the general manager of Dalian Port Passenger Transportation Company. He is currently the chief safety officer of the Company. Mr. Zhang Tie obtained a bachelor's degree in Transportation Management from Changsha Communications College and a master's degree in Transportation Management from Dalian Maritime University and is a senior economist.

**Ms. Wang Huiying (王慧穎女士)**, born in 1978, Chinese, was the Securities Affairs Representative and Investor Relations Manager of Dalian Port (PDA) Company Limited, deputy director of the Listing Division of Dalian Port Corporation Limited\* (大連港集團有限公司) and deputy director of capital operation department of Dalian Port Corporation Limited\* (大連港集團有限公司). She is currently the secretary to the Board, a joint company secretary and the director of Board office of the Company. Ms. Wang obtained a bachelor's degree in international business of Auckland Institute of Studies at ST Helens New Zealand.

**Mr. Lee Kin Yu, Arthur (李健儒先生)**, born in 1959 with Chinese (Hong Kong) nationality, a qualified accountant and a joint company secretary of the Company. Mr. Lee has been a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants since 1993. He graduated from the Chinese University of Hong Kong with a bachelor degree in Arts and the Illinois State University, the U.S. with a master degree in Science.

To all 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 2019, 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 2019, 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 year. 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.

## III. Key Audit Matters (continued)

| Key Audit Matter  | How our audit addressed the Key Audit Matter   |
|---|--|
| <b>Provision for bad debts of accounts receivable</b>   |  |
| <p>As of 31 December 2019, the book balance of the receivables in the consolidated financial statements was RMB2,214,911,527.37, and the provision for bad debts was RMB135,304,831.43. The balance of receivables of Dalian Port (PDA) Company Limited is significant. The assessment of bad debt provisions involves complex and significant judgments and estimates by the management, who has changed the accounting estimates related to expected credit losses this year. Therefore, we identified bad debt provision for receivables as a key audit matter for the audit of the year.</p> <p>For the disclosure of the receivables and the provision for bad debts, please refer to Note V.4 Accounts Receivable and Note V.6 Other Receivables to the financial statements.</p> | <p>Our audit procedures include:</p> <ul style="list-style-type: none"> <li>• The rationality of changes in accounting estimates of expected credit loss, including but not limited to the contents and reasons of changes in accounting estimates, and the impact on amount of the current period, was reviewed;</li> <li>• Reviewed whether the evaluation basis for credit rating of the counterparty to the receivables was reasonable; the supporting records such as contracts, bookkeeping vouchers, and invoices were checked in sample and whether the age of the accounts receivables was accurate; 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 changes in accounting estimates, corresponding receivables and the provision for bad debts in the financial reports was reviewed.</li> </ul> |

## III. Key Audit Matters (continued)

| Key Audit Matter  | How our audit addressed the Key Audit Matter   |
|---|--|
| <b>Impairment of long-term equity investments</b>   |  |
| <p>As of 31 December 2019, the book value of long-term equity investments in the consolidated financial statements was RMB4,146,454,686.56. 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>For the disclosure of long-term equity investments, please refer to Note V.10 Long-term Equity Investments to the financial reports.</p> | <p>The audit procedures we performed include:</p> <ul style="list-style-type: none"> <li>• 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>• Used the work of internal valuation experts, reviewed the rationality of the management's impairment test methods, models and key parameters;</li> <li>• The disclosure of long-term equity investments and long-term equity impairments in financial reports was reviewed.</li> </ul> |

## 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 intends to liquidate the Company or to cease operations, or has 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.

## 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 contents 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

*Certified Public Accountant:*

**Wang Tianqing**

(Project partner)

Beijing, the People's Republic of China  
26 March 2020

*Certified Public Accountant:*

**Xue Wei**

# Consolidated Balance Sheet

31 December 2019  
In RMB

|   | Note V | 31 December 2019         | 31 December 2018  |
|---|--------|--------------------------|-------------------|
| <b>ASSETS</b>                           |        |                          |                   |
| <b>Current assets</b>                   |        |                          |                   |
| Cash at bank and on hand                | 1      | 4,051,413,174.71         | 5,757,830,508.67  |
| Tradable financial assets               | 2      | 304,951,193.83           | 1,892,520,046.14  |
| Notes receivable                        | 3      | 248,851,749.33           | 289,238,760.63    |
| Accounts receivable                     | 4      | 1,322,772,566.55         | 658,194,719.05    |
| Advances to suppliers                   | 5      | 34,353,478.37            | 34,835,097.24     |
| Other receivables                       | 6      | 756,834,129.39           | 634,474,737.09    |
| Inventories                             | 7      | 105,065,586.94           | 149,488,331.40    |
| Contract assets                         | 8      | –                        | 37,162,200.00     |
| Other current assets                    | 9      | 66,743,698.10            | 105,735,304.45    |
| <b>Total current assets</b>             |        | <b>6,890,985,577.22</b>  | 9,559,479,704.67  |
| <b>Non-current assets</b>               |        |                          |                   |
| Long-term equity investments            | 10     | 4,146,454,686.56         | 4,196,535,238.90  |
| Other investments in equity instruments | 11     | 189,782,564.95           | 179,146,371.30    |
| Investment properties                   | 12     | 193,819,795.94           | 202,719,406.14    |
| Fixed assets                            | 13     | 16,633,125,202.39        | 17,208,306,962.50 |
| Construction in progress                | 14     | 1,969,780,788.67         | 2,030,344,333.55  |
| Right-of-use assets                     | 15     | 3,126,927,918.95         | –                 |
| Intangible assets                       | 16     | 1,717,519,475.31         | 1,724,973,793.88  |
| Goodwill                                | 17     | 20,433,690.59            | 20,433,690.59     |
| Long-term prepaid expenses              | 18     | 66,308,928.28            | 76,195,345.33     |
| Deferred tax assets                     | 19     | 100,709,875.21           | 81,148,594.18     |
| Other non-current assets                | 20     | 42,426,036.58            | 36,299,731.85     |
| <b>Total non-current assets</b>         |        | <b>28,207,288,963.43</b> | 25,756,103,468.22 |
| <b>TOTAL ASSETS</b>                     |        | <b>35,098,274,540.65</b> | 35,315,583,172.89 |

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



# Consolidated Balance Sheet (continued)

31 December 2019  
In RMB

|   | Note V | 31 December 2019         | 31 December 2018  |
|---|--------|--------------------------|-------------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                     |        |                          |                   |
| <b>Current liabilities</b>                                      |        |                          |                   |
| Short-term borrowings   | 22     | 497,660,595.83           | 3,404,071,430.31  |
| Accounts payable  | 23     | 189,817,515.63           | 224,442,511.34    |
| Advances from customers   | 24     | 7,070,884.59             | 6,153,114.57      |
| Contractual liabilities   | 25     | 34,297,750.03            | 45,783,239.08     |
| Employee benefits payable                                       | 26     | 240,218,522.22           | 260,854,026.38    |
| Taxes payable   | 27     | 96,991,071.20            | 54,113,243.93     |
| Other payables  | 28     | 910,581,896.50           | 740,764,133.44    |
| Non-current liabilities due within one year                     | 29     | 400,779,150.69           | 965,808,339.33    |
| <b>Total current liabilities</b>                                |        | <b>2,377,417,386.69</b>  | 5,701,990,038.38  |
| <b>Non-current liabilities</b>                                  |        |                          |                   |
| Long-term borrowings  | 30     | 1,508,698,814.40         | 2,052,026,017.12  |
| Bonds payable   | 31     | 5,884,379,767.90         | 5,873,223,359.39  |
| Lease liabilities   | 32     | 3,132,442,496.82         | –                 |
| Long-term payables  | 33     | 32,500,000.00            | 40,000,000.00     |
| Deferred income   | 34     | 549,490,699.73           | 587,760,573.96    |
| Deferred tax liabilities  | 19     | 113,385,648.38           | 111,725,442.87    |
| Other non-current liabilities                                   | 35     | 95,544,136.00            | 88,541,797.00     |
| <b>Total non-current liabilities</b>                            |        | <b>11,316,441,563.23</b> | 8,753,277,190.34  |
| <b>Total liabilities</b>  |        | <b>13,693,858,949.92</b> | 14,455,267,228.72 |
| <b>Shareholders' Equity</b>                                     |        |                          |                   |
| Share capital   | 36     | 12,894,535,999.00        | 12,894,535,999.00 |
| Capital surplus   | 37     | 2,938,747,542.52         | 2,935,193,506.32  |
| Other comprehensive income                                      | 38     | 70,943,358.93            | 5,924,000.77      |
| Specific reserve  | 39     | 38,503,545.54            | 32,179,588.47     |
| Surplus reserve   | 40     | 896,529,171.28           | 823,997,607.17    |
| Undistributed profits   | 41     | 1,930,530,105.98         | 1,584,535,562.22  |
| <b>Total equity attributable to shareholders of the Company</b> |        | <b>18,769,789,723.25</b> | 18,276,366,263.95 |
| <b>Minority interests</b>                                       |        | <b>2,634,625,867.48</b>  | 2,583,949,680.22  |
| <b>Total shareholders' equity</b>                               |        | <b>21,404,415,590.73</b> | 20,860,315,944.17 |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>               |        | <b>35,098,274,540.65</b> | 35,315,583,172.89 |

The financial statements are signed by:

Legal representative:  
Wei Minghui

Principal in charge of accounting:  
Wang Ping

Head of accounting department:  
Wang Jinsong

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

# Consolidated Income Statement

2019  
In RMB

|   | Note V | 2019                    | 2018             |
|---|--------|-------------------------|------------------|
| <b>Revenue</b>  | 42     | <b>6,645,907,276.19</b> | 6,754,444,902.38 |
| Less: Cost of sales   | 42     | <b>4,654,940,360.28</b> | 5,141,735,182.50 |
| Taxes and surcharges  | 43     | <b>58,424,293.22</b>    | 55,163,579.61    |
| Selling and distribution expenses   |        | <b>266,329.03</b>       | 677,390.25       |
| General and administrative expenses                                       | 44     | <b>658,917,252.38</b>   | 690,284,666.90   |
| Research and development expenses   | 45     | <b>14,842,826.17</b>    | 11,724,226.88    |
| Financial expenses  | 46     | <b>580,891,348.90</b>   | 288,306,943.32   |
| Including: Interest expenses  |        | <b>668,088,597.18</b>   | 596,102,239.30   |
| Interest income   |        | <b>62,587,427.37</b>    | 128,417,485.76   |
| Add: Other income   | 47     | <b>106,352,640.53</b>   | 85,358,984.79    |
| Investment income (loss represented by "-")                               | 48     | <b>365,068,663.83</b>   | 280,500,274.39   |
| Including: Share of profit of associates and joint ventures               |        | <b>309,660,253.74</b>   | 250,423,644.20   |
| Profits from changes in fair value (loss represented by "-")              | 49     | <b>-930,957.50</b>      | 4,435,068.00     |
| Credit impairment losses (loss represented by "-")                        | 50     | <b>-15,740,841.83</b>   | -77,901,590.39   |
| Gains on disposals of assets (loss represented by "-")                    | 51     | <b>4,115,594.45</b>     | 450,029.12       |
| <b>Operating profit (net loss represented by "-")</b>                     |        | <b>1,136,489,965.69</b> | 859,395,678.83   |
| Add: Non-operating income   | 52     | <b>45,618,617.77</b>    | 21,494,785.64    |
| Less: Non-operating expenses  | 53     | <b>19,935,349.98</b>    | 5,410,743.16     |
| <b>Total profit (total loss represented by "-")</b>                       |        | <b>1,162,173,233.48</b> | 875,479,721.31   |
| Less: Income tax expenses   | 54     | <b>267,241,328.40</b>   | 193,498,370.29   |
| <b>Net profit (net loss represented by "-")</b>                           |        | <b>894,931,905.08</b>   | 681,981,351.02   |
| Classified by continuity of operations                                    |        |                         |                  |
| Net profit from continuing operations (loss represented by "-")           |        | <b>894,931,905.08</b>   | 681,981,351.02   |
| Classified by ownership of the equity                                     |        |                         |                  |
| Attributable to shareholders of the Company (net loss represented by "-") |        | <b>718,230,462.31</b>   | 523,315,600.09   |
| Minority interests (net loss represented by "-")                          |        | <b>176,701,442.77</b>   | 158,665,750.93   |

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

# Consolidated Income Statement (continued)

2019  
In RMB

|   | Note V | 2019                  | 2018           |
|---|--------|-----------------------|----------------|
| <b>Other comprehensive income, net of tax</b>   |        | <b>23,934,894.06</b>  | -1,106,775.80  |
| Attributable to shareholders of the Company, net of tax                                 | 38     | <b>23,803,781.53</b>  | -874,034.80    |
| Other comprehensive income that will not be subsequently reclassified to profit or loss |        | <b>24,701,371.63</b>  | -10,409,767.71 |
| Changes in fair value of other investments in equity instruments                        |        | <b>24,701,371.63</b>  | -10,409,767.71 |
| Other comprehensive income that will be subsequently reclassified to profit or loss     |        | <b>-897,590.10</b>    | 9,535,732.91   |
| Translation differences on translation of foreign currency financial statements         |        | <b>-897,590.10</b>    | 9,535,732.91   |
| Attributable to minority interests  | 38     | <b>131,112.53</b>     | -232,741.00    |
| <b>Total comprehensive income</b>   |        | <b>918,866,799.14</b> | 680,874,575.22 |
| Including:  |        |                       |                |
| Attributable to shareholders of the Company   |        | <b>742,034,243.84</b> | 522,441,565.29 |
| Attributable to minority interests  |        | <b>176,832,555.30</b> | 158,433,009.93 |
| <b>Earnings per share</b>   |        |                       |                |
| Basic and diluted earnings per share  | 56     | <b>0.06</b>           | 0.04           |

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

# Consolidated Statement of Changes in Shareholders' Equity

2019  
In RMB

2019

|  | Attributable to shareholders of the Company |                  |                            |  |                  |                 |                       |                   |                    | Total shareholder's equity |
|--|---|------------------|----------------------------|--|------------------|-----------------|-----------------------|-------------------|--------------------|----------------------------|
|  | Share capital                               | Capital surplus  | Other comprehensive income | Including: Translation differences on translation of foreign currency financial statements | Specific reserve | Surplus reserve | Undistributed profits | Subtotal          | Minority interests |                            |
| I. Balance as at 31 December 2018                              | 12,894,535,999.00                           | 2,935,193,506.32 | 5,924,000.77               | 38,774,283.33  | 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          |
| Add: Changes of accounting policies                            | -   | -                | -                          | -  | -                | -               | -7,703,297.95         | -7,703,297.95     | -                  | -7,703,297.95              |
| II. Balance as at 1 January 2019                               | 12,894,535,999.00                           | 2,935,193,506.32 | 5,924,000.77               | 38,774,283.33  | 32,179,588.47    | 823,997,607.17  | 1,576,832,264.27      | 18,268,662,966.00 | 2,583,949,680.22   | 20,852,612,646.22          |
| III. Changes for the year<br>(decrease represented by "-")     |   |                  |                            |  |                  |                 |                       |                   |                    |                            |
| (I) Total comprehensive income                                 |   |                  |                            |  |                  |                 |                       |                   |                    |                            |
| 1. Net profit  | -   | -                | -                          | -  | -                | -               | 718,230,462.31        | 718,230,462.31    | 176,701,442.77     | 894,931,905.08             |
| 2. Other comprehensive income                                  | -   | -                | 23,803,781.53              | -897,590.10  | -                | -               | -                     | 23,803,781.53     | 131,112.53         | 23,934,894.06              |
| (II) Capital contribution and withdrawal by shareholders       |   |                  |                            |  |                  |                 |                       |                   |                    |                            |
| 1. Other   | -   | 3,554,036.20     | -                          | -  | -                | -               | -                     | 3,554,036.20      | -                  | 3,554,036.20               |
| (III) Profit distribution                                      |   |                  |                            |  |                  |                 |                       |                   |                    |                            |
| 1. Appropriation to surplus reserve                            | -   | -                | -                          | -  | -                | 72,531,564.11   | -72,531,564.11        | -                 | -                  | -                          |
| 2. Profit distribution to shareholders                         | -   | -                | -                          | -  | -                | -               | -244,996,183.98       | -244,996,183.98   | -122,357,605.98    | -367,353,789.96            |
| 3. Appropriation to employee bonus and welfare fund            | -   | -                | -                          | -  | -                | -               | -5,789,295.88         | -5,789,295.88     | -6,211,752.55      | -12,001,048.43             |
| (IV) Internal carry-over of shareholders' equity               |   |                  |                            |  |                  |                 |                       |                   |                    |                            |
| 1. Other comprehensive income Transferred to retained earnings | -   | -                | 41,215,576.63              | -  | -                | -               | -41,215,576.63        | -                 | -                  | -                          |
| (V) Specific reserve   |   |                  |                            |  |                  |                 |                       |                   |                    |                            |
| 1. Accrued in the current year                                 | -   | -                | -                          | -  | 38,414,599.61    | -               | -                     | 38,414,599.61     | 7,959,938.61       | 46,374,538.22              |
| 2. Utilised in the current year                                | -   | -                | -                          | -  | -32,090,642.54   | -               | -                     | -32,090,642.54    | -5,546,948.12      | -37,637,590.66             |
| IV. Balance at 31 December 2019                                | 12,894,535,999.00                           | 2,938,747,542.52 | 70,943,358.93              | 37,876,693.23  | 38,503,545.54    | 896,529,171.28  | 1,930,530,105.98      | 18,769,789,723.25 | 2,634,625,867.48   | 21,404,415,590.73          |

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

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

2019  
In RMB

2018

|  | Attributable to shareholders of the Company |                  |                            |  |                  |                 |                       |                   |                    |                            |
|--|---|------------------|----------------------------|--|------------------|-----------------|-----------------------|-------------------|--------------------|----------------------------|
|  | Share capital                               | Capital surplus  | Other comprehensive income | Including: Translation differences on translation of foreign currency financial statements | Specific reserve | Surplus reserve | Undistributed profits | Subtotal          | Minority interests | Total shareholder's equity |
| I. Balance as at 31 December 2017                          | 12,894,535,999.00                           | 2,928,604,715.37 | 29,398,184.15              | 29,238,550.42  | 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                        | -   | -                | -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               | 29,238,550.42  | 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 year<br>(decrease represented by "-") |   |                  |                            |  |                  |                 |                       |                   |                    |                            |
| (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                | 9,535,732.91   | -                | -               | -                     | -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              |
| 3. Other   | -   | 1,353,813.30     | -                          | -  | -                | -               | -                     | 1,353,813.30      | -                  | 1,353,813.30               |
| (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             |
| IV. Balance at 31 December 2018                            | 12,894,535,999.00                           | 2,935,193,506.32 | 5,924,000.77               | 38,774,283.33  | 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 Cash Flow Statement

2019  
In RMB

|   | Note V | 2019                    | 2018              |
|---|--------|-------------------------|-------------------|
| <b>I. Cash flows from operating activities</b>  |        |                         |                   |
| Cash received from sales of goods or rendering of services                                    |        | <b>6,496,755,538.16</b> | 7,168,829,801.83  |
| Cash received relating to other operating activities  | 57     | <b>197,093,225.94</b>   | 245,229,988.93    |
| <b>Sub-total of cash inflows</b>  |        | <b>6,693,848,764.10</b> | 7,414,059,790.76  |
| Cash paid for goods and services  |        | <b>2,856,201,143.23</b> | 3,275,616,232.49  |
| Cash paid to and on behalf of employees   |        | <b>1,725,826,768.45</b> | 1,695,188,339.10  |
| Payments of taxes and surcharges  |        | <b>364,169,230.19</b>   | 380,387,808.54    |
| Cash paid relating to other operating activities  | 57     | <b>141,059,638.72</b>   | 177,241,677.30    |
| <b>Sub-total of cash outflows</b>   |        | <b>5,087,256,780.59</b> | 5,528,434,057.43  |
| <b>Net cash flows from operating activities</b>   | 58     | <b>1,606,591,983.51</b> | 1,885,625,733.33  |
| <b>II. Cash flows from investing activities</b>   |        |                         |                   |
| Cash received from disposal of investments  |        | <b>6,058,709,012.30</b> | 2,011,260,364.48  |
| Cash received from returns on investments   |        | <b>269,461,080.44</b>   | 239,692,696.60    |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets |        | <b>438,160.00</b>       | 132,170.77        |
| Cash received relating to other investing activities  | 57     | <b>170,008,020.00</b>   | 827,116,673.92    |
| <b>Sub-total of cash inflows</b>  |        | <b>6,498,616,272.74</b> | 3,078,201,905.77  |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets               |        | <b>243,033,430.86</b>   | 489,326,459.21    |
| Cash paid to acquire investments  |        | <b>4,468,291,810.00</b> | 3,600,073,200.00  |
| Net cash paid to acquire subsidiaries and other business units                                | 58     | <b>-</b>                | 42,203,857.88     |
| Cash paid relating to other investing activities  | 57     | <b>3,321,664.77</b>     | 391,253,567.95    |
| <b>Sub-total of cash outflows</b>   |        | <b>4,714,646,905.63</b> | 4,522,857,085.04  |
| <b>Net cash flows from investing activities</b>   |        | <b>1,783,969,367.11</b> | -1,444,655,179.27 |

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

# Consolidated Cash Flow Statement (continued)

2019  
In RMB

|   | Note V | 2019                     | 2018              |
|---|--------|--------------------------|-------------------|
| <b>III. Cash flows from financing activities</b>  |        |                          |                   |
| Cash received from borrowings   |        | 2,053,000,000.00         | 6,070,615,292.33  |
| Cash received from issuance of bonds  |        | -                        | 2,500,000,000.00  |
| <b>Sub-total of cash inflows</b>  |        | <b>2,053,000,000.00</b>  | 8,570,615,292.33  |
| Cash repayments of borrowings   |        | 5,902,836,555.01         | 9,591,969,318.54  |
| Cash payments for interest expenses and distribution of dividends or profits              |        | 835,057,849.96           | 956,591,787.64    |
| Including: Cash payments for dividends or profit to minority shareholders of subsidiaries |        | 100,813,919.08           | 170,179,702.52    |
| Cash paid relating to other financing activities  | 57     | 245,168,246.94           | 26,129,115.75     |
| <b>Sub-total of cash outflows</b>   |        | <b>6,983,062,651.91</b>  | 10,574,690,221.93 |
| <b>Net cash flows from financing activities</b>   |        | <b>-4,930,062,651.91</b> | -2,004,074,929.60 |
| <b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>           |        | <b>27,295,721.46</b>     | 191,851,645.28    |
| <b>V. Net increase in cash and cash equivalents</b>                                       |        | <b>-1,512,205,579.83</b> | -1,371,252,730.26 |
| Add: Cash and cash equivalents at the beginning of the year                               |        | 5,554,545,244.33         | 6,925,797,974.59  |
| <b>VI. Cash and cash equivalents at the end of the year</b>                               | 58     | <b>4,042,339,664.50</b>  | 5,554,545,244.33  |

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

# Company Balance Sheet

31 December 2019  
In RMB

|   | Note XIV | 31 December 2019         | 31 December 2018         |
|---|----------|--------------------------|--------------------------|
| <b>ASSETS</b>                           |          |                          |                          |
| <b>Current assets</b>                   |          |                          |                          |
| Cash at bank and on hand                |          | 2,667,067,531.46         | 3,823,067,078.13         |
| Tradable financial assets               |          | 304,951,193.83           | 1,892,520,046.14         |
| Notes receivable                        |          | 203,093,165.69           | 255,450,984.64           |
| Accounts receivable                     | 1        | 988,897,685.64           | 327,104,715.96           |
| Advances to suppliers                   |          | 6,422,443.00             | 5,272,763.37             |
| Other receivables                       | 2        | 1,488,764,521.13         | 1,608,967,592.81         |
| Inventories                             |          | 41,221,158.41            | 45,926,997.25            |
| Contractual assets                      |          | –                        | 37,162,200.00            |
| Non-current assets due within one year  |          | 18,045,516.44            | 4,293,196.03             |
| Other current assets                    |          | 3,398,327.10             | 28,078,751.88            |
| <b>Total current assets</b>             |          | <b>5,721,861,542.70</b>  | <b>8,027,844,326.21</b>  |
| <b>Non-current assets</b>               |          |                          |                          |
| Long-term receivables                   |          | 310,000,000.00           | 310,000,000.00           |
| Long-term equity investments            | 3        | 7,986,517,316.61         | 8,044,257,892.34         |
| Other investments in equity instruments |          | 23,359,026.40            | 19,317,452.40            |
| Fixed assets                            |          | 10,123,538,837.06        | 10,527,133,194.06        |
| Construction in progress                |          | 1,416,865,303.35         | 1,373,780,735.02         |
| Right-of-use assets                     |          | 2,847,289,690.63         | –                        |
| Intangible assets                       |          | 552,554,874.41           | 549,672,036.07           |
| Long-term prepaid expenses              |          | 23,558,422.05            | 22,884,711.91            |
| Deferred tax assets                     |          | 44,760,329.15            | 27,809,850.08            |
| Other non-current assets                |          | 1,860,000.00             | 3,901,000.00             |
| <b>Total non-current assets</b>         |          | <b>23,330,303,799.66</b> | <b>20,878,756,871.88</b> |
| <b>TOTAL ASSETS</b>                     |          | <b>29,052,165,342.36</b> | <b>28,906,601,198.09</b> |

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



# Company Balance Sheet (continued)

31 December 2019  
In RMB

|   | 31 December 2019         | 31 December 2018  |
|---|--------------------------|-------------------|
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                          |                   |
| <b>Current liabilities</b>                        |                          |                   |
| Short-term borrowings                             | –                        | 3,164,200,106.26  |
| Accounts payable                                  | <b>38,113,226.37</b>     | 52,373,570.78     |
| Advances from customers                           | <b>553,251.23</b>        | 3,353,050.80      |
| Contractual liabilities                           | <b>24,014,305.01</b>     | 28,435,826.37     |
| Employee benefits payable                         | <b>136,336,330.09</b>    | 142,766,940.38    |
| Taxes payable                                     | <b>31,612,947.82</b>     | 4,626,007.40      |
| Other payables                                    | <b>274,296,594.40</b>    | 330,977,696.74    |
| Non-current liabilities due within one year       | <b>205,383,855.22</b>    | 169,721,889.64    |
| <b>Total current liabilities</b>                  | <b>710,310,510.14</b>    | 3,896,455,088.37  |
| <b>Non-current liabilities</b>                    |                          |                   |
| Bonds payable                                     | <b>5,884,379,767.90</b>  | 5,873,223,359.39  |
| Lease liabilities                                 | <b>2,864,143,612.01</b>  | –                 |
| Long-term payables                                | <b>15,000,000.00</b>     | 22,500,000.00     |
| Deferred income                                   | <b>525,263,636.58</b>    | 563,012,261.85    |
| Deferred tax liabilities                          | <b>2,172,992.23</b>      | 1,162,598.73      |
| Other non-current liabilities                     | <b>95,544,136.00</b>     | 88,541,797.00     |
| <b>Total non-current liabilities</b>              | <b>9,386,504,144.72</b>  | 6,548,440,016.97  |
| <b>Total liabilities</b>                          | <b>10,096,814,654.86</b> | 10,444,895,105.34 |
| <b>Shareholders' equity</b>                       |                          |                   |
| Share capital                                     | <b>12,894,535,999.00</b> | 12,894,535,999.00 |
| Capital surplus                                   | <b>3,047,794,637.96</b>  | 3,044,416,520.66  |
| Other comprehensive income                        | <b>6,518,976.67</b>      | 3,487,796.18      |
| Specific reserve                                  | <b>30,179,695.36</b>     | 23,263,855.52     |
| Surplus reserve                                   | <b>851,648,908.53</b>    | 779,117,344.42    |
| Undistributed profits                             | <b>2,124,672,469.98</b>  | 1,716,884,576.97  |
| <b>Total equity attributable to shareholders</b>  | <b>18,955,350,687.50</b> | 18,461,706,092.75 |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>29,052,165,342.36</b> | 28,906,601,198.09 |

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

# Company Income Statement

2019  
In RMB

|   | Note XIV | 2019                    | 2018             |
|---|----------|-------------------------|------------------|
| <b>Revenue</b>  | 4        | <b>3,507,573,030.84</b> | 3,105,530,729.01 |
| Less: Cost of sales   | 4        | <b>2,342,328,841.53</b> | 2,269,535,833.58 |
| Taxes and surcharges  |          | <b>34,394,753.73</b>    | 30,416,988.81    |
| General and administrative expenses   |          | <b>403,903,877.63</b>   | 401,524,330.66   |
| Research and development expenses   |          | <b>29,165.00</b>        | 186,082.09       |
| Financial expenses  |          | <b>460,030,911.97</b>   | 161,676,316.50   |
| Including: Interest expenses  |          | <b>526,152,411.37</b>   | 444,996,688.81   |
| Interest income   |          | <b>44,724,415.74</b>    | 103,452,240.54   |
| Add: Other income   |          | <b>54,323,637.38</b>    | 46,942,377.53    |
| Investment income (loss represented by “-”)   | 5        | <b>527,090,050.17</b>   | 473,959,451.45   |
| Including: Share of profit of associates and joint ventures                             |          | <b>290,265,761.39</b>   | 228,091,077.59   |
| Profits from changes in fair value (loss represented by “-”)                            |          | <b>-930,957.50</b>      | -402,060.00      |
| Credit impairment losses (loss represented by “-”)                                      |          | <b>-8,905,764.95</b>    | -55,206,356.55   |
| Gains on disposals of assets (loss represented by “-”)                                  |          | <b>170,872.06</b>       | 427,855.35       |
| <b>Operating profit (loss represented by “-”)</b>                                       |          | <b>838,633,318.14</b>   | 707,912,445.15   |
| Add: Non-operating income   |          | <b>3,293,250.29</b>     | 10,668,314.88    |
| Less: Non-operating expenses  |          | <b>18,881,410.45</b>    | 4,882,763.63     |
| <b>Total profit (total loss represented by “-”)</b>                                     |          | <b>823,045,157.98</b>   | 713,697,996.40   |
| Less: Income tax expenses   |          | <b>97,729,516.88</b>    | 60,876,270.13    |
| <b>Net profit (net loss represented by “-”)</b>   |          | <b>725,315,641.10</b>   | 652,821,726.27   |
| Including: Net profit from continuing operations (net loss represented by “-”)          |          | <b>725,315,641.10</b>   | 652,821,726.27   |
| Other comprehensive income, net of tax  |          | <b>3,031,180.49</b>     | -2,064,769.86    |
| Other comprehensive income that will not be subsequently reclassified to profit or loss |          | <b>3,031,180.49</b>     | -2,064,769.86    |
| Changes in fair value of other investments in equity instruments                        |          | <b>3,031,180.49</b>     | -2,064,769.86    |
| <b>Total comprehensive income</b>   |          | <b>728,346,821.59</b>   | 650,756,956.41   |

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

# Company Statement of Changes in Shareholders' Equity

2019  
In RMB

2019

|  | Share capital     | Capital surplus  | Other comprehensive income | Specific reserve | Surplus reserve | Undistributed profits | Total shareholder's equity |
|--|-------------------|------------------|----------------------------|------------------|-----------------|-----------------------|----------------------------|
| I. Balance as at 1 January 2019                      | 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          |
| II. Changes for the period (loss represented by "-") |                   |                  |                            |                  |                 |                       |                            |
| (I) Total comprehensive income                       |                   |                  |                            |                  |                 |                       |                            |
| 1. Net profit  | -                 | -                | -                          | -                | -               | 725,315,641.10        | 725,315,641.10             |
| 2. Other comprehensive income                        | -                 | -                | 3,031,180.49               | -                | -               | -                     | 3,031,180.49               |
| (II) Profit distribution                             |                   |                  |                            |                  |                 |                       |                            |
| 1. Appropriation to surplus reserve                  | -                 | -                | -                          | -                | 72,531,564.11   | -72,531,564.11        | -                          |
| 2. Profit distribution to shareholders               | -                 | -                | -                          | -                | -               | -244,996,183.98       | -244,996,183.98            |
| (III) Special reserve                                |                   |                  |                            |                  |                 |                       |                            |
| 1. Accrued in the current year                       | -                 | -                | -                          | 25,552,158.65    | -               | -                     | 25,552,158.65              |
| 2. Utilised in the current year                      | -                 | -                | -                          | -18,636,318.81   | -               | -                     | -18,636,318.81             |
| (IV) Others  | -                 | 3,378,117.30     | -                          | -                | -               | -                     | 3,378,117.30               |
| III. Balance at 31 December 2019                     | 12,894,535,999.00 | 3,047,794,637.96 | 6,518,976.67               | 30,179,695.36    | 851,648,908.53  | 2,124,672,469.98      | 18,955,350,687.50          |

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

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

2019  
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<br>(loss represented by "-") |                   |                  |                            |                  |                 |                       |                            |
| (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 2018                          | 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.

# Company Cash Flow Statement

2019  
In RMB

|   | Note XIV | 2019                    | 2018              |
|---|----------|-------------------------|-------------------|
| <b>I. Cash flows from operating activities</b>  |          |                         |                   |
| Cash received from sales of goods or rendering of services                                    |          | 3,061,794,031.10        | 3,128,367,647.43  |
| Cash received relating to other operating activities  |          | 98,153,927.55           | 171,036,329.98    |
| <b>Sub-total of cash inflows</b>  |          | <b>3,159,947,958.65</b> | 3,299,403,977.41  |
| Cash paid for goods and services  |          | 1,114,167,206.69        | 1,007,607,302.77  |
| Cash paid to and on behalf of employees   |          | 1,100,843,255.52        | 1,052,768,196.54  |
| Payments of taxes and surcharges  |          | 189,885,342.17          | 159,744,121.78    |
| Cash paid relating to other operating activities  |          | 94,968,441.70           | 108,222,492.79    |
| <b>Sub-total of cash outflows</b>   |          | <b>2,499,864,246.08</b> | 2,328,342,113.88  |
| <b>Net cash flows from operating activities</b>   | 6        | <b>660,083,712.57</b>   | 971,061,863.53    |
| <b>II. Cash flows from investing activities</b>   |          |                         |                   |
| Cash received from disposal of investments  |          | 6,330,520,163.18        | 2,020,085,290.00  |
| Cash received from returns on investments   |          | 406,789,375.65          | 187,898,609.87    |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets |          | 292,455.49              | 1,644.00          |
| Cash received relating to other investing activities  |          | -                       | 6,721,655.01      |
| <b>Sub-total of cash inflows</b>  |          | <b>6,737,601,994.32</b> | 2,214,707,198.88  |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets               |          | 129,250,780.15          | 382,494,337.52    |
| Cash paid to acquire investments  |          | 4,463,335,516.44        | 3,827,100,400.00  |
| Cash paid relating to other investing activities  |          | 7,509,123.52            | 122,121.38        |
| <b>Sub-total of cash outflows</b>   |          | <b>4,600,095,420.11</b> | 4,209,716,858.90  |
| <b>Net cash flows from investing activities</b>   |          | <b>2,137,506,574.21</b> | -1,995,009,660.02 |

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

# Company Cash Flow Statement (continued)

2019  
In RMB

|   | 2019                     | 2018              |
|---|--------------------------|-------------------|
| <b>III. Cash flows from financing activities</b>                                |                          |                   |
| Cash received from borrowings   | 111,000,000.00           | 5,099,000,000.00  |
| Cash received from issuance of bonds  | -                        | 2,500,000,000.00  |
| <b>Sub-total of cash inflows</b>  | <b>111,000,000.00</b>    | 7,599,000,000.00  |
| Cash repayments of borrowings   | 3,266,022,531.00         | 7,089,000,000.00  |
| Cash payments for interest expenses and distribution of dividends or profits    | 614,278,064.38           | 760,649,394.52    |
| Cash paid relating to other financing activities                                | 187,309,236.52           | 8,367,907.70      |
| <b>Sub-total of cash outflows</b>   | <b>4,067,609,831.90</b>  | 7,858,017,302.22  |
| <b>Net cash flows from financing activities</b>                                 | <b>-3,956,609,831.90</b> | -259,017,302.22   |
| <b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b> | <b>23,691,629.09</b>     | 180,457,345.58    |
| <b>V. Net increase in cash and cash equivalents</b>                             | <b>-1,135,327,916.03</b> | -1,102,507,753.13 |
| Add: Cash and cash equivalents at the beginning of the year                     | 3,802,220,542.48         | 4,904,728,295.61  |
| <b>VI. Cash and cash equivalents at the end of the year</b>                     | <b>2,666,892,626.45</b>  | 3,802,220,542.48  |

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

# Notes to the Financial Statements

2019  
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 2010, 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; crude oil storage in the port area (conduct with the grant of license); 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 and ultimate company of the Group is Dalian Port Corporation Limited and China Merchants Group Ltd. established in the PRC.

These financial statements were approved and authorised for issue by the Company’s Board of Directors on 26 March 2020.

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.

## 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)

2019  
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 2019 and their financial performance, cash flows for the year of 2019.

### 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)

2019  
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)

2019  
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 differences thus resulted are recognised in profit or loss or as other comprehensive income of the current period.

# Notes to the Financial Statements (continued)

2019  
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 balance sheet are translated using the spot exchange rates at the balance sheet date, and equity items other than “undistributed profits” 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. 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

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;
- (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)

2019  
In RMB

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

### 9. Financial instruments (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. All affected financial assets are reclassified only when the Group changes its business model for managing financial assets.

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.

#### *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.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 9. Financial instruments (continued)

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

##### *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.

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

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities. 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:

##### *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.

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.

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, and calculates interest income based on book balance and effective interest rate. If the credit risk has increased significantly with a credit impairment 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 amortised costs 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.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 9. Financial instruments (continued)

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

The Group assesses the expected credit losses of financial instruments based on internal credit risk rating. The Group considered the credit risk characteristics of different customers and assessed the expected credit losses of receivables based on the credit risk rating.

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.

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

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 10. 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 for the current period. 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.

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.

### 11. Long-term equity investments

Long-term equity investments include equity 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)

2019  
In RMB

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

### 11. 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, upon acquisition of the long-term equity investment, 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)

2019  
In RMB

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

### 11. 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.

### 12. 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.

### 13. 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)

2019  
In RMB

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

### 13. 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:

|                          | <b>Estimated<br/>useful life</b> | <b>Estimated<br/>residual value<br/>rate</b> | <b>Annual<br/>depreciation<br/>rate</b> |
|--------------------------|----------------------------------|--|---|
| 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.

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.

### 14. 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, investment property or intangible assets when the asset is ready for its intended use.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 15. 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)

2019  
In RMB

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

### 16. Right-of-use assets (applicable from 1 January 2019)

Right-of-use assets of the Group mainly include land use rights, storage facilities, buildings, transportation equipment, terminal facilities and others.

At the commencement date of lease term, the Group recognizes its right to use the leased asset for the lease term as right-of-use assets, including the amount of the initial measurement of lease liability; lease payments made at or before the inception of the lease less any lease incentives already received (if there is a lease incentive); initial direct costs incurred by the lessee; an estimate of costs to be incurred by the lessee in dismantling and removing the leased assets, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease. Right-of-use assets are depreciated by categories using the straight-line method. If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation rates are determined over the estimated remaining useful life of leased asset; if there is no reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation rates are determined over the shorter of the lease term and the estimated remaining useful life.

The Group remeasures the lease liability according to the present value of the changed lease payment, and adjusts the book value of the right-of-use asset accordingly. The carrying amount of the right-of-use asset has been reduced to zero. However, if the lease liability still needs to be further reduced, the Group will include the remaining amount in the current profit and loss.

### 17. 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 Group 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 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.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 17. Intangible assets (continued)

The useful lives of the intangible assets are as follows:

|                                   | <b>Estimated<br/>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.

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.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 18. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, contract assets, 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.

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.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 19. 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                    |
| Reconstruction of No. 6 Bridge        | 5 years                    |
| Others                                | 2 – 5 years                |

### 20. Employee benefits

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

#### **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.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 21. Lease liabilities (applicable from 1 January 2019)

On the commencement date of the lease term, the Group recognises the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period, except where it is otherwise included in the cost of relevant assets. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred, except where it is otherwise included in the cost of relevant assets.

After the commencement date of the lease term, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, the index or ratio used to determine the lease payment amount changes, or the assessment results or actual exercise rights of the purchase option, the renewal option or the termination option change, the Group re-measures the lease liability based on the present value of the changed lease payments.

### 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)

2019  
In RMB

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

### 23. Revenue from contracts with customers

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 determines the performance progress for rendering of services based on the investment method and in accordance with costs incurred and schedule. 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 control over goods or services, 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 goods or services within the contract period based on the effective interest rate method. The effects of a significant financing component shall not be considered if the Group expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

#### *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)

2019  
In RMB

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

### 24. Contractual assets and contractual liabilities

The Group presents the contractual assets or contractual liabilities in the balance sheet according to the relation between the obligations and the customer payments. The Group will present the net amount after offsetting the contractual assets with the contractual liabilities under the same contract.

#### *Contractual assets*

Contractual assets presents the right to collect consideration from the customer which arises from the transfer of goods or services to the customer and depends on factors other than time lapse.

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*

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

### 25. Assets related to contractual cost

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 charges it into current profit and loss.

If the incremental cost incurred for contract acquisition is expected to be recovered, it will be recognized as a contract acquisition cost under asset, unless the amortisation period of the asset does not exceed one year.

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 charges it into current profit and loss.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 25. Assets related to contractual cost (continued)

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 or services related to the asset;
- (2) the cost estimated to incur for transferring the relevant goods or services.

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.

### 26. 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.

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.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 27. 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 arise 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.

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 arise 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.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 27. Income tax (continued)

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.

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.

### 28. Leases (applicable from 1 January 2019)

#### *Identification of leases*

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys a right to control the use of an identified asset for a period of time, the Group assesses whether a control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

#### *Identification of individual leases*

Where a contract concurrently contains multiple separate leases, the Group splits the contract and conducts accounting treatment respectively for all separate leases. Where the following conditions are concurrently met, use of the rights of identified assets shall constitute a separate lease in the contract:

- (1) A lessee may earn profits from separate use of the assets or joint use with other resources readily available;
- (2) There is no high dependence or high correlation between the assets and other assets in the contract.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 28. Leases (applicable from 1 January 2019) (continued)

#### *Assessment of lease term*

The lease term is the period during which the Group has the right to use the leased assets and it is irrevocable. The Group has the option to renew lease, namely, has the right to choose to renew a lease and reasonably determine that the option will be exercised, the lease term shall also include the period covered by the option to renew lease. The Group has the option to terminate lease, namely, has the right to choose to terminate lease of the assets and reasonably determine that the option will not be exercised, the lease term shall include the period covered by the option to terminate lease. In the event of a major event or change within the controllable scope of the Group and where it affects whether the Group reasonably determines that the corresponding option will be exercised, the Group shall re-assess whether it reasonably determines that it will exercise the option to renew lease and call option or not to exercise the option to terminate lease.

#### *As lessee*

The general accounting treatment of the Group as a lessee is disclosed in Note III. 16 and Note III.21.

#### *Modification of lease*

Modification of lease is modification of lease scope, lease consideration, and lease term outside the original contract terms, including the addition or termination of the rights of use of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If modification of lease happens and meets the following conditions, the Group will conduct accounting treatment for the modification of lease as a separate lease:

- (1) the modification of lease expands the scope of lease by increasing the rights of use of one or more leased assets;
- (2) the increased consideration and the individual price of the expanded part of lease are equivalent after adjustment is made in accordance with situation of the contract.

If accounting treatment for the modification of lease as a separate lease is not conducted, the Group shall redetermine the lease term on the effective date of modification of lease and discount the modified lease payments using the revised discount rate, in order to remeasure the lease liabilities. When calculating the present value of the lease payments after modification, the Group adopts the interest rate implicit in the lease for the remaining lease periods the discount rate; if the lease interest rate implicit in the lease for the remaining lease period cannot be readily determined, the Group's incremental borrowing increase shall then be used as the discount rate on the effective date of modification of lease.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 28. Leases (applicable from 1 January 2019) (continued)

#### *As lessee (continued)*

##### *Modification of lease (continued)*

In view of the consequences of the above adjustment of the lease liabilities, the Group conducts accounting treatment in each of the following cases accordingly:

- (1) if the modification of lease results in a narrower scope of lease or a shorter lease term, the Group reduces the book value of the right-of-use assets to reflect the partial or complete termination of the lease. The Group recognises the gain or loss relevant to the partial or complete termination of the leases in the current profit or loss;
- (2) for other modification of lease, the Group adjusts the book value of the right-of-use assets accordingly.

##### *Short-term leases and low-value asset leases*

On the commencement date of the lease term, the Group shall recognise leases with a lease term of less than 12 months and not including a purchase option as a short-term lease; single leases with a value of less than RMB50,000 when being a new asset are recognised as low-value asset leases. If the Group subleases or expects to sublease the leased assets, the original leases shall not be recognised as low-value asset lease. During different periods in the lease term, short-term leases and low-value asset leases shall be recognised in the related asset cost or current profit and loss on a straight-line basis.

#### *As lessor*

On the commencement date of the lease term, all leases with risks and rewards incident to the ownership of the leased assets are substantially transferred into finance leases, and all other leases are operating leases.

##### *As lessor of operating leases*

Rental income from an operating lease is recognised on a straight-line basis over the lease term, and included in profit or loss for the current period. Variable lease payments not included in the measurement of the net investment in the lease are recognized in profit or loss as incurred.

In case of modification of an operating lease, the Group shall treat it as a new lease from the effective date of modification, and the amount of the advance receipt or receivable related to the lease before the modification shall be regarded as the collection amount of the new lease.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

### 29. Leases (applicable in 2018)

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.

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.

### 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)

2019  
In RMB

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

### 32. Measurement at fair value

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:

#### *Operating lease – As the lessor*

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

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### *Judgments (continued)*

##### *Consolidation scope – the Group holding 50% or less equity interests of the investees*

The Group believes that even if the Group 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 shareholders of Dalian Haijia Automobile Terminal Co., Ltd. and Dalian Hongyang International Logistics Co., Ltd., the other shareholders give 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 acting-in-concert agreement signed by and between the Company and another shareholder of Dalian Golden Bay Grain Logistics Co., Ltd., such shareholder gives consent to the decisions made by the Company and the Company has de-facto control over the entity. Pursuant to the acting-in-concert agreement signed by and between the Group and another shareholder of Dalian Container Terminal Co., Ltd., such shareholder gives consent to the decisions made by the Group and the Group has de-facto control over the entity.

##### *Business model*

The classification of financial assets upon initial recognition depends on the business model of the Group for managing financial assets. When judging business model, the Group considers corporate evaluation and way of reporting performance of financial asset to key management personnel, the risks affecting performance of financial asset and their management and the way in which relevant business management personnel are paid. When evaluating whether to take contract cash flow as the goal, the Group is required to analyze and judge the reasons, time, frequency and value of the sale of financial assets before the due date.

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

The classification of 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.

##### *Lease term – lease contracts that include the option to renew the leases*

A lease term is the period during which the Group has the right to use the leased asset and is irrevocable, and in which the Group has an option to renew the lease. Where the Group reasonably determines to exercise the option, the lease term also includes the period covered by the option to renew the lease. In assessing whether it is reasonably determined to exercise the option to renew the lease, the Group will consider all relevant facts and circumstances that bring economic benefits to the exercise of the renewal option of the Group, including the expected changes in facts and circumstances from the date of the lease term to the date of exercise of the option. The Group believes that the Group can reasonably determine that it will exercise the option to renew the lease as the leased asset is crucial to its operation and it is hard to obtain appropriate alternative asset. Therefore, the lease term includes the period covered by the option to renew the lease.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### *Judgments (continued)*

##### *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 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 separately, 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 an 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 recognises the revenue accordingly. The accumulative actual costs include the direct cost and indirect cost incurred by the Group during the provision of port operation services.

#### *Uncertainty of estimates*

The followings are the other key sources for uncertainties of the key assumptions and estimates as of the balance sheet date, which may cause major adjustment of the carrying amount of assets and liabilities in the future accounting periods.

##### *Impairment of financial instruments and contract assets*

The Group adopts expected credit loss model to evaluate the impairment of financial instruments and contract assets. 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. Different estimates may affect the provision for impairment losses. The impairment losses provided may not be equal to the actual amount of future impairment losses.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

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

##### *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.

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

The Group will judge if 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 an 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 non-listed equity investment is determined by adopting the valuation method. The Group chooses the valuation method based on its judgement and makes assumptions according to the then market circumstances on each balance sheet date. The changes in market circumstance may affect the judgements made by the Group according to the market circumstances on the balance sheet date and the valuation methods adopted, thus resulting in a difference with the actual results of next year.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

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

##### *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 recognised 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 recognised according to the tax planning strategy.

##### *Lessee's incremental borrowing rate*

The Group measures the present value of lease payment by using the lessee's incremental borrowing rate as the discount rate if the interest rate of the lease cannot be determined. The Group adopts the observable interest rate as the reference basis for determining the incremental borrowing rate according to the economic environment, and on this basis, makes adjustments to reference rate based on its own situation, the underlying asset, the lease term and the amount of lease liability, etc.

##### *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.

### 34. Changes in accounting policies and accounting estimates

#### *Changes in accounting policies*

##### *New Lease Standard*

In 2018, the Ministry of Finance issued the revised "Accounting Standards for Business Enterprises No. 21 – Leasing" (the "New Lease Standard") which adopts the single model similar to that used for the current accounting treatment for finance lease and requires the lessee to recognise right-of-use asset and lease liability for all leases other than short-term and low-value assets leases and recognise depreciation and interest expenses, respectively. Since 1 January 2019, the Group has conducted accounting treatment in accordance with the newly revised lease standard. According to the transitional requirements, the information for the comparable period will not be adjusted and retained earnings at the beginning of 2019 will be retrospectively adjusted based on the difference between the New Lease Standard and the current lease standard on the first day of implementation:

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### *Changes in accounting policies (continued)*

##### *New Lease Standard (continued)*

- (1) The Group measured the right-of-use asset and lease liability respectively for the finance leases before the date of first implementation in accordance with the original book value of the assets held under finance leases and the payables for finance leases;
- (2) For operating lease before the date of initial implementation, the Group adopted New Lease Standard from the lease term. As the Lessee, the Group determined the lease liabilities and measured the right-of-use assets at carrying value with incremental borrowing rate as discount rate on the date of first implementation;
- (3) The Group made impairment test on the right-of-use assets and performed corresponding accounting treatments in accordance with Note III.18.

For operating leases under which the leased assets fall as low-value assets prior to the date of initial application or operating leases to be completed within 12 months, the Group adopts simplified treatment and does not recognise right-of-use assets and lease liabilities. Further, as for operating leases existed before the date of initial application, the Group adopted the following simplified treatments:

- (1) when measuring lease liabilities, a single discount rate is applied to a portfolio of leases with similar characteristics; the measurement of right-of-use assets may exclude initial direct costs;
- (2) when the contract contains options to extend/terminate the lease, the Group determines the lease term according to the actual exercise of options and other current conditions prior to the date of initial application;
- (3) as for lease changes before the date of initial application, the Group performs accounting treatment according to the final arrangement of the lease changes.

For the significant operating leases disclosed in the 2018 financial statements whose minimum lease payments have not been paid, the Group adjusts the difference between the present value discounted at the incremental borrowing rate of the Group as the lessee on 1 January 2019 and the lease liabilities included in the balance sheet as at 1 January 2019, as follows:

|  |                         |
|--|-------------------------|
| Minimum lease payments for significant operating leases as at 31 December 2018               | 405,793,117.77          |
| Less: Minimum lease payments with simplified treatments                                      | 40,713,911.54           |
| Including: short-term leases   | 4,412,981.81            |
| Leases with remaining lease term of less than 12 months                                      | 36,300,929.73           |
| Plus: Incremental of minimum lease payment caused by the reasonable excise of renewal rights | <u>7,052,684,527.70</u> |
|  | <u>7,417,763,733.93</u> |
| Weighted average of incremental borrowing rate   | 5.19%                   |
| Lease liabilities at as 1 January 2019   | <u>3,359,491,566.92</u> |

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### *Changes in accounting policies (continued)*

##### *New Lease Standard (continued)*

The impacts arising from adoption of New lease Standard on the balance sheet as at 1 January 2019 are as follows:

Consolidated balance sheet

|   | Balance<br>sheet value | Presumed value<br>under original<br>standard | Adjustment       |
|---|------------------------|--|------------------|
| Assets                                      |                        |  |                  |
| Right-of-use assets                         | 3,350,120,206.72       | –  | 3,350,120,206.72 |
| Deferred income tax assets                  | 82,816,656.43          | 81,148,594.18                                | 1,668,062.25     |
| Total assets                                | 3,432,936,863.15       | 81,148,594.18                                | 3,351,788,268.97 |
| Liabilities                                 |                        |  |                  |
| Lease liabilities                           | 3,291,852,916.92       | –  | 3,291,852,916.92 |
| Non-current liabilities due within one year | 1,033,446,989.33       | 965,808,339.33                               | 67,638,650.00    |
| Total liabilities                           | 4,325,299,906.25       | 965,808,339.33                               | 3,359,491,566.92 |
| Owner's equity                              |                        |  |                  |
| Undistributed profit                        | 1,576,832,264.27       | 1,584,535,562.22                             | -7,703,297.95    |

Company balance sheet

|   | Balance<br>sheet value | Presumed value<br>under original<br>standard | Adjustment       |
|---|------------------------|--|------------------|
| Assets                                      |                        |  |                  |
| Right-of-use assets                         | 2,873,576,138.76       | –  | 2,873,576,138.76 |
| Liabilities                                 |                        |  |                  |
| Lease liabilities                           | 2,846,515,099.56       | –  | 2,846,515,099.56 |
| Non-current liabilities due within one year | 196,782,928.84         | 169,721,889.64                               | 27,061,039.20    |
| Total liabilities                           | 3,043,298,028.40       | 169,721,889.64                               | 2,873,576,138.76 |

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### Changes in accounting policies (continued)

##### New Lease Standard (continued)

The impacts arising from adoption of New Lease Standard on the financial statements for the year 2019 are as follows:

#### Consolidated balance sheet

|   | Balance<br>sheet value  | Presumed value<br>under original<br>standard | Adjustment              |
|---|-------------------------|--|-------------------------|
| <b>Assets</b>                               |                         |  |                         |
| Right-of-use assets                         | 3,126,927,918.95        | –  | 3,126,927,918.95        |
| Deferred income tax assets                  | 100,709,875.21          | 82,249,854.14                                | 18,460,021.07           |
| <b>Total assets</b>                         | <b>3,227,637,794.16</b> | <b>82,249,854.14</b>                         | <b>3,145,387,940.02</b> |
| <b>Liabilities</b>                          |                         |  |                         |
| Lease liabilities                           | 3,132,442,496.82        | –  | 3,132,442,496.82        |
| Non-current liabilities due within one year | 400,779,150.69          | 339,360,931.83                               | 61,418,218.86           |
| <b>Total liabilities</b>                    | <b>3,533,221,647.51</b> | <b>339,360,931.83</b>                        | <b>3,193,860,715.68</b> |
| <b>Owner's equity</b>                       |                         |  |                         |
| Minority interests                          | 2,634,625,867.48        | 2,636,728,898.26                             | -2,103,030.78           |
| Undistributed profit                        | 1,930,530,105.98        | 1,976,899,850.86                             | -46,369,744.88          |
| <b>Total owner's equity</b>                 | <b>4,565,155,973.46</b> | <b>4,613,628,749.12</b>                      | <b>-48,472,775.66</b>   |

#### Consolidated income statement

|                                    | Balance<br>sheet value | Presumed value<br>under original<br>standard | Adjustment      |
|------------------------------------|------------------------|--|-----------------|
| Operating costs                    | 4,654,940,360.28       | 4,767,318,639.77                             | -112,378,279.49 |
| General and administrative expense | 658,917,252.38         | 660,404,546.80                               | -1,487,294.42   |
| Finance expense                    | 580,891,348.90         | 406,662,995.25                               | 174,228,353.65  |
| Gains on disposals of assets       | 4,115,594.45           | -788,779.54                                  | 4,904,373.99    |
| Income tax expenses                | 267,241,328.40         | 284,033,287.22                               | -16,791,958.82  |
| Minority interests                 | 176,701,442.77         | 178,804,473.55                               | -2,103,030.78   |



# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### Changes in accounting policies (continued)

##### New Lease Standard (continued)

The impacts arising from adoption of New Lease Standard on the financial statements for the year 2019 are as follows: (continued)

Company balance sheet

|   | Balance<br>sheet value  | Presumed value<br>under original<br>standard | Adjustment              |
|---|-------------------------|--|-------------------------|
| Assets                                      |                         |  |                         |
| Right-of-use assets                         | 2,847,289,690.63        | -  | 2,847,289,690.63        |
| Deferred income tax assets                  | 44,760,329.15           | 31,631,357.41                                | 13,128,971.74           |
| <b>Total assets</b>                         | <b>2,892,050,019.78</b> | <b>31,631,357.41</b>                         | <b>2,860,418,662.37</b> |
| Liabilities                                 |                         |  |                         |
| Lease liabilities                           | 2,864,143,612.01        | -  | 2,864,143,612.01        |
| Non-current liabilities due within one year | 205,383,855.22          | 169,721,889.63                               | 35,661,965.59           |
| <b>Total liabilities</b>                    | <b>3,069,527,467.23</b> | <b>169,721,889.63</b>                        | <b>2,899,805,577.60</b> |
| Owner's equity                              |                         |  |                         |
| Undistributed profit                        | 2,124,672,469.98        | 2,164,059,385.21                             | -39,386,915.23          |

Company income statement

|                         | Balance<br>sheet value | Presumed value<br>under original<br>standard | Adjustment      |
|-------------------------|------------------------|--|-----------------|
| Operating costs         | 2,342,328,841.53       | 2,442,863,269.60                             | -100,534,428.07 |
| Administrative expenses | 403,903,877.63         | 404,967,592.13                               | -1,063,714.50   |
| Financial expenses      | 460,030,911.97         | 305,916,882.43                               | 154,114,029.54  |
| Income tax expenses     | 97,729,516.88          | 110,858,488.62                               | -13,128,971.74  |

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### *Changes in accounting policies (continued)*

##### *New Lease Standard (continued)*

In addition, since the date of initial adoption, the Group would classify the repayment of the principle and interest of lease liabilities as cash outflows of financing activities in the cash flow statement. The repayment of short-term leases and leases of low value assets, which adopted simplified approach, and variable lease payment which is not accounted as lease liabilities will still be classified as cash outflows of operating activities.

##### *Changes in presentation of financial statements*

As required by the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises in 2019 (Cai Kuai [2019] No. 6) and the Notice on Revising and Issuing the Format of Combined Balance Sheet (2019 edition) (Cai Kuai [2019] No. 16), in the balance sheet, “notes receivable and accounts receivable” will be split into “notes receivable” and “accounts receivable”, and “notes payable and accounts payable” will be split into “notes payable” and “accounts payable”; “interests receivable” under “other receivables” is changed to reflect only the interest for relevant financial instructions which is due but not received on balance sheet date (interest of financial instruments based on effective interest method should be included in the book value of the corresponding financial instrument); and “interests payable” under “other payables” is changed to reflect only the interest for relevant financial instructions which is due but not paid on balance sheet date (interest of financial instruments based on effective interest method should be included in the book value of the corresponding financial instrument). In the income statement, in addition to the revenue expenditures incurred during the research and development process, the “research and development expenses” will include the amortization of intangible assets developed by the Group as previously presented in the item of “general and administrative expenses”. Accordingly, the Group has adjusted the comparative figures retroactively. The above changes in accounting policies had no impact on the consolidated net profit or the Company’s net profit or owners’ equity.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### *Changes in accounting policies (continued)*

##### *Changes in presentation of financial statements (continued)*

The impacts of the retroactive adjustment arising from the changes in accounting policies on the financial statements are as follows:

The Group

|   | Before changes in<br>accounting policies<br>31 December 2018 | Reclassification | After changes in<br>accounting policies<br>1 January 2019 |
|---|--|------------------|---|
| <b>Assets</b>                               |  |                  |   |
| Notes receivable and accounts receivable    | 947,433,479.68   | -947,433,479.68  | -   |
| Notes receivable                            | -  | 289,238,760.63   | <b>289,238,760.63</b>                                     |
| Accounts receivable                         | -  | 658,194,719.05   | <b>658,194,719.05</b>                                     |
| Other receivable                            | 663,019,375.41   | -28,544,638.32   | <b>634,474,737.09</b>                                     |
| Cash at bank and on hand                    | 5,729,285,870.35   | 28,544,638.32    | <b>5,757,830,508.67</b>                                   |
| <b>Liabilities</b>                          |  |                  |   |
| Notes payable and accounts payable          | 224,442,511.34   | -224,442,511.34  | -   |
| Accounts payable                            | -  | 224,442,511.34   | <b>224,442,511.34</b>                                     |
| Other payable                               | 911,030,967.62   | -170,266,834.18  | <b>740,764,133.44</b>                                     |
| Short-term borrowings                       | 3,399,536,753.89   | 4,534,676.42     | <b>3,404,071,430.31</b>                                   |
| Non-current liabilities due within one year | 800,076,181.57   | 165,732,157.76   | <b>965,808,339.33</b>                                     |

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### Changes in accounting policies (continued)

##### Changes in presentation of financial statements (continued)

The Company

|   | Before changes in<br>accounting policies<br>31 December 2018 | Reclassification | After changes in<br>accounting policies<br>1 January 2019 |
|---|--|------------------|---|
| <b>Assets</b>                               |  |                  |   |
| Notes receivable and accounts receivable    | 582,555,700.60   | -582,555,700.60  | -   |
| Notes receivable                            | -  | 255,450,984.64   | <b>255,450,984.64</b>                                     |
| Accounts receivable                         | -  | 327,104,715.96   | <b>327,104,715.96</b>                                     |
| Other receivable                            | 1,634,086,098.47   | -25,118,505.66   | <b>1,608,967,592.81</b>                                   |
| Cash at bank and on hand                    | 3,802,241,768.50   | 20,825,309.63    | <b>3,823,067,078.13</b>                                   |
| Non-current assets due within one year      | -  | 4,293,196.03     | <b>4,293,196.03</b>                                       |
| <b>Liabilities</b>                          |  |                  |   |
| Notes payable and accounts payable          | 52,373,570.78  | -52,373,570.78   | -   |
| Accounts payable                            | -  | 52,373,570.78    | <b>52,373,570.78</b>                                      |
| Other payable                               | 497,399,692.64   | -166,421,995.90  | <b>330,977,696.74</b>                                     |
| Short-term borrowings                       | 3,160,000,000.00   | 4,200,106.26     | <b>3,164,200,106.26</b>                                   |
| Non-current liabilities due within one year | 7,500,000.00   | 162,221,889.64   | <b>169,721,889.64</b>                                     |

#### Changes in accounting estimates

The Group has applied revised Accounting Standards for Business Enterprises No. 22 – The Recognition and Measurement of Financial Instruments, 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 (the “New Financial Instruments Standard”) issued by the Ministry of Finance since 1 January 2018, and the expected credit loss rate was mainly estimated based on the migration rate of historical aging model with reference to forwarding information. In order to improve and refine the management of receivables, the Group implements internal rating management for all counterparties of receivables. To this end, the Group changed the expected credit loss estimation model of receivables to more reasonably reflect the impact of current and future credit risk of receivables on the Company and consolidated financial conditions and operating results.

# Notes to the Financial Statements (continued)

2019  
In RMB

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

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

#### *Changes in accounting estimates (continued)*

Before the changes in accounting estimates, the Group evaluates the expected credit losses of receivables based on the individual rating and combination accrual methods respectively. The proportion of bad debt provision accrued based on the combination is as follows:

| Ageing        | Provision ratios<br>used for accounts<br>receivable % | Provision ratios<br>used for other<br>receivables % |
|---------------|---|---|
| Within 1 year | 0.5   | 2   |
| 1 to 2 years  | 15  | 13  |
| 2 to 3 years  | 70  | 42  |
| 3 to 4 years  | 75  | 70  |
| 4 to 5 years  | 90  | 95  |
| Over 5 years  | 100   | 100   |

After the changes in accounting estimates, the Group first divided receivables into different combinations based on the credit rating of counterparty of the above assessment, and then the expected credit loss rate of each combination is estimated based on the migration rate of historical aging model with reference to forwarding information and comparable companies in the industry. The provision ratio of bad debt accrued based on the credit rating of the counterparty is as follows:

| Credit rating | The basis of the grouping recognition   | Provision ratios % |
|---------------|---|--------------------|
| A             | Based on historical experience, customers are able to repay during the credit term, and the repayment record is good. The probability of non-repayment in the foreseeable future is extremely low.                      | 0 – 0.1            |
| B             | Based on historical experience, customers have records of overdue repayment, but are able to repay.   | 0.1 – 0.3          |
| C             | There is evidence that the customer's overdue credit risk has increased significantly and there is a possibility of non-payment by default.   | 0.3 – 50           |
| D             | There is evidence that the accounts receivable from customers have been impaired, and there is evidence that the customers have serious financial difficulties and cannot recover the amount in the foreseeable future. | 50 -100            |

The above changes in accounting estimates have been approved by the 9th (interim) meeting of the 5th session of the Board of Directors of the Company on 31 December 2019, and took effect from 1 December 2019.

The change in calculation of accounting estimates adopts the future applicable method, and its impact on the Group's consolidated financial statements as of 31 December 2019 is: an increase in net profit of approximately RMB2.62 million and an increase in owner's equity of approximately RMB2.62 million. The affected amount of the change in accounting estimates on the consolidated financial statements in the future period cannot be determined.

# Notes to the Financial Statements (continued)

2019  
In RMB

## IV. Taxes

### 1. Major taxes and tax rates

- |                                       |   |   |
|---------------------------------------|---|---|
| Value-added tax (VAT)                 | – | Prior to 1 April 2019, the Group's revenues from port operations, sales of goods, entrusted loans, building & construction, property leasing, labour dispatch and steam, water and natural gas provision businesses are subject to output VAT at a tax rate of 6%, 16%, 6%, 11%, 5%, 6% and 11%, respectively, which is levied after deducting deductible input VAT for the current period. After 1 April 2019, the abovementioned revenues are subject to output VAT at a tax rate of 6%, 13%, 6%, 10%, 5%, 6% and 10%, respectively, which is levied after deducting deductible input VAT for the current period. |
| City maintenance and construction tax | – | it is levied at 7% on the turnover taxes paid.  |
| Educational surcharge                 | – | it is levied at 5% on the turnover taxes paid.  |
| Property tax                          | – | it is calculated at a tax rate of 1.2% based on 70% of costs of properties; or it is calculated at a tax rate of 12% based on rental income.  |
| Corporate income tax                  | – | it is levied at 25% on the taxable profit, except for certain subsidiaries of the Group established in Mainland China which enjoy tax preferences and those subsidiaries incorporated outside Mainland China which are subject to local income tax regulations.   |
| Environmental protection tax          | – | it is levied on the pollution equivalent of taxable pollutants; or it is levied at the emissions multiplied by 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, all lands reclaimed from offshore filling held by the Group are exempted from land use tax.

# Notes to the Financial Statements (continued)

2019  
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 Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Implementation of the Preferential Urban Land Use Tax Policies regarding the Land Used by Logistics Enterprises for Bulk Commodity Storage Facilities (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 "Notice on Policies Related to Deepening Value-Added Tax Reform" issued by the Ministry of Finance, State Administration of Taxation and General Administration of Customs (No. 39 Notice of the Ministry of Finance, State Administration of Taxation and General Administration of Customs in 2019), the Group shall, from 1 April 2019 to 31 December 2021, deduct additional 10% of current deductible input tax from VAT payable.

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 the Circular on Policies of Further Encouraging Industry Development of Software and Integrated Circuit (Guo Fa [2011] No. 4, Section 1.1), 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., both of which are the subsidiaries of the Group, are entitled to the aforesaid preferential tax policy.

#### *Corporate income tax*

Dalian Portsoft Technology Co., Ltd. and Dalian Port Logistics 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 of both certificates 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, with the approval of Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax, the expiry time of the Certificate of the High and New Technological Enterprise granted to Dalian Port Logistics Technology Co., Ltd. was postponed to 15 November 2021.

Under Article 28 of the Corporate Income Tax Law of the People's Republic of China, for the current year, the income tax rate applicable to the above companies is 15%.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements

### 1. Cash at bank and on hand

|  | 2019                    | 2018             |
|--|-------------------------|------------------|
| Cash on hand   | <b>324,984.10</b>       | 727,300.45       |
| Cash at bank   | <b>4,045,417,861.05</b> | 5,722,956,776.43 |
| Other cash balances  | <b>239,710.14</b>       | 5,601,793.47     |
| Interest receivable from bank deposits   | <b>5,430,619.42</b>     | 28,544,638.32    |
|  | <b>4,051,413,174.71</b> | 5,757,830,508.67 |
| Of which, total amount restricted usage due to reasons including pledges, charges or lock up | <b>3,642,890.79</b>     | 3,240,626.02     |

As at 31 December 2019, the Group held cash at bank and on hand of RMB55,911,813.54 (31 December 2018: RMB136,345,848.66) 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

|   | 2019                  | 2018             |
|---|-----------------------|------------------|
| Financial assets at fair value through profit or loss |                       |                  |
| Investments in debt instruments (Note 1)              | <b>303,229,643.83</b> | 1,887,883,698.64 |
| Investments in equity instruments (Note 2)            | <b>1,721,550.00</b>   | 4,636,347.50     |
|   | <b>304,951,193.83</b> | 1,892,520,046.14 |

Note 1: The Group purchased structured deposits of RMB300,000,000.00 from China Merchants Bank during this year, which are mainly invested in money market instruments with an expected annual yield rate of 3.54% and a maturity date on 12 March 2020.

Note 2: Investments in equity instruments represented the stocks of A-share listed companies, whose fair value was determined according to their closing prices as at the last trading day on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.



# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 3. Notes receivable

|   | 2019                  | 2018           |
|---|-----------------------|----------------|
| Bank acceptance notes                             | <b>248,851,749.33</b> | 289,238,760.63 |
| Less: Provision for bad debts on notes receivable | -                     | -              |
|   | <b>248,851,749.33</b> | 289,238,760.63 |

As at the balance sheet date, notes receivable which have been endorsed or discounted but not mature yet are as follows:

|                       | 2019                 |                     | 2018          |                  |
|-----------------------|----------------------|---------------------|---------------|------------------|
|                       | Derecognised         | Not derecognised    | Derecognised  | Not derecognised |
| Bank acceptance notes | <b>26,504,560.53</b> | <b>7,568,413.36</b> | 48,602,332.58 | 7,073,910.19     |

As at 31 December 2019, the Group had no pledged notes receivable (31 December 2018: Nil).

As at 31 December 2019, there were no discounted notes or notes that were recognised as accounts receivable due to the drawer's liability to perform (31 December 2018: Nil).

### 4. 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:

|  | 2019                    | 2018           |
|--|-------------------------|----------------|
| Within 1 year  | <b>1,186,574,172.87</b> | 629,892,263.91 |
| 1 to 2 years   | <b>137,145,331.46</b>   | 15,720,843.27  |
| 2 to 3 years   | <b>7,392,745.38</b>     | 8,854,591.08   |
| Over 3 years   | <b>68,664,078.61</b>    | 64,031,972.60  |
|  | <b>1,399,776,328.32</b> | 718,499,670.86 |
| Less: Provision for bad debts on accounts receivable | <b>77,003,761.77</b>    | 60,304,951.81  |
|  | <b>1,322,772,566.55</b> | 658,194,719.05 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 4. Accounts receivable (continued)

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

|      | Opening balance | Provision for the year | Reversal during the year | Disposal of subsidiaries | Write-off during for the year | Closing balance |
|------|-----------------|------------------------|--------------------------|--------------------------|-------------------------------|-----------------|
| 2019 | 60,304,951.81   | 16,698,809.96          | -                        | -                        | -                             | 77,003,761.77   |
| 2018 | 46,720,189.36   | 39,010,791.98          | -                        | 25,426,029.53            | -                             | 60,304,951.81   |

|   | 2019             |                |                         |                | 2018            |                |                         |                |
|---|------------------|----------------|-------------------------|----------------|-----------------|----------------|-------------------------|----------------|
|   | Closing balance  |                | Provision for bad debts |                | Closing balance |                | Provision for bad debts |                |
|   | Amount           | Percentage (%) | Amount                  | Percentage (%) | Amount          | Percentage (%) | Amount                  | Percentage (%) |
| Provision for bad debts on an individual basis                          | -                | -              | -                       | -              | 62,852,144.51   | 8.75           | 44,220,119.27           | 70.36          |
| Provision for bad debts on the portfolio of credit risk characteristics | 1,399,776,328.32 | 100.00         | 77,003,761.77           | 5.50           | 655,647,526.35  | 91.25          | 16,084,832.54           | 2.45           |
|   | 1,399,776,328.32 | 100.00         | 77,003,761.77           | 5.50           | 718,499,670.86  | 100.00         | 60,304,951.81           | 8.39           |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 4. Accounts receivable (continued)

As at 31 December 2019, details of accounts receivable of which provision for bad debts is made according to the portfolio of credit risk rating are as follows:

|             | Book balance of estimated default | Expected credit loss rate | Expected credit loss for the entire duration |
|-------------|-----------------------------------|---------------------------|--|
| Portfolio A | 375,331,160.41                    | 0.00%-0.10%               | 107,555.09                                   |
| Portfolio B | 929,320,552.16                    | 0.10%-0.30%               | 1,283,168.15                                 |
| Portfolio C | 22,089,630.21                     | 0.30%-50.00%              | 4,131,418.57                                 |
| Portfolio D | 73,034,985.54                     | 50.00%-100.00%            | 71,481,619.96                                |
|             | <b>1,399,776,328.32</b>           |                           | <b>77,003,761.77</b>                         |

As at 31 December 2018, details of accounts receivable of which provision for bad debts is made according to aging analysis:

|               | 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                                 |
| 1-2 years     | 15,637,619.27                     | 25%                       | 3,909,404.82                                 |
| 2-3 years     | 5,310,397.38                      | 70%                       | 3,717,278.17                                 |
| 3-4 years     | 2,524,350.92                      | 75%                       | 1,893,263.19                                 |
| 4-5 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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 4. Accounts receivable (continued)

As at 31 December 2018, accounts receivable with provision for bad debts made on an individual basis are as follows:

|  | Closing 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 Limited                        | 9,016,810.61         | 7,483,952.80            | 83                            | Note 2 |
| Heilongjiang Zhanfeng International Trade Co., Ltd.<br>(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                           |        |
|  | <u>62,852,144.51</u> | <u>44,220,119.27</u>    |                               |        |

Note 1: As at 31 December 2018, the accounts receivable of PDA Bulk and 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 circumstances 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 on the accounts receivable.

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 Limited (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 circumstances 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 on the accounts receivable.

Note 3: As at 31 December 2018, the accounts receivable of Dalian Jiye 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. Since Heilongjiang Zhanfeng has discontinued its operations, the amount is basically not expected to be recovered. The Group made a full provision for bad debts on the accounts receivable.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 4. Accounts receivable (continued)

In 2019, the Group made provision for bad debts of RMB16,698,809.96 (2018: RMB39,010,791.98). There was no collection or reversal of provisions for bad debts (2018: Nil).

As at 31 December 2019, 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 | <b>936,630,641.31</b> | <b>49,914,045.96</b>     | <b>66.91</b>                    |

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                           |

### 5. Prepayments

An ageing analysis of prepayments is as follows:

|               | 2019                 |                | 2018          |                |
|---------------|----------------------|----------------|---------------|----------------|
|               | Book balance         | Percentage (%) | Book balance  | Percentage (%) |
| Within 1 year | <b>29,676,421.67</b> | <b>86.38</b>   | 29,583,006.56 | 84.93          |
| 1 to 2 years  | <b>658,062.72</b>    | <b>1.92</b>    | 3,711,545.58  | 10.65          |
| 2 to 3 years  | <b>3,530,347.58</b>  | <b>10.28</b>   | 1,478,418.70  | 4.24           |
| Over 3 years  | <b>488,646.40</b>    | <b>1.42</b>    | 62,126.40     | 0.18           |
|               | <b>34,353,478.37</b> | <b>100.00</b>  | 34,835,097.24 | 100.00         |

As at 31 December 2019, prepayments with ageing over one year amounted to RMB4,677,056.70 (31 December 2018: RMB5,252,090.68), which represent repaid decoration expenses, freight and design fees. Since the business cooperation involved in these projects are stable and the transactions are not yet finished, these amounts have not been settled yet.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 5. Prepayments (continued)

As at 31 December 2019, a summary of the top five prepayments was as follows:

|  | Balance              | % of total balance |
|--|----------------------|--------------------|
| Total balances of top five prepayments | <b>13,899,209.29</b> | <b>40.46</b>       |

As at 31 December 2018, a summary of the top five prepayments was as follows:

|  | Balance       | % of total balance |
|--|---------------|--------------------|
| Total balances of top five prepayments | 14,179,568.86 | 40.70              |

### 6. Other receivables

|                      | 2019                  | 2018           |
|----------------------|-----------------------|----------------|
| Interest receivable  | <b>3,425,024.59</b>   | –              |
| Dividends receivable | <b>297,341,498.52</b> | 146,000,226.01 |
| Other receivables    | <b>456,067,606.28</b> | 488,474,511.08 |
|                      | <b>756,834,129.39</b> | 634,474,737.09 |

#### *Interest receivable*

|                             | 2019                | 2018 |
|-----------------------------|---------------------|------|
| Interest of entrusted loans | <b>3,425,024.59</b> | –    |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (continued)

#### Dividends receivable

|   | 2019                  | 2018           |
|---|-----------------------|----------------|
| Dalian Port Yidu Cold Chain Co., Ltd.                     | <b>92,189,824.35</b>  | 95,289,824.35  |
| Dalian Jilong Logistics Co., Ltd.                         | <b>22,507,539.23</b>  | 22,507,539.23  |
| Jinzhou New Age Container Terminal Co., Ltd.              | <b>8,149,773.00</b>   | 7,760,250.43   |
| Dalian Singamas International Container Co., Ltd.         | <b>8,911,730.60</b>   | 7,614,047.00   |
| Taicang Xinggang Tug Co., Ltd.                            | –                     | 6,428,565.00   |
| Dalian Automobile Terminal Co., Ltd.                      | <b>6,400,000.00</b>   | 4,800,000.00   |
| Dalian Shunde Jifa Supply Chain Management Co., Ltd.      | –                     | 1,200,000.00   |
| Dalian Wanpeng Port Engineering Testing Co., Ltd.         | <b>640,000.00</b>     | 400,000.00     |
| Dalian Dagang China Shipping Container Terminal Co., Ltd. | <b>1,382,375.33</b>   | –              |
| Dalian Port Design and Research Institute Co., Ltd.       | <b>580,000.00</b>     | –              |
| Dalian New Silk Road International Logistics Co., Ltd.    | <b>560,000.00</b>     | –              |
| Dalian United International Shipping Agency Co., Ltd.     | <b>2,000,000.00</b>   | –              |
| China United Tally (Dalian) Co., Ltd.                     | <b>415,597.59</b>     | –              |
| PDA Group Financial Co., Ltd.                             | <b>153,604,658.42</b> | –              |
|   | <b>297,341,498.52</b> | 146,000,226.01 |

The Group's management believed that no provision for impairment of interests receivable and dividends receivable was required at the balance sheet date.

#### Other receivables

An ageing analysis of other receivables is as follows:

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Within 1 year                                      | <b>346,839,983.85</b> | 407,819,856.33 |
| 1 to 2 years                                       | <b>123,835,736.93</b> | 98,901,254.04  |
| 2 to 3 years                                       | <b>20,770,756.68</b>  | 12,198,876.97  |
| Over 3 years                                       | <b>22,922,198.48</b>  | 16,426,161.53  |
|  | <b>514,368,675.94</b> | 535,346,148.87 |
| Less: Provision for bad debts of other receivables | <b>58,301,069.66</b>  | 46,871,637.79  |
|  | <b>456,067,606.28</b> | 488,474,511.08 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (continued)

#### Other receivables (continued)

Other receivables by nature are as follows:

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Receivables from agency purchase                         | <b>194,460,417.91</b> | 235,008,103.00 |
| Receivables from income of entrusted management services | <b>76,324,199.59</b>  | 78,527,307.21  |
| Receivables from project payment and guarantee deposit   | <b>53,245,335.49</b>  | 46,076,197.79  |
| Entrusted loans  | <b>49,530,570.84</b>  | 39,024,022.72  |
| Port construction and miscellaneous expenses             | <b>26,559,385.30</b>  | 37,533,375.40  |
| Receivables from freights, deposit and security deposit  | <b>26,265,259.77</b>  | 30,009,601.58  |
| Government subsidies receivable                          | <b>47,293,451.37</b>  | 32,409,706.59  |
| Public infrastructure maintenance expenses               | <b>5,935,683.83</b>   | 6,026,376.24   |
| Others   | <b>34,754,371.84</b>  | 30,731,458.34  |
|  | <b>514,368,675.94</b> | 535,346,148.87 |
| Less: Provision for bad debts                            | <b>58,301,069.66</b>  | 46,871,637.79  |
|  | <b>456,067,606.28</b> | 488,474,511.08 |

As at 31 December 2019, details of other receivable of which provision for bad debts is made according to the portfolio of credit risk rating are as follows:

|             | Book balance of<br>estimated default | Expected credit<br>loss rate | Expected credit<br>loss in the next<br>12 months | Expected credit<br>loss for the entire<br>duration |
|-------------|--------------------------------------|------------------------------|--|--|
| Portfolio A | <b>302,248,497.08</b>                | <b>0.00%-0.10%</b>           | <b>32,702.24</b>                                 | -  |
| Portfolio B | <b>68,013,434.74</b>                 | <b>0.10%-0.30%</b>           | <b>110,449.63</b>                                | -  |
| Portfolio C | <b>116,260,093.43</b>                | <b>0.30%-50.00%</b>          | -  | <b>32,686,515.09</b>                               |
| Portfolio D | <b>27,846,650.69</b>                 | <b>50.00%-100.00%</b>        | -  | <b>25,471,402.70</b>                               |
|             | <b>514,368,675.94</b>                |                              | <b>143,151.87</b>                                | <b>58,157,917.79</b>                               |



# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (continued)

#### Other receivables (continued)

Movements in the provision for bad debts of expected credit losses over the next 12 months and the entire duration are as follows:

2019

|                              | First stage<br>Expected credit<br>loss in the next<br>12 months | Second stage<br>Expected credit<br>loss for the<br>entire duration | Third stage<br>Financial assets<br>with credit<br>impairment<br>(Expected credit<br>loss for the<br>entire duration) | Total         |
|------------------------------|---|--|--|---------------|
| Opening balance              | 24,067,877.23   | 8,856,853.74   | 13,946,906.82  | 46,871,637.79 |
| Opening balance              |   |  |  |               |
| – transfer into second stage | -10,885,018.58  | 10,885,018.58  | –  | –             |
| – transfer into third stage  | -669,232.72   | –  | 669,232.72   | –             |
| Provision for the year       | –   | 12,944,642.77  | 10,855,263.16  | 23,799,905.93 |
| Reversal for the year        | 12,370,474.06   | –  | –  | 12,370,474.06 |
| Closing balance              | 143,151.87  | 32,686,515.09  | 25,471,402.70  | 58,301,069.66 |

2018

|                                       | First stage<br>Expected credit<br>loss in the next<br>12 months | Second stage<br>Expected credit<br>loss for the<br>entire duration | Third stage<br>Financial assets<br>with credit<br>impairment<br>(Expected credit<br>loss for the<br>entire duration) | Total         |
|---------------------------------------|---|--|--|---------------|
| Opening balance                       | 33,417,488.67   | 6,306,754.44   | 8,509,968.08   | 48,234,211.19 |
| Opening balance                       |   |  |  |               |
| – transfer into second stage          | -296,953.71   | 296,953.71   | –  | –             |
| – transfer into third stage           | -3,276,000.00   | –  | 3,276,000.00   | –             |
| Provision for the year                | 22,089,314.08   | 2,253,145.59   | 2,160,938.74   | 26,503,398.41 |
| Disposal of subsidiaries for the year | 27,865,971.81   | –  | –  | 27,865,971.81 |
| Closing balance                       | 24,067,877.23   | 8,856,853.74   | 13,946,906.82  | 46,871,637.79 |

In 2019, the provision for bad debts was RMB23,799,905.93 (2018: RMB26,503,398.41), and received or reversed bad debts was RMB12,370,474.06 (2018: Nil).

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (continued)

#### Other receivables (continued)

As at 31 December 2019, a summary of the top five other receivables was as follows:

|  | Balance               | Provision<br>for bad debts | % of total balance |
|--|-----------------------|----------------------------|--------------------|
| Total balances of top five other receivables | <b>334,109,978.91</b> | <b>26,676,110.63</b>       | <b>64.96</b>       |

As at 31 December 2018, a summary of the top five other receivables was as follows:

|  | Balance        | Provision<br>for bad debts | % of total balance |
|--|----------------|----------------------------|--------------------|
| Total balances of top five other receivables | 387,753,163.21 | 26,775,038.18              | 72.43              |

As at 31 December 2019, the receivables from government grants were as follows:

| Government grants                                     |  | Amount               | Ageing                  | Basis   |
|---|--|----------------------|-------------------------|---|
| Inner Mongolia Lugang Bonded Logistics Park Co., Ltd. | Subsidy for container freight                    | <b>26,487,859.37</b> | Within 1 year           | Reply of Keerqin District People's Government on Subsidy to China-Europe Railway Lines  |
| Heilongjiang Suimu Dalian Port Logistics Co., Ltd.    | Subsidy for warehouse construction and operation | <b>13,359,192.00</b> | 1-2 years and 3-4 years | Cooperation Agreement on Xiachengzi Logistics Centre of Muling Economic Development Zone and meeting minutes on Solving Major Difficulties of Suimu Dalian Port Logistics |
| Dalian Jifa Bohai Rim Container Lines Co., Ltd.       | Subsidy for container freight                    | <b>7,446,400.00</b>  | 1-2 years               | Request for Instructions Concerning Supporting the Development of Container Freight in Dongying Port Zone   |
|   |  | <b>47,293,451.37</b> |                         |   |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (continued)

#### Other receivables (continued)

As at 31 December 2018, the receivables from government grants were as follows:

|   | Government grants                                | Amount        | Ageing                      | Basis   |
|---|--|---------------|-----------------------------|---|
| Inner Mongolia Lugang Bonded Logistics Park Co., Ltd. | Subsidy for container freight                    | 4,249,568.09  | Within 1 year               | Reply of Keerqin District People's Government on Subsidy to China-Europe Railway Lines  |
| Heilongjiang Suimu Dalian Port Logistics Co., Ltd.    | Subsidy for warehouse construction and operation | 13,359,192.00 | Within 1 year and 2-3 years | Cooperation Agreement on Xiachengzi Logistics Centre of Muling Economic Development Zone and meeting minutes on Solving Major Difficulties of Suimu Dalian Port Logistics |
| Dalian Jifa Bohai Rim Container Lines Co., Ltd.       | Subsidy for container freight                    | 14,800,946.50 | Within 1 year               | Request for Instructions Concerning Supporting the Development of Container Freight in Dengying Port Zone   |
|   |  | 32,409,706.59 |                             |   |

### 7. Inventories

|                    | 2019           |  |                 | 2018           |  |                 |
|--------------------|----------------|--|-----------------|----------------|--|-----------------|
|                    | Book balance   | Provision for impairment of inventories/<br>provision for impairment | Carrying amount | Book balance   | Provision for impairment of inventories/<br>provision for impairment | Carrying amount |
| Raw materials      | 67,645,732.91  | 7,803,794.80   | 59,841,938.11   | 87,663,016.37  | 7,803,794.80   | 79,859,221.57   |
| Finished goods     | 36,753,425.79  | -  | 36,753,425.79   | 60,916,714.52  | -  | 60,916,714.52   |
| Turnover materials | 8,470,223.04   | -  | 8,470,223.04    | 8,712,395.31   | -  | 8,712,395.31    |
|                    | 112,869,381.74 | 7,803,794.80   | 105,065,586.94  | 157,292,126.20 | 7,803,794.80   | 149,488,331.40  |

# Notes to the Financial Statements (continued)

2019  
In RMB

As at 31 December 2019, no inventories of the Group were pledged as collateral (31 December 2018: Nil).

## 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 are as below:

2019

|               | Opening balance | Provision for the year | Decrease in the current year |           |                          | Closing balance |
|---------------|-----------------|------------------------|------------------------------|-----------|--------------------------|-----------------|
|               |                 |                        | Reversal                     | Write-off | Disposal of subsidiaries |                 |
| Raw materials | 7,803,794.80    | -                      | -                            | -         | -                        | 7,803,794.80    |

2018

|                | Opening balance | Provision for the year | 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             | -               |
|                | 14,858,379.36   | -                      | -                            | -         | 7,054,584.56             | 7,803,794.80    |

### 8. Contract assets

|   | 2019         |                          |                 | 2018          |                          |                 |
|---|--------------|--------------------------|-----------------|---------------|--------------------------|-----------------|
|   | Book balance | Provision for impairment | Carrying amount | 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 amount and reason for material movements in the carrying amount of contract assets were as follows:

|   | Amount of movements | Reason for movement |
|---|---------------------|---------------------|
| Receivables from transfer of bulk grain carriages | -37,162,200.00      | payment settlement  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 8. Contract assets (continued)

The movements of provision for impairment of contract assets are as below:

|      | Opening balance | Provision     | Reversal      | Write-off/<br>transfer out | Closing balance |
|------|-----------------|---------------|---------------|----------------------------|-----------------|
| 2019 | 12,387,400.00   | -             | 12,387,400.00 | -                          | -               |
|      | Opening balance | Provision     | Reversal      | Write-off/<br>transfer out | Closing balance |
| 2018 | -               | 12,387,400.00 | -             | -                          | 12,387,400.00   |

### 9. Other current assets

|                          | 2019          | 2018           |
|--------------------------|---------------|----------------|
| Input VAT to be deducted | 66,735,996.21 | 85,053,922.47  |
| Input VAT to be verified | -             | 915,050.93     |
| Prepaid income tax       | 7,701.89      | 19,766,331.05  |
|                          | 66,743,698.10 | 105,735,304.45 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 10. Long-term equity investments

2019

|   | 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.                  | 1,157,737.63                  | -                      | -                      | 355,376.39                                 | -                          | -                       | 300,000.00     | -                        | 1,213,114.02    | -  |
| Dalian Harbour ECL Logistics Co., Ltd.                        | 31,867,289.81                 | -                      | -                      | 1,135,818.05                               | -                          | 9,128.23                | 1,068,492.48   | -                        | 31,943,743.61   | -  |
| Odfjell Terminals (Dalian) Co., Ltd.                          | 164,438,966.96                | -                      | -                      | 25,935,449.92                              | -                          | 590,860.62              | 25,000,000.00  | -                        | 165,965,277.50  | -  |
| Dalian Port PetroChina International Terminal Co., Ltd.       | 232,170,584.40                | -                      | -                      | 28,973,479.39                              | -                          | 409,726.50              | 25,000,000.00  | -                        | 236,553,790.29  | -  |
| Dalian United International Shipping Agency Co., Ltd.         | 9,610,790.56                  | -                      | -                      | 5,102,132.46                               | -                          | -                       | 4,000,000.00   | -                        | 10,712,923.02   | -  |
| Dalian Vanguard International Logistics Co., Ltd.             | 31,781,755.23                 | -                      | -                      | -1,597,076.43                              | -                          | 92,598.46               | -              | -                        | 30,277,277.26   | -  |
| Dalian Port Yidu Cold Chain Co., Ltd.                         | 272,762,335.70                | -                      | -                      | 11,648,916.67                              | -                          | 34,255.80               | -              | -                        | 284,445,508.17  | -  |
| China United Tally (Dalian) Co., Ltd.                         | 3,274,054.99                  | -                      | -                      | 371,505.93                                 | -                          | -79,086.79              | 415,597.59     | -                        | 3,150,876.54    | -  |
| China Oil Dock Management (Dalian) Co., Ltd.                  | 5,013,298.47                  | -                      | -                      | 14,830,027.34                              | -                          | -                       | -              | -                        | 19,843,325.81   | -  |
| Liaoning Electronic Port Co., Ltd.                            | 3,275,746.88                  | -                      | -                      | 646,883.32                                 | -                          | -                       | -              | -                        | 3,922,630.20    | -  |
| Dalian Dagang China Shipping Container Terminal Co., Ltd.     | 9,038,963.01                  | -                      | -                      | 1,382,672.68                               | -                          | 24,288.12               | 3,139,882.13   | -                        | 7,306,041.68    | -  |
| Dalian Jilong Logistics Co., Ltd.                             | 21,653,975.12                 | -                      | -                      | 1,067,507.87                               | -                          | -                       | -              | -                        | 22,721,482.99   | -  |
| China United International Rail Containers (Dalian) Co., Ltd. | 177,849,777.29                | -                      | -                      | -3,838,567.30                              | -                          | -                       | -              | -                        | 174,011,209.99  | -  |
| Dalian Changxing Island Port Co., Ltd.                        | 127,195,959.05                | -                      | -                      | 11,519,725.64                              | -                          | 227,131.39              | -              | -                        | 138,942,816.08  | -  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

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

2019 (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 Port Bulk Cargo Logistics Center Co., Ltd.                 | 16,828,152.50                 | -                      | -                      | 8,724,682.64                               | -                          | 63,117.02               | 10,787,468.44  | -                        | 14,828,483.72    | -  |
| Odfjell Dalian Port Consulting Co., Ltd.                          | 1,133,761.95                  | -                      | -                      | -212,633.16                                | -                          | -                       | -              | -                        | 921,128.79       | -  |
| Dalian Changxing Island Port Investment and Development Co., Ltd. | 431,816,017.85                | -                      | -                      | -44,211,926.33                             | -                          | 499,289.35              | -              | -                        | 388,103,380.87   | -  |
| Dalian Shunde Jifa Supply Chain Management Co., Ltd.              | 7,609,240.55                  | -                      | -                      | 815,313.48                                 | -                          | -                       | -              | -                        | 8,424,554.03     | -  |
| Ha'ou International Logistics Co., Ltd.                           | 13,559,115.40                 | -                      | -                      | 8,674,512.35                               | -                          | -                       | -              | -                        | 22,233,627.75    | -  |
| Odfjell Changxing Terminals (Dalian) Co., Ltd.                    | 9,023,496.96                  | -                      | -                      | -942,296.29                                | -                          | -                       | -              | -                        | 8,081,200.67     | -  |
| Weifang Senda Container Service Co., Ltd.                         | 2,321,236.78                  | -                      | -                      | 803,739.30                                 | -                          | -                       | 739,113.10     | -                        | 2,385,862.98     | -  |
| Dalian Port Xiangyu Grain Logistics Co., Ltd.                     | 37,931,417.68                 | -                      | -                      | -613,574.60                                | -                          | -                       | -              | -                        | 37,317,843.08    | -  |
| China Shipping Gang Lian Co., Ltd.                                | 91,053,318.99                 | -                      | -                      | 5,808,000.00                               | -                          | -                       | -              | -                        | 96,861,318.99    | -  |
| Dalian New Silk Road International Logistics Co., Ltd.            | 2,655,028.43                  | -                      | -                      | 8,249.89                                   | -                          | -                       | 560,000.00     | -                        | 2,103,278.32     | -  |
| Subtotal  | 1,705,022,022.19              | -                      | -                      | 76,387,919.21                              | -                          | 1,871,308.70            | 71,010,553.74  | -                        | 1,712,270,696.36 | -  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

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

2019 (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 |                  |  |
| Associates   |                               |                        |                        |  |                            |                         |                |                          |                  |  |
| Dalian PetroChina International Warehousing and Transportation Co., Ltd. | 35,729,600.86                 | -                      | -                      | 10,895,241.48                              | -                          | 20,698.81               | 2,140,000.00   | -                        | 44,505,541.15    | -  |
| Dalian Wanpeng Port Engineering Testing Co., Ltd.                        | 3,408,100.79                  | -                      | -                      | 671,680.45                                 | -                          | -                       | 240,000.00     | -                        | 3,839,781.24     | -  |
| Dalian Puji Storage Facility Co., Ltd.                                   | 113,137,548.87                | -                      | -                      | -8,544,518.10                              | -                          | -                       | -              | -                        | 104,593,030.77   | -  |
| Taicang Xinggang Tug Co., Ltd.   | 7,970,321.02                  | -                      | -                      | 3,718,196.92                               | -                          | -                       | 1,543,851.51   | -                        | 10,144,666.43    | -  |
| PetroChina Dalian LNG Co., Ltd.  | 679,743,611.61                | -                      | -                      | 141,342,000.00                             | -                          | 1,160,857.67            | 119,524,385.98 | -                        | 702,722,083.30   | -  |
| Dalian North Oil Petroleum Logistics Co., Ltd.                           | 72,828,582.52                 | -                      | -                      | 4,463,025.32                               | -                          | -                       | 4,000,000.00   | -                        | 73,291,607.84    | -  |
| Sino Rail Bohai Train Ferry Co., Ltd.                                    | 245,045,841.35                | -                      | -                      | -2,496,687.46                              | -                          | 312,673.92              | -              | -                        | 242,861,827.81   | -  |
| CDC International Logistics Co., Ltd.                                    | 139,320,757.64                | -                      | -                      | -1,248,000.76                              | -                          | -                       | -              | -                        | 138,072,756.88   | -  |
| Dalian Port Corporation Finance Co., Ltd.                                | 975,897,542.10                | -                      | -                      | 69,998,904.48                              | -                          | -                       | 153,604,658.42 | -                        | 892,291,788.16   | -  |
| Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.                    | 852,931.86                    | -                      | 829,605.00             | 9,982.31                                   | -                          | -                       | 33,309.17      | -                        | -                | -  |
| Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.              | 5,791,532.32                  | -                      | -                      | 149,388.37                                 | -                          | -                       | -              | -                        | 5,940,920.69     | -  |
| Dalian Automobile Terminal Co., Ltd.                                     | 168,617,411.76                | -                      | -                      | 11,919,446.49                              | -                          | 163,720.58              | 8,000,000.00   | -                        | 172,700,578.83   | -  |
| Dalian Singamas International Container Co., Ltd.                        | 43,169,434.01                 | -                      | -                      | 2,393,675.03                               | -                          | 24,776.52               | 2,368,478.46   | -                        | 43,219,407.10    | -  |
| Subtotal   | 2,491,513,216.71              | -                      | 829,605.00             | 233,272,334.53                             | -                          | 1,682,727.50            | 291,454,683.54 | -                        | 2,434,183,990.20 | -  |
| Total  | 4,196,535,238.90              | -                      | 829,605.00             | 309,660,253.74                             | -                          | 3,554,036.20            | 362,465,237.28 | -                        | 4,146,454,686.56 | -  |



# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

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

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  | -  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 10. 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 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. | 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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 10. 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 | Disposal of subsidiaries | Share of profit/(loss) under equity method | Other comprehensive income | Other changes in equity | Cash dividends | Provision for impairment |                  |  |
| 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 Puji 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    | -  |
| Subtotal   | 2,402,176,839.43              | 4,497,900.00           | -15,559,494.54           | 192,271,990.14                             | -                          | -57,477.84              | 91,816,540.48  | -                        | 2,491,513,216.71 | -  |
| Total  | 4,181,438,137.97              | 21,997,900.00          | -15,559,494.54           | 250,423,644.20                             | -                          | 1,353,813.30            | 243,118,762.03 | -                        | 4,196,535,238.90 | -  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 11. Other equity instrument investments

2019

|  | Changes in fair value accumulated in other comprehensive income | Fair value            | Current dividend income                             |                               |
|--|---|-----------------------|---|-------------------------------|
|  |   |                       | Equity instruments derecognized in the current year | Equity instruments still held |
| Jinzhou New Times Container Terminal Co., Ltd.           | 40,528,576.73   | 93,372,210.73         | -   | 8,149,773.00                  |
| Qinhuangdao Port Xingangwan Container Terminal Co., Ltd. | -11,140,882.02  | 48,859,117.98         | -   | -                             |
| Dalian Port Design and Research Institute                | 6,721,965.70  | 7,356,565.70          | -   | 870,000.00                    |
| Da-In Ferry Co., Ltd.                                    | 7,542,918.80  | 9,442,976.30          | -   | -                             |
| Fujian Ninglian Port Co., Ltd.                           | 1,149,050.10  | 13,149,050.10         | -   | -                             |
| Dalian New Beiliang Co., Ltd.                            | 1,418,244.14  | 17,602,644.14         | -   | -                             |
|  | <b>46,219,873.45</b>  | <b>189,782,564.95</b> | <b>-</b>  | <b>9,019,773.00</b>           |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 11. Other equity instrument investments (continued)

2018

|  | Changes in<br>fair value<br>accumulated<br>in other<br>comprehensive<br>income | Fair value     | Current dividend income   |                                     |
|--|--|----------------|---|-------------------------------------|
|  |  |                | Equity<br>instruments<br>derecognized<br>in the<br>current year | Equity<br>instruments<br>still held |
| Jinzhou New Times Container Terminal<br>Co., Ltd.                  | 24,600,766.52  | 77,444,400.52  | –   | 7,760,250.43                        |
| Qinhuangdao Port Xingangwan Container<br>Terminal Co., Ltd.        | -18,481,490.35   | 41,518,509.65  | –   | –                                   |
| Dalian Port Design and Research Institute<br>Da-In Ferry Co., Ltd. | 3,707,884.49   | 4,342,484.49   | –   | 290,000.00                          |
| Fujian Ninglian Port Co., Ltd.                                     | 6,367,950.01   | 8,268,007.51   | –   | –                                   |
| Dalian New Beiliang Co., Ltd.                                      | -1,717,555.10  | 10,282,444.90  | –   | –                                   |
| Dalian New Beiliang Co., Ltd.                                      | -1,367,661.00  | 14,816,739.00  | –   | –                                   |
| Other equity instrument<br>investments-H shares (Note)             | -45,866,572.83   | 22,473,785.23  | –   | 240,879.35                          |
|  | -32,756,678.26   | 179,146,371.30 | –   | 8,291,129.78                        |

Note: Other equity instrument investments-H shares are the H shares of Sinotrans Shipping Limited (hereinafter referred to as “Sinotrans Shipping”) held by the Group. In January 2019, Sinotrans Shipping repurchased its shares at HK\$2.7 per share and was delisted from the Stock Exchange. The Group disposed of such other equity instrument investments accordingly and transferred the other comprehensive income with an aggregate amount of RMB-41,215,576.63 to retained earnings.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 12. Investment properties

Subsequent measurement under the cost model:

2019

|  | Buildings      | Land use rights | Terminal facilities | Total          |
|--|----------------|-----------------|---------------------|----------------|
| <b>Cost</b>                                      |                |                 |                     |                |
| Opening balance                                  | 151,479,241.57 | 36,071,687.60   | 99,645,981.17       | 287,196,910.34 |
| Transfers from construction in progress          | -              | -               | 868,643.75          | 868,643.75     |
| Transfer to fixed assets                         | 240,000.00     | -               | -                   | 240,000.00     |
| Transfer to intangible assets                    | -              | 3,391,526.35    | -                   | 3,391,526.35   |
| Closing balance                                  | 151,239,241.57 | 32,680,161.25   | 100,514,624.92      | 284,434,027.74 |
| <b>Accumulated depreciation and amortization</b> |                |                 |                     |                |
| Opening balance                                  | 33,039,443.79  | 7,629,681.63    | 43,808,378.78       | 84,477,504.20  |
| Provision  | 3,840,698.48   | 881,095.12      | 2,422,882.52        | 7,144,676.12   |
| Transfer to fixed assets                         | 151,011.68     | -               | -                   | 151,011.68     |
| Transfer to intangible assets                    | -              | 856,936.84      | -                   | 856,936.84     |
| Closing balance                                  | 36,729,130.59  | 7,653,839.91    | 46,231,261.30       | 90,614,231.80  |
| <b>Carrying amount</b>                           |                |                 |                     |                |
| Closing  | 114,510,110.98 | 25,026,321.34   | 54,283,363.62       | 193,819,795.94 |
| Opening  | 118,439,797.78 | 28,442,005.97   | 55,837,602.39       | 202,719,406.14 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 12. Investment properties (continued)

Subsequent measurement under the cost model (continued):

2018

|  | Buildings      | Land use rights | Terminal facilities | Total          |
|--|----------------|-----------------|---------------------|----------------|
| <b>Cost</b>                                      |                |                 |                     |                |
| Opening balance                                  | 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 balance                                  | 151,479,241.57 | 36,071,687.60   | 99,645,981.17       | 287,196,910.34 |
| <b>Accumulated depreciation and amortization</b> |                |                 |                     |                |
| Opening balance                                  | 10,648,441.31  | 14,629,700.57   | 194,821,309.36      | 220,099,451.24 |
| Transfers 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 balance                                  | 33,039,443.79  | 7,629,681.63    | 43,808,378.78       | 84,477,504.20  |
| <b>Carrying amount</b>                           |                |                 |                     |                |
| 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 |

The investment properties above were all leased out under operating leases as at 31 December 2019.

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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 13. Fixed assets

|                          | 2019                     | 2018              |
|--------------------------|--------------------------|-------------------|
| Fixed assets             | <b>16,611,742,844.36</b> | 17,188,425,411.67 |
| Disposal of fixed assets | <b>21,382,358.03</b>     | 19,881,550.83     |
|                          | <b>16,633,125,202.39</b> | 17,208,306,962.50 |

Changes in fixed assets are as follows:

#### 2019

|   | Buildings               | Terminal facilities     | Oil tanks and pipelines | Loading equipment       | Transportation equipment | Vessels                 | Storage facilities      | Machinery and equipment | Other equipment       | Total                    |
|---|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-----------------------|--------------------------|
| Cost                                    |                         |                         |                         |                         |                          |                         |                         |                         |                       |                          |
| Opening balance                         | 2,105,051,416.23        | 7,643,406,685.82        | 2,873,707,918.58        | 3,954,573,901.79        | 728,236,392.33           | 1,880,453,022.21        | 4,458,248,938.35        | 1,295,438,560.82        | 828,815,818.02        | 25,767,932,654.15        |
| Additions                               | 3,501,126.59            | 851,709.22              | -                       | 18,635,672.76           | 2,465,078.02             | -                       | 3,619,959.59            | 5,865,521.79            | 7,120,576.14          | 42,059,644.11            |
| Transfers from construction in progress | 22,118,418.02           | 94,186,465.71           | 32,058,586.88           | 8,770,246.48            | 1,706,428.20             | -                       | 32,504,249.71           | 48,282,291.50           | 20,923,838.03         | 260,550,524.53           |
| Transfer from investment properties     | 240,000.00              | -                       | -                       | -                       | -                        | -                       | -                       | -                       | -                     | 240,000.00               |
| Disposal or obsolescence                | 58,908.90               | 276,700.00              | -                       | 30,647,683.85           | 3,468,582.77             | -                       | -                       | 191,660.26              | 4,440,110.55          | 39,083,646.33            |
| Closing balance                         | <b>2,130,852,051.94</b> | <b>7,738,168,160.75</b> | <b>2,905,766,505.46</b> | <b>3,951,332,137.18</b> | <b>728,939,315.78</b>    | <b>1,880,453,022.21</b> | <b>4,494,373,147.65</b> | <b>1,349,394,713.85</b> | <b>852,420,121.64</b> | <b>26,031,699,176.46</b> |
| Accumulated depreciation                |                         |                         |                         |                         |                          |                         |                         |                         |                       |                          |
| Opening balance                         | 508,068,103.12          | 1,532,174,096.79        | 1,177,866,839.39        | 2,228,672,570.28        | 349,459,421.60           | 634,433,382.69          | 955,418,682.66          | 774,877,730.14          | 418,536,415.81        | 8,579,507,242.48         |
| Provision                               | 63,060,048.77           | 162,489,711.41          | 102,885,886.00          | 211,302,069.95          | 29,950,252.84            | 67,547,593.36           | 110,605,043.46          | 75,923,033.70           | 53,675,682.01         | 877,439,321.50           |
| Transfers from investment properties    | 151,011.68              | -                       | -                       | -                       | -                        | -                       | -                       | -                       | -                     | 151,011.68               |
| Disposal or obsolescence                | 55,963.44               | 265,632.00              | -                       | 29,257,355.05           | 3,203,574.89             | -                       | -                       | 166,717.58              | 4,192,000.60          | 37,141,243.56            |
| Closing balance                         | <b>571,223,200.13</b>   | <b>1,694,398,176.20</b> | <b>1,280,752,725.39</b> | <b>2,410,717,285.18</b> | <b>376,206,099.55</b>    | <b>701,980,976.05</b>   | <b>1,066,023,726.12</b> | <b>850,634,046.26</b>   | <b>468,020,097.22</b> | <b>9,419,956,332.10</b>  |
| Carrying amount                         |                         |                         |                         |                         |                          |                         |                         |                         |                       |                          |
| Closing                                 | <b>1,559,628,851.81</b> | <b>6,043,769,984.55</b> | <b>1,625,013,780.07</b> | <b>1,540,614,852.00</b> | <b>352,733,216.23</b>    | <b>1,178,472,046.16</b> | <b>3,428,349,421.53</b> | <b>498,760,667.59</b>   | <b>384,400,024.42</b> | <b>16,611,742,844.36</b> |
| Opening                                 | 1,596,983,313.11        | 6,111,232,589.03        | 1,695,841,079.19        | 1,725,901,331.51        | 378,776,970.73           | 1,246,019,639.52        | 3,502,830,255.69        | 520,560,830.68          | 410,279,402.21        | 17,188,425,411.67        |



# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 13. Fixed assets (continued)

Changes in fixed assets are as follows (continued):

2018

|   | Buildings        | Terminal facilities | Oil tanks and pipelines | Loading equipment | Transportation equipment | Vessels          | Storage facilities | Machinery and equipment | Other equipment | Total             |
|---|------------------|---------------------|-------------------------|-------------------|--------------------------|------------------|--------------------|-------------------------|-----------------|-------------------|
| <b>Cost</b>                             |                  |                     |                         |                   |                          |                  |                    |                         |                 |                   |
| Opening balance                         | 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     | 67,699,253.64           | 57,913,181.55   | 724,805,144.64    |
| Transfers from investment properties    | 2,040,103.65     | 453,970,783.18      | -                       | -                 | -                        | -                | 184,429,848.42     | 5,055,167.03            | 8,491,642.62    | 653,987,544.90    |
| Transfers 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 balance                         | 2,105,051,416.23 | 7,643,406,685.82    | 2,873,707,918.58        | 3,954,573,901.79  | 728,236,392.33           | 1,880,453,022.21 | 4,458,248,938.35   | 1,295,438,560.82        | 828,815,818.02  | 25,767,932,654.15 |
| <b>Accumulated depreciation</b>         |                  |                     |                         |                   |                          |                  |                    |                         |                 |                   |
| Opening balance                         | 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  |
| Provision                               | 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    |
| Transfers 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 balance                         | 508,068,103.12   | 1,532,174,096.79    | 1,177,866,839.39        | 2,228,672,570.28  | 349,459,421.60           | 634,433,382.69   | 955,418,682.66     | 774,877,730.14          | 418,536,415.81  | 8,579,507,242.48  |
| <b>Carrying amount</b>                  |                  |                     |                         |                   |                          |                  |                    |                         |                 |                   |
| Closing                                 | 1,596,983,313.11 | 6,111,232,589.03    | 1,695,841,079.19        | 1,725,901,331.51  | 378,776,970.73           | 1,246,019,639.52 | 3,502,830,255.69   | 520,560,830.68          | 410,279,402.21  | 17,188,425,411.67 |
| 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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 13. Fixed assets (continued)

As at 31 December 2019, fixed assets at a carrying amount of RMB86,870,647.87 (31 December 2018: RMB547,131,677.27) were pledged as collateral for the Group's long-term borrowings, please refer to Note V. 59.

As at 31 December 2019, the Group has no temporarily idle fixed assets (31 December 2018: Nil).

The Group'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 operating leases are as follows:

#### 2019

|                                 | Buildings      | Terminal facilities | Oil tanks and pipelines | Loading equipment | Transportation equipment | Vessels        | Storage facilities | Other equipment | Total            |
|---------------------------------|----------------|---------------------|-------------------------|-------------------|--------------------------|----------------|--------------------|-----------------|------------------|
| <b>Cost</b>                     |                |                     |                         |                   |                          |                |                    |                 |                  |
| Opening balance                 | 190,752,034.91 | 327,449,642.36      | 1,679,498.55            | 117,548,289.89    | 502,026,546.53           | 483,502,833.91 | 183,136,251.31     | 9,116,043.07    | 1,815,211,140.53 |
| Increase                        | 6,144,136.54   | 108,503,885.00      | 113,382,257.87          | 31,962,418.25     | 5,327,710.62             | 21,800,000.00  | 39,052,360.94      | 5,952,143.02    | 332,124,912.24   |
| Decrease                        | 165,436,538.70 | 109,840,336.98      | -                       | -                 | -                        | -              | 108,304,213.00     | 8,957,019.82    | 392,538,108.50   |
| Closing balance                 | 31,459,632.75  | 326,113,190.38      | 115,061,756.42          | 149,510,708.14    | 507,354,257.15           | 505,302,833.91 | 113,884,399.25     | 6,111,166.27    | 1,754,797,944.27 |
| <b>Accumulated depreciation</b> |                |                     |                         |                   |                          |                |                    |                 |                  |
| Opening balance                 | 40,569,221.96  | 109,288,251.90      | 964,290.14              | 70,762,082.95     | 177,641,945.75           | 123,075,683.27 | 69,437,316.51      | 5,085,935.46    | 596,824,727.94   |
| Provision                       | 2,537,416.70   | 17,706,419.58       | 69,471,759.43           | 34,019,842.76     | 25,019,662.81            | 26,640,262.72  | 8,353,400.41       | 3,635,733.05    | 187,384,497.46   |
| Decrease                        | 37,388,897.83  | 63,065,224.69       | -                       | -                 | -                        | -              | 15,452,222.84      | 4,980,408.94    | 120,886,754.30   |
| Closing balance                 | 5,717,740.83   | 63,929,446.79       | 70,436,049.57           | 104,781,925.71    | 202,661,608.56           | 149,715,945.99 | 62,338,494.08      | 3,741,259.57    | 663,322,471.10   |
| <b>Carrying amount</b>          |                |                     |                         |                   |                          |                |                    |                 |                  |
| Closing                         | 25,741,891.92  | 262,183,743.59      | 44,625,706.85           | 44,728,782.43     | 304,692,648.59           | 355,586,887.92 | 51,545,905.17      | 2,369,906.70    | 1,091,475,473.17 |
| Opening                         | 150,182,812.95 | 218,161,390.46      | 715,208.41              | 46,786,206.94     | 324,384,600.78           | 360,427,150.64 | 113,698,934.80     | 4,030,107.61    | 1,218,386,412.59 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 13. Fixed assets (continued)

Fixed assets held under operating leases are as follows (continued):

|                          | 2018                    |
|--------------------------|-------------------------|
| Buildings                | 150,182,812.95          |
| Terminal facilities      | 218,161,390.46          |
| Oil tanks and pipelines  | 715,208.41              |
| Loading equipment        | 46,786,206.94           |
| Transportation equipment | 324,384,600.78          |
| Vessels                  | 360,427,150.64          |
| Storage facilities       | 113,698,934.80          |
| Other equipment          | 4,030,107.61            |
| Total                    | <u>1,218,386,412.59</u> |

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            | –                        | <u>32,179,003.82</u> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 13. Fixed assets (continued)

Disposal of fixed assets

|                          | 2019                 | 2018          |
|--------------------------|----------------------|---------------|
| Terminal facilities      | <b>10,678,907.45</b> | 10,678,907.45 |
| Loading equipment        | <b>3,239,164.62</b>  | 2,666,216.93  |
| Transportation equipment | <b>224,866.55</b>    | 224,866.55    |
| Buildings                | <b>1,376,339.56</b>  | 1,376,339.56  |
| Machinery and equipment  | <b>130,731.61</b>    | 129,221.61    |
| Storage facilities       | <b>1,276,572.44</b>  | 1,276,572.44  |
| Other equipment          | <b>4,455,775.80</b>  | 3,529,426.29  |
| Total                    | <b>21,382,358.03</b> | 19,881,550.83 |

As at 31 December 2019, the fixed assets for which the property title certificates had not been obtained are as follows:

|           | Carrying amount       | Reason for not obtaining a certificate of title |
|-----------|-----------------------|---|
| Buildings | <u>649,793,879.93</u> | Under process                                   |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 14. Construction in progress

|                              | 2019                    |                          |                         | 2018             |                          |                  |
|------------------------------|-------------------------|--------------------------|-------------------------|------------------|--------------------------|------------------|
|                              | Closing balance         | Provision for impairment | Carrying amount         | Closing balance  | Provision for impairment | Carrying amount  |
| Dayao Bay No. 13-16          |                         |                          |                         |                  |                          |                  |
| Berth in Phase II            | 721,798,253.63          | -                        | 721,798,253.63          | 722,159,172.16   | -                        | 722,159,172.16   |
| Project of No. 19 – 21 Berth | 520,158,654.93          | -                        | 520,158,654.93          | 512,046,432.65   | -                        | 512,046,432.65   |
| New Port No.18-21 Berth      | 351,587,042.76          | -                        | 351,587,042.76          | 348,864,770.39   | -                        | 348,864,770.39   |
| Dalian Automobile            |                         |                          |                         |                  |                          |                  |
| Terminal No. 4 berth Project | -                       | -                        | -                       | 114,906,114.55   | -                        | 114,906,114.55   |
| Dayao Bay North Shore        |                         |                          |                         |                  |                          |                  |
| Automotive Logistics Centre  | 148,898,592.13          | -                        | 148,898,592.13          | 148,898,592.13   | -                        | 148,898,592.13   |
| Others                       | 227,338,245.22          | -                        | 227,338,245.22          | 183,469,251.67   | -                        | 183,469,251.67   |
|                              | <b>1,969,780,788.67</b> | <b>-</b>                 | <b>1,969,780,788.67</b> | 2,030,344,333.55 | -                        | 2,030,344,333.55 |

The Group'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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 14. Construction in progress (continued)

2019

| 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 investment properties | Other decreases   | Closing balance         | Proportion of expenditures incurred to budgeted amount | Progress of construction | Accumulative amount of capitalized borrowing costs | Including: borrowing costs capitalised in the current year | Capitalisation rate | Source of funds  |
|---|-------------------------|-------------------------|------------------------------|--|---|-------------------|-------------------------|--|--------------------------|--|--|---------------------|--|
| Dayao Bay No. 13-16 Berth in Phase II             | 3,783,000,000.00        | 722,159,172.16          | -                            | -  | -   | 380,918.53        | 721,798,253.63          | 93%  | 93%                      | 237,311,095.64                                     | -  | -                   | Self-owned funds and loans from financial institutions and other sources |
| Project of No. 19-21 Berth                        | 2,515,823,200.00        | 512,046,432.65          | 8,112,222.28                 | -  | -   | -                 | 520,158,654.93          | 21%  | 21%                      | 70,396,661.32                                      | 5,095,449.25   | 4.54%               | Self-owned funds and loans from financial institutions                   |
| New Port No.18-21 Berth                           | 413,770,000.00          | 348,864,770.39          | 2,722,272.37                 | -  | -   | -                 | 351,587,042.76          | 86%  | 86%                      | 83,522,029.54                                      | -  | -                   | Loans from financial institutions and other sources                      |
| Dalian Automobile Terminal No. 4 Berth Project    | 461,050,000.00          | 114,906,114.55          | 36,854,861.63                | -  | 151,760,976.18  | -                 | -                       | 100%   | 100%                     | -  | -  | -                   | Self-owned funds and loans from financial institutions                   |
| Dayao Bay North Shore Automotive Logistics Centre | 450,000,000.00          | 148,898,592.13          | -                            | -  | -   | -                 | 148,898,592.13          | 33%  | 33%                      | 8,054,440.28                                       | -  | -                   | Loans from financial institutions and other sources                      |
| Others  | 685,588,110.84          | 183,469,251.67          | 209,840,266.91               | -  | 165,971,273.36  | -                 | 227,338,245.22          | -  | -                        | 6,529,146.40                                       | 1,905,255.38   | 5.31%               |  |
| <b>Total</b>                                      | <b>8,559,211,310.84</b> | <b>2,030,344,333.55</b> | <b>257,523,623.19</b>        | <b>-</b>   | <b>317,732,249.54</b>   | <b>380,918.53</b> | <b>1,969,700,788.67</b> |  |                          | <b>405,813,373.18</b>                              | <b>7,000,704.63</b>  |                     |  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 14. 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 investment properties and long-term prepaid expenses | Other decreases  | Closing balance         | Proportion of expenditures incurred to budgeted amount | Progress of construction | Accumulative amount of capitalized borrowing costs | Including: borrowing costs capitalised in the current year | Capitalisation rate | Source of funds   |
|--|--------------------------|-------------------------|------------------------------|---|--|------------------|-------------------------|--|--------------------------|--|--|---------------------|---|
|  |                          |                         |                              |   |  |                  |                         |  |                          |  |  |                     |   |
| Dayao Bay No. 13-16 Berth in Phase II          | 3,783,000,000.00         | 688,277,007.63          | 33,882,164.53                | -   | -  | -                | 722,159,172.16          | 93%  | 93%                      | 237,311,085.64                                     | 25,659,637.88  | 5.31%               | Self-owned funds, Loans from financial institutions and other sources |
| Project of No. 19 - 21 Berth                   | 2,515,823,200.00         | 488,523,717.65          | 13,522,715.00                | -   | -  | -                | 512,046,432.65          | 20%  | 20%                      | 65,301,212.07                                      | 10,425,427.76  | 4.54%               | Self-owned funds and loans from financial institutions                |
| New Port No.18-21 Berth                        | 413,770,000.00           | 344,466,187.84          | 4,398,582.55                 | -   | -  | -                | 348,864,770.39          | 86%  | 86%                      | 83,522,029.54                                      | -  | -                   | Loans from financial institutions and other sources                   |
| Dalian Automobile Terminal No. 4 Berth Project | 461,050,000.00           | 218,996,346.03          | 83,819,712.96                | -   | 187,709,944.44   | -                | 114,906,114.55          | 85%  | 85%                      | 32,412,070.21                                      | -  | -                   | Self-owned funds and loans from financial institutions                |
| Dalian Bay Passenger Terminal                  | 383,160,000.00           | 154,715,311.75          | 91,827,001.80                | -   | 246,342,313.55   | -                | -                       | 100%   | 100%                     | 17,386,640.82                                      | 7,228,790.94   | 5.31%               | Self-owned funds and loans from financial institutions                |
| Dayao Bay North Shore Automotive               | 450,000,000.00           | 148,898,592.13          | -                            | -   | -  | -                | 148,898,592.13          | 33%  | 33%                      | 8,054,440.28                                       | -  | -                   | Loans from financial institutions and other sources                   |
| Oie No.4 Storage Yard                          | 570,600,000.00           | 38,840,238.77           | 10,990,449.15                | -   | 49,830,687.92  | -                | -                       | 100%   | 100%                     | -  | -  | -                   | Raised funds  |
| Dalian Bay Groceries and Re-ro Berth Project   | 700,000,000.00           | 14,976,150.50           | 2,645,902.01                 | -   | 17,625,052.51  | -                | -                       | 100%   | 100%                     | -  | -  | -                   | Self-owned funds and loans from financial institutions                |
| Others   | 1,134,959,681.81         | 152,916,186.27          | 289,326,670.78               | -   | 238,721,908.68   | 51,636.70        | 183,469,251.67          | -  | -                        | 12,115,768.84                                      | 1,364,570.58   | 4.54%               | -   |
| <b>Total</b>                                   | <b>10,412,362,881.81</b> | <b>2,260,659,738.57</b> | <b>510,016,198.78</b>        | <b>-</b>  | <b>740,229,907.10</b>  | <b>51,636.70</b> | <b>2,030,344,333.55</b> | <b>-</b>   | <b>-</b>                 | <b>456,103,257.40</b>                              | <b>44,678,726.96</b>                                       | <b>-</b>            | <b>-</b>  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 15. Right-of-use assets

2019

|                                 | Land use rights  | Storage facilities | Buildings      | Transportation<br>equipment | Terminal facilities | Others        | Total            |
|---------------------------------|------------------|--------------------|----------------|-----------------------------|---------------------|---------------|------------------|
| <b>Cost</b>                     |                  |                    |                |                             |                     |               |                  |
| Opening balance                 | 1,265,559,528.04 | 64,878,651.41      | 247,331,745.12 | 4,630,678.87                | 1,736,558,762.52    | 97,139,546.96 | 3,416,098,912.92 |
| Additions                       | -                | 10,206,324.99      | 72,503,924.53  | -                           | -                   | -             | 82,710,249.52    |
| Disposal                        | 15,406,955.95    | 64,878,651.41      | 140,534,591.41 | -                           | 22,455,164.39       | -             | 243,275,363.16   |
| Closing balance                 | 1,250,152,572.09 | 10,206,324.99      | 179,301,078.24 | 4,630,678.87                | 1,714,103,598.13    | 97,139,546.96 | 3,255,533,799.28 |
| <b>Accumulated depreciation</b> |                  |                    |                |                             |                     |               |                  |
| Opening balance                 | 9,237,295.27     | 32,439,325.70      | 15,496,722.58  | -                           | -                   | 8,805,362.65  | 65,978,706.20    |
| Provision                       | 36,635,118.34    | 7,459,896.07       | 22,763,444.28  | 1,154,593.10                | 44,611,820.37       | 11,147,043.23 | 123,771,915.39   |
| Disposal                        | 55,366.10        | 38,927,190.84      | 21,501,738.31  | -                           | 660,446.01          | -             | 61,144,741.26    |
| Closing balance                 | 45,817,047.51    | 972,030.93         | 16,758,428.55  | 1,154,593.10                | 43,951,374.36       | 19,952,405.88 | 128,605,880.33   |
| <b>Carrying amount</b>          |                  |                    |                |                             |                     |               |                  |
| Closing                         | 1,204,335,524.58 | 9,234,294.06       | 162,542,649.69 | 3,476,085.77                | 1,670,152,223.77    | 77,187,141.08 | 3,126,927,918.95 |
| Opening (Note)                  | 1,256,322,232.77 | 32,439,325.71      | 231,835,022.54 | 4,630,678.87                | 1,736,558,762.52    | 88,334,184.31 | 3,350,120,206.72 |

Note: The Group has adopted the new leasing standards from 1 January 2019. On the date of adoption, the Group recognised the right-of-use assets in accordance with the new leasing standards. Refer to Note III. 34.

The Company's management believes that no provision for impairment of right-of-use assets is required at the balance sheet date.



# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 16. Intangible assets

2019

|                                | 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                | 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 |
| Purchase                       | -                | -                         | -                      | -                                 | 5,348,241.79   | -               | -                   | -                        | 5,348,241.79     |
| Transfers from                 |                  |                           |                        |                                   |                |                 |                     |                          |                  |
| Construction in progress       | 29,752,595.62    | -                         | -                      | -                                 | 26,560,485.64  | -               | -                   | -                        | 56,313,081.26    |
| Transfers from                 |                  |                           |                        |                                   |                |                 |                     |                          |                  |
| Investment properties          | 3,391,526.35     | -                         | -                      | -                                 | -              | -               | -                   | -                        | 3,391,526.35     |
| Disposal                       | -                | -                         | -                      | -                                 | 12,820.51      | 1,977,376.00    | -                   | -                        | 1,990,196.51     |
| Closing balance                | 1,590,329,636.86 | 64,310,000.00             | 15,970,000.00          | 46,660,098.18                     | 248,984,543.65 | -               | 3,455,982.72        | 407,216,152.62           | 2,376,926,414.03 |
| Accumulated amortisation       |                  |                           |                        |                                   |                |                 |                     |                          |                  |
| Opening 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   |
| Provision for the current year | 33,239,608.22    | -                         | -                      | 3,007,293.84                      | 24,874,658.47  | 5,731.80        | 224,692.46          | 9,320,369.28             | 70,672,354.07    |
| Transfers from                 |                  |                           |                        |                                   |                |                 |                     |                          |                  |
| Investment properties          | 856,936.84       | -                         | -                      | -                                 | -              | -               | -                   | -                        | 856,936.84       |
| Disposal                       | -                | -                         | -                      | -                                 | 3,632.56       | 1,008,686.89    | -                   | -                        | 1,012,319.45     |
| Closing balance                | 263,522,443.70   | 64,310,000.00             | 15,970,000.00          | 39,642,571.14                     | 148,888,401.83 | -               | 3,455,982.72        | 123,617,539.33           | 659,406,938.72   |
| Carrying amount                |                  |                           |                        |                                   |                |                 |                     |                          |                  |
| Closing                        | 1,326,807,193.16 | -                         | -                      | 7,017,527.04                      | 100,096,141.82 | -               | -                   | 283,598,613.29           | 1,717,519,475.31 |
| Opening                        | 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 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 16. Intangible assets (continued)

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                        | -                | -                         | -                      | -                                 | 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     |
| Write-off                       | -                | -                         | -                      | -                                 | 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>          |                  |                           |                        |                                   |                |                 |                     |                          |                  |
| Closing                         | 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 |
| Opening                         | 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 |

As at 31 December 2019, the Group was not subject to any restrictions on its ownership of land use rights (31 December 2018: the land use rights with a carrying amount of of RMB14,518,901.29 were pledged as collateral for the Group's long-term borrowings), please refer to Note V. 59.

The Group's management believes that no provision for impairment of intangible assets is required at the balance sheet date.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 16. Intangible assets (continued)

As at 31 December 2019, the intangible assets for which the property right certificate had not been obtained are as follows:

|                 | Carrying amount | Reason for not obtaining a certificate of title |
|-----------------|-----------------|---|
| Land use rights | 147,262,715.10  | Under process                                   |

### 17. Goodwill

2019

|   | 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> |

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> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## 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 Jiyi 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:

|               | <b>Liaoning Con-Rail<br/>International<br/>Logistics Co., Ltd.</b> | <b>Dalian Jiyi<br/>Logistics Co., Ltd.</b> | <b>DCT Logistics<br/>Co., Ltd.</b> | <b>Dalian Port Logistic<br/>Network Co., Ltd.</b> |
|---------------|--|--|------------------------------------|---|
| 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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 18. Long-term prepaid expenses

2019

|                                       | Opening balance      | Increase in the year | Amortisation charged in the year | Closing balance      |
|---------------------------------------|----------------------|----------------------|----------------------------------|----------------------|
| Public facilities in bonded port      | 7,695,604.60         | –                    | 855,067.44                       | 6,840,537.16         |
| Decoration                            | 3,216,888.94         | 1,542,057.79         | 2,084,183.42                     | 2,674,763.31         |
| Site development expenses             | 11,207,110.19        | –                    | 1,620,305.04                     | 9,586,805.15         |
| Environmental Reconstruction expenses | 20,685,587.66        | –                    | 1,197,833.40                     | 19,487,754.26        |
| Reconstruction of No.6 bridge         | 21,046,380.34        | –                    | 5,873,408.52                     | 15,172,971.82        |
| Others                                | 12,343,773.60        | 4,212,853.15         | 4,010,530.17                     | 12,546,096.58        |
|                                       | <b>76,195,345.33</b> | <b>5,754,910.94</b>  | <b>15,641,327.99</b>             | <b>66,308,928.28</b> |

2018

|                                       | Opening balance       | Increase in the year | Amortisation charged 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>76,195,345.33</b> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## 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 and deferred tax liabilities before offsetting:

|  | 2019                             |                          | 2018                             |                          |
|--|----------------------------------|--------------------------|----------------------------------|--------------------------|
|  | Deductible temporary differences | Deferred tax assets      | Deductible temporary differences | Deferred tax assets      |
| Deferred tax assets  |                                  |                          |                                  |                          |
| Unrealised profit of intra transaction                       | 189,768,125.92                   | 47,442,031.48            | 191,394,323.28                   | 47,848,580.82            |
| Difference on depreciation                                   | 126,305,010.12                   | 31,576,252.53            | 116,700,533.64                   | 29,175,133.41            |
| Lease liabilities  | 73,840,084.28                    | 18,460,021.07            | -                                | -                        |
| Provision for asset impairments                              | 119,363,817.80                   | 29,840,954.45            | 108,103,077.52                   | 27,025,769.38            |
| Accrued expenses   | 17,594,052.72                    | 4,398,513.18             | 17,594,052.72                    | 4,398,513.18             |
| Changes in fair value of financial assets held for trading   | 5,046,450.02                     | 1,261,612.50             | 4,115,492.52                     | 1,028,873.13             |
| Changes in fair value of other equity instrument investments | -                                | -                        | 1,367,661.00                     | 341,915.25               |
| Others   | 2,795,659.62                     | 698,914.91               | 567,322.00                       | 141,830.50               |
|  | <b>534,713,200.48</b>            | <b>133,678,300.12</b>    | 439,842,462.68                   | 109,960,615.67           |
|  |                                  |                          |                                  |                          |
|  | 2019                             |                          | 2018                             |                          |
|  | Taxable temporary differences    | Deferred tax liabilities | Taxable temporary differences    | Deferred tax liabilities |
| Deferred tax liabilities                                     |                                  |                          |                                  |                          |
| Difference on depreciation                                   | 346,165,824.12                   | 86,541,456.03            | 357,347,916.72                   | 89,336,979.18            |
| Realisation of business combination in stages                | 151,564,015.08                   | 37,891,003.77            | 151,564,015.08                   | 37,891,003.77            |
| Changes in fair value of other equity instrument investments | 46,219,873.45                    | 11,554,968.37            | 14,477,555.56                    | 3,619,388.90             |
| Others   | 41,466,580.51                    | 10,366,645.12            | 38,760,370.04                    | 9,690,092.51             |
|  | <b>585,416,293.16</b>            | <b>146,354,073.29</b>    | 562,149,857.40                   | 140,537,464.36           |

# Notes to the Financial Statements (continued)

2019  
In RMB

## 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:

|                          | 2019              |                          | 2018              |                          |
|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
|                          | Offsetting amount | Balance after offsetting | Offsetting amount | Balance after offsetting |
| Deferred tax assets      | -32,968,424.91    | 100,709,875.21           | -28,812,021.49    | 81,148,594.18            |
| Deferred tax liabilities | -32,968,424.91    | 113,385,648.38           | -28,812,021.49    | 111,725,442.87           |

Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are as follows:

|                                  | 2019           | 2018           |
|----------------------------------|----------------|----------------|
| Deductible losses                | 478,513,168.76 | 432,589,763.51 |
| Deductible temporary differences | 24,392,068.86  | 19,264,706.92  |
| Total                            | 502,905,237.62 | 451,854,470.43 |

Deductible losses that are not recognised as deferred tax assets will expire in the following years:

|       | 2019           | 2018           |
|-------|----------------|----------------|
| 2019  | -              | 68,923,485.05  |
| 2020  | 37,507,805.52  | 39,725,500.81  |
| 2021  | 48,824,770.86  | 48,824,770.86  |
| 2022  | 122,795,990.21 | 122,795,990.21 |
| 2023  | 152,320,016.58 | 152,320,016.58 |
| 2024  | 117,064,585.59 | -              |
| Total | 478,513,168.76 | 432,589,763.51 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 20. Other non-current assets

|                                    | 2019                 | 2018          |
|------------------------------------|----------------------|---------------|
| Guarantee payment for land bidding | 1,860,000.00         | 1,860,000.00  |
| VAT input to be deducted           | 40,566,036.58        | 32,398,731.85 |
| Advances for construction projects | -                    | 2,041,000.00  |
|                                    | <b>42,426,036.58</b> | 36,299,731.85 |

### 21. Provision for asset impairments

2019

|  | Opening balance       | Provision<br>in the year | Decreases in the year |           |                             | Closing balance       |
|--|-----------------------|--------------------------|-----------------------|-----------|-----------------------------|-----------------------|
|  |                       |                          | Reversal              | Write-off | Disposal of<br>subsidiaries |                       |
| Provision for bad debts                        | 107,176,589.60        | 40,498,715.89            | 12,370,474.06         | -         | -                           | 135,304,831.43        |
| Provision for obsolescence of<br>inventory     | 7,803,794.80          | -                        | -                     | -         | -                           | 7,803,794.80          |
| Provision for impairment of<br>contract assets | 12,387,400.00         | -                        | 12,387,400.00         | -         | -                           | -                     |
|  | <b>127,367,784.40</b> | <b>40,498,715.89</b>     | <b>24,757,874.06</b>  | -         | -                           | <b>143,108,626.23</b> |

2018

|  | Opening balance | Provision<br>in the year | Decreases in the year |           |                             | Closing balance |
|--|-----------------|--------------------------|-----------------------|-----------|-----------------------------|-----------------|
|  |                 |                          | Reversal              | Write-off | Disposal of<br>subsidiaries |                 |
| Provision for bad debts                        | 94,954,400.55   | 65,514,190.39            | -                     | -         | 53,292,001.34               | 107,176,589.60  |
| Provision for obsolescence of<br>inventory     | 14,858,379.36   | -                        | -                     | -         | 7,054,584.56                | 7,803,794.80    |
| Provision for impairment of<br>contract assets | -               | 12,387,400.00            | -                     | -         | -                           | 12,387,400.00   |
|  | 109,812,779.91  | 77,901,590.39            | -                     | -         | 60,346,585.90               | 127,367,784.40  |



# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 22. Short-term borrowings

|                                   | 2019                  | 2018             |
|-----------------------------------|-----------------------|------------------|
| Unsecured                         | 497,000,000.00        | 3,373,500,000.00 |
| Guaranteed                        | –                     | 26,036,753.89    |
| Interest of short-term borrowings | 660,595.83            | 4,534,676.42     |
|                                   | <b>497,660,595.83</b> | 3,404,071,430.31 |

As at 31 December 2019, the annual interest rate for the borrowings above was 4.35%-5.70% (31 December 2018: 4.35%-6.80%).

As of 31 December 2019, the Group had no overdue loans (31 December 2018: Nil).

### 23. Accounts payable

Accounts payable are non-interest bearing and are usually settled within 3-6 months.

|                                  | 2019                  | 2018           |
|----------------------------------|-----------------------|----------------|
| Vessel leasing and ocean freight | 77,398,031.78         | 66,750,317.05  |
| Purchase of goods                | 6,968,059.69          | 6,482,312.42   |
| Purchase of auxiliary materials  | 105,451,424.16        | 151,209,881.87 |
|                                  | <b>189,817,515.63</b> | 224,442,511.34 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 23. Accounts payable (continued)

The ageing of accounts payable based on their recording dates is analysed as follows:

|               | 2019                  | 2018           |
|---------------|-----------------------|----------------|
| Within 1 year | <b>168,579,375.94</b> | 211,557,703.99 |
| 1 to 2 years  | <b>11,362,810.29</b>  | 4,055,467.41   |
| 2 to 3 years  | <b>3,145,657.50</b>   | 6,090,455.65   |
| Over 3 years  | <b>6,729,671.90</b>   | 2,738,884.29   |
|               | <b>189,817,515.63</b> | 224,442,511.34 |

On 31 December 2019, significant accounts payable aged over one year are listed below:

|   | Amounts payable      | Reasons for non-repayment |
|---|----------------------|---------------------------|
| Purchase of goods                                     | 5,453,670.86         | Not yet settled           |
| Purchase of auxiliary materials and quality guarantee | <u>13,133,870.53</u> | Not yet settled           |
|   | <u>18,587,541.39</u> |                           |

### 24. Advances from customers

|                 | 2019                | 2018         |
|-----------------|---------------------|--------------|
| Rental expenses | <b>7,070,884.59</b> | 6,153,114.57 |

As of 31 December 2019, the Group had no significant advance receipts aged over one year (31 December 2018: Nil).

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 25. Contract liabilities

|                                     | 2019                 | 2018          |
|-------------------------------------|----------------------|---------------|
| Miscellaneous expenses              | <b>11,114,219.32</b> | 8,910,485.64  |
| Job package fee due within one year | <b>8,850,000.00</b>  | 16,875,000.00 |
| Receipts in advance                 | <b>107.66</b>        | 7,825,140.37  |
| Freight                             | <b>6,631,684.70</b>  | 414,887.10    |
| Others                              | <b>7,701,738.35</b>  | 11,757,725.97 |
|                                     | <b>34,297,750.03</b> | 45,783,239.08 |

### 26. Employee benefits payable

2019

|  | Opening balance       | Increased this year     | Decreased this year     | Closing balance       |
|--|-----------------------|-------------------------|-------------------------|-----------------------|
| Short-term employee benefits                         | 256,572,076.39        | 1,509,183,781.10        | 1,531,287,091.66        | 234,468,765.83        |
| Post-employment benefits (defined contribution plan) | 4,281,949.99          | 170,635,038.84          | 169,167,232.44          | 5,749,756.39          |
|  | <b>260,854,026.38</b> | <b>1,679,818,819.94</b> | <b>1,700,454,324.10</b> | <b>240,218,522.22</b> |

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> |

# Notes to the Financial Statements (continued)

2019  
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:

2019

|   | Opening balance       | Increased this year     | Decreased this year     | Closing balance       |
|---|-----------------------|-------------------------|-------------------------|-----------------------|
| Wages and salaries, bonus, allowances and subsidies | 218,714,669.36        | 872,693,099.59          | 891,743,698.63          | 199,664,070.32        |
| Staff welfare                                       | 660,962.34            | 64,010,290.48           | 64,671,252.82           | -                     |
| Social insurance contributions                      | 106,551.50            | 81,053,949.53           | 81,000,572.69           | 159,928.34            |
| Including: Medical insurance                        | 97,301.46             | 63,030,531.50           | 62,977,323.10           | 150,509.86            |
| Work injury insurance                               | 7,075.26              | 5,865,455.02            | 5,865,395.84            | 7,134.44              |
| Maternity insurance                                 | 2,174.78              | 9,373,838.24            | 9,373,728.98            | 2,284.04              |
| Others  | -                     | 2,784,124.77            | 2,784,124.77            | -                     |
| Housing funds                                       | -                     | 133,926,259.86          | 133,923,482.83          | 2,777.03              |
| Labour union funds and employee education funds     | 2,509,397.06          | 22,694,335.70           | 23,923,832.33           | 1,279,900.43          |
| Labour costs  | 15,475,794.57         | 322,804,797.51          | 320,471,432.94          | 17,809,159.14         |
| Other short-term employee benefits                  | 19,104,701.56         | 12,001,048.43           | 15,552,819.42           | 15,552,930.57         |
|   | <b>256,572,076.39</b> | <b>1,509,183,781.10</b> | <b>1,531,287,091.66</b> | <b>234,468,765.83</b> |

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 fund      | 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> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 26. Employee benefits payable (continued)

Defined contribution plans are as follows:

#### 2019

|                           | Opening balance     | Increased this year   | Decreased this year   | Closing balance     |
|---------------------------|---------------------|-----------------------|-----------------------|---------------------|
| Basic pensions            | 264,345.12          | 129,371,198.28        | 129,369,741.48        | 265,801.92          |
| Payment of annuity (Note) | 3,995,722.49        | 37,373,948.18         | 35,907,644.11         | 5,462,026.56        |
| Unemployment insurance    | 21,882.38           | 3,889,892.38          | 3,889,846.85          | 21,927.91           |
|                           | <b>4,281,949.99</b> | <b>170,635,038.84</b> | <b>169,167,232.44</b> | <b>5,749,756.39</b> |

#### 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> |

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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 27. Taxes payable

|                                       | 2019                 | 2018          |
|---------------------------------------|----------------------|---------------|
| Corporate income tax                  | <b>76,904,889.39</b> | 42,033,433.00 |
| VAT                                   | <b>6,136,344.01</b>  | 4,617,737.77  |
| Individual income tax                 | <b>2,540,774.56</b>  | 2,047,322.93  |
| City maintenance and construction tax | <b>377,449.41</b>    | 347,744.57    |
| Educational surcharge                 | <b>270,033.47</b>    | 255,385.32    |
| Environmental tax payable             | <b>965,353.53</b>    | 1,065,617.43  |
| Others                                | <b>9,796,226.83</b>  | 3,746,002.91  |
|                                       | <b>96,991,071.20</b> | 54,113,243.93 |

### 28. Other payables

|                   | 2019                  | 2018           |
|-------------------|-----------------------|----------------|
| Interest payable  | <b>1,003,902.03</b>   | –              |
| Dividends payable | <b>241,653,084.84</b> | 220,370,685.87 |
| Other payables    | <b>667,924,909.63</b> | 520,393,447.57 |
|                   | <b>910,581,896.50</b> | 740,764,133.44 |

#### *Interest payable*

|  | 2019                | 2018 |
|--|---------------------|------|
| Interest of long-term borrowings with instalment payments and principal due for maturity | <b>1,003,902.03</b> | –    |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 28. Other payables (continued)

#### Dividends payable

|   | 2019                  | 2018           |
|---|-----------------------|----------------|
| Singapore Dalian Port Investment Pte. Ltd.    | <b>134,380,881.40</b> | 107,025,432.70 |
| China Shipping Terminal Development Co., Ltd. | <b>24,688,807.01</b>  | 32,060,365.06  |
| NYK   | <b>35,404,193.75</b>  | 30,275,340.05  |
| COSCO Terminal (DALIAN) Company Limited       | <b>22,482,955.16</b>  | 19,225,945.87  |
| China Shipping Port Development Co., Ltd.     | <b>18,916,693.30</b>  | 16,176,313.07  |
| Dalian Bonded Zhengtong Company Limited       | <b>5,779,554.22</b>   | 5,779,554.22   |
| NYK Bulk & Projects Carriers Ltd.             | -                     | 1,285,945.46   |
| PSA China Pte. Ltd.                           | -                     | 7,888,266.76   |
| Minority shareholders of subsidiaries         | -                     | 653,522.68     |
|   | <b>241,653,084.84</b> | 220,370,685.87 |

#### Other payables

|                                       | 2019                  | 2018           |
|---------------------------------------|-----------------------|----------------|
| Insurance claims                      | <b>2,074,165.31</b>   | 2,278,443.92   |
| Port Construction and security fees   | <b>34,539,492.24</b>  | 32,269,105.00  |
| Project payment and quality guarantee | <b>305,199,654.88</b> | 312,380,425.06 |
| Land compensation                     | <b>35,070,000.00</b>  | 35,070,000.00  |
| Borrowings from related parties       | <b>163,679,156.00</b> | -              |
| Deposit and security deposit          | <b>22,335,161.23</b>  | 37,626,809.96  |
| Freight                               | <b>29,565,710.74</b>  | 29,453,362.07  |
| Others                                | <b>75,461,569.23</b>  | 71,315,301.56  |
|                                       | <b>667,924,909.63</b> | 520,393,447.57 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 28. Other payables (continued)

#### *Other payables (continued)*

As of 31 December 2019, the Group's important other payables aged over one year are as follows:

|                                       | Amounts               | Reasons for non-repayment |
|---------------------------------------|-----------------------|---------------------------|
| Project payment and quality guarantee | 91,146,579.21         | Not yet settled           |
| Port Construction and security fees   | 18,637,788.20         | Not yet settled           |
| Land compensation                     | <u>35,070,000.00</u>  | Not yet settled           |
|                                       | <u>144,854,367.41</u> |                           |

### 29. Current portion of non-current liabilities

|   | 2019                         | 2018                  |
|---|------------------------------|-----------------------|
| Current portion of long-term borrowings (Note V.30) | <b>169,639,042.19</b>        | 736,969,979.52        |
| Current portion of long-term payables (Note V.33)   | <b>7,500,000.00</b>          | 66,616,470.17         |
| Current portion of lease liabilities (Note V.32)    | <b>61,418,218.86</b>         | –                     |
| Interests on bonds payable                          | <b>162,221,889.64</b>        | 162,221,889.64        |
|   | <b><u>400,779,150.69</u></b> | <u>965,808,339.33</u> |



# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 30. Long-term borrowings

|   | 2019                    | 2018             |
|---|-------------------------|------------------|
| Pledged                                       | <b>44,063,861.11</b>    | 541,825,020.72   |
| Unsecured                                     | <b>1,634,273,995.48</b> | 2,247,170,975.92 |
|   | <b>1,678,337,856.59</b> | 2,788,995,996.64 |
| Less: Current portion of long-term borrowings |                         |                  |
| Pledged                                       | <b>10,063,861.11</b>    | 497,825,020.72   |
| Unsecured                                     | <b>159,575,181.08</b>   | 239,144,958.80   |
|   | <b>169,639,042.19</b>   | 736,969,979.52   |
|   | <b>1,508,698,814.40</b> | 2,052,026,017.12 |

On 31 December 2019, the annual interest rate of the above borrowings was 4.35%-4.90% (31 December 2018: 4.28%-4.90%).

|   | 2019                    | 2018             |
|---|-------------------------|------------------|
| Expired within 1 year (including 1 year)                    | <b>169,639,042.19</b>   | 736,969,979.52   |
| Expired within 2 years (including 2 years)                  | <b>15,000,000.00</b>    | 675,150,797.12   |
| Expired within 3 to 5 years (including 3 years and 5 years) | <b>275,581,134.26</b>   | 59,000,000.00    |
| More than 5 years   | <b>1,218,117,680.14</b> | 1,317,875,220.00 |
|   | <b>1,678,337,856.59</b> | 2,788,995,996.64 |

### 31. Bonds payable

|                 | 2019                    | 2018             |
|-----------------|-------------------------|------------------|
| Corporate bonds | <b>5,884,379,767.90</b> | 5,873,223,359.39 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 31. Bonds payable (continued)

As of 31 December 2019, 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 | 2,342,826,982.89 | -                | 124,550,000.01             | 2,904,034.26             | -                   | 2,345,731,017.15 |
| Corporate bonds (Note 2) | 100.00    | 26 April 2017 | 5        | 1,070,000,000.00 | 1,065,617,012.25 | -                | 51,359,999.98              | 1,249,993.45             | -                   | 1,066,867,005.70 |
| Corporate bonds (Note 3) | 100.00    | 3 August 2018 | 5        | 2,500,000,000.00 | 2,464,779,364.25 | -                | 122,250,000.00             | 7,002,380.80             | -                   | 2,471,781,745.05 |

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            | 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            | 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 2)   | 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 3) | 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 |

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 2019, bonds payable with a par value of RMB2,350,000,000.00 (31 December 2018: 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 [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 3: 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.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 32. Lease liabilities

|  | 2019                    |
|--|-------------------------|
| Operating leases liabilities               | 3,193,860,715.68        |
| Less: Current portion of lease liabilities | 61,418,218.86           |
|  | <b>3,132,442,496.82</b> |

### 33. Long-term payables

|   | 2019                 | 2018           |
|---|----------------------|----------------|
| Bond underwriting fee                       | 22,500,000.00        | 30,000,000.00  |
| Equity repurchase (Note)                    | 17,500,000.00        | 17,500,000.00  |
| Payable for finance lease                   | -                    | 59,116,470.17  |
|   | <b>40,000,000.00</b> | 106,616,470.17 |
| Less: Current portion of long-term payables |                      |                |
| Bond underwriting fees                      | 7,500,000.00         | 7,500,000.00   |
| Payable for finance lease                   | -                    | 59,116,470.17  |
|   | <b>32,500,000.00</b> | 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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 33. Long-term payables (continued)

The long-term payable maturity date is analyzed as follows:

|   | 2019                 | 2018           |
|---|----------------------|----------------|
| Expired within 1 year (including 1 year)                    | 7,500,000.00         | 66,616,470.17  |
| Expired within 2 years (including 2 years)                  | 7,500,000.00         | 7,500,000.00   |
| Expired within 3 to 5 years (including 3 years and 5 years) | 7,500,000.00         | 15,000,000.00  |
| More than 5 years   | 17,500,000.00        | 17,500,000.00  |
|   | <b>40,000,000.00</b> | 106,616,470.17 |

### 34. Deferred income

2019

|                   | Opening balance | Increased this year | Decreased this year | Closing balance |
|-------------------|-----------------|---------------------|---------------------|-----------------|
| Government grants | 587,760,573.96  | 1,671,413.16        | 39,941,287.39       | 549,490,699.73  |

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  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 34. Deferred income (continued)

On 31 December 2019, the liabilities related to government grants were as follows:

|   | Opening balance       | Increased this year | Amount recognized in other income | Amount recognized in non-operating income | Closing balance       | Related to assets/income |
|---|-----------------------|---------------------|-----------------------------------|---|-----------------------|--------------------------|
| Relocation compensation                                 | 392,795,735.45        | -                   | 29,562,016.86                     | -   | 363,233,718.59        | Related to assets        |
| Production safety fund                                  | 28,356,096.47         | -                   | 1,978.56                          | 1,270,000.00                              | 27,084,117.91         | Related to assets        |
| Sea-railway transportation subsidies                    | 14,488,969.11         | -                   | 2,191,030.92                      | -   | 12,297,938.19         | Related to assets        |
| Transport junction passenger station project            | 109,431,185.76        | -                   | 3,412,885.44                      | -   | 106,018,300.32        | Related to assets        |
| Operation subsidies                                     | 8,750,000.00          | -                   | 250,000.00                        | -   | 8,500,000.00          | Related to income        |
| Log process project                                     | 8,300,000.00          | -                   | -                                 | -   | 8,300,000.00          | Related to assets        |
| Energy conservation and emission reduction special fund | 9,629,891.96          | 671,413.16          | 59,527.40                         | 1,120,064.85                              | 9,121,712.87          | Related to assets        |
| Vessel acquisition subsidies                            | 1,307,445.96          | -                   | -                                 | 789,967.76                                | 517,478.20            | Related to assets        |
| Equipment reconstruction subsidies                      | 9,991,519.15          | -                   | 541,628.00                        | -   | 9,449,891.15          | Related to assets        |
| Others  | 4,709,730.10          | 1,000,000.00        | 223,552.25                        | 518,635.35                                | 4,967,542.50          | Related to assets        |
|   | <b>587,760,573.96</b> | <b>1,671,413.16</b> | <b>36,242,619.43</b>              | <b>3,698,667.96</b>                       | <b>549,490,699.73</b> |                          |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 34. 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        |
| Foreign trade and economic development special funds    | –                     | 1,000,000.00         | 1,000,000.00                      | –   | –                     | Related to income        |
| 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        |
| 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        |
|   | <u>570,082,092.47</u> | <u>66,556,438.01</u> | <u>48,877,704.29</u>              | <u>252.23</u>                             | <u>587,760,573.96</u> |                          |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 35. Other non-current liabilities

|                                       | 2019                  | 2018           |
|---------------------------------------|-----------------------|----------------|
| All-in charges for cargo handling     | <b>104,394,136.00</b> | 105,416,797.00 |
| Less: The portion due within one year | <b>8,850,000.00</b>   | 16,875,000.00  |
|                                       | <b>95,544,136.00</b>  | 88,541,797.00  |

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.

### 36. Share capital

2019 and 2018

|                                 | 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 2019, 722,166,000 shares of foreign shares listed overseas were held by PDA Group through HKSCC Nominees Limited (31 December 2018: 722,166,000 shares).

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 37. Capital surplus

2019

|                 | Opening balance         | Increased this year | Decreased this year | Closing balance         |
|-----------------|-------------------------|---------------------|---------------------|-------------------------|
| Capital premium | 2,910,765,975.69        | –                   | –                   | 2,910,765,975.69        |
| Other (Note 1)  | 24,427,530.63           | 3,554,036.20        | –                   | 27,981,566.83           |
|                 | <b>2,935,193,506.32</b> | <b>3,554,036.20</b> | <b>–</b>            | <b>2,938,747,542.52</b> |

2018

|                 | Opening balance  | Increased this year | Decreased this year | Closing balance  |
|-----------------|------------------|---------------------|---------------------|------------------|
| Capital premium | 2,910,765,975.69 | –                   | –                   | 2,910,765,975.69 |
| Other (Note 2)  | 17,838,739.68    | 38,824,716.45       | 32,235,925.50       | 24,427,530.63    |
|                 | 2,928,604,715.37 | 38,824,716.45       | 32,235,925.50       | 2,935,193,506.32 |

Note 1: The joint ventures and affiliates invested by the Group extracted special reserves this year, resulting in an increase in capital reserve of RMB3,554,036.20.

Note 2: In 2018, 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. 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.

The Group acquired minority shareholders' equity of the subsidiary in 2018, and the capital reserve decreased by RMB32,235,925.50.



# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 38. Other comprehensive income

Cumulative balance of other comprehensive income attributable to the parent company in the consolidated balance sheet:

|   | 1 January<br>2019   | Increase or<br>decrease | 31 December<br>2019  |
|---|---------------------|-------------------------|----------------------|
| Changes in fair value of other equity instruments investment (Note) | -32,850,282.56      | 65,916,948.26           | 33,066,665.70        |
| Differences on translation of foreign currency financial statements | 38,774,283.33       | -897,590.10             | 37,876,693.23        |
|   | <b>5,924,000.77</b> | <b>65,019,358.16</b>    | <b>70,943,358.93</b> |
|   | 1 January<br>2018   | Increase or<br>decrease | 31 December<br>2018  |
| Changes in fair value of other equity instruments investment        | -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        |
|   | 6,798,035.57        | -874,034.80             | 5,924,000.77         |

Note: The shares of SINOTRANS SHIP was repurchased and delisted in January 2019, accordingly, the Group disposed such other equity instruments investment, and transferred other comprehensive income with an aggregate amount of RMB-41,215,576.63 to retained earnings. For details, please refer to Note V. 11.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 38. Other comprehensive income (continued)

The current amount of other comprehensive income in the consolidated income statement:

2019

|   | Amount incurred<br>before tax | Less: Previously<br>included in other<br>comprehensive<br>income, transferred<br>to current profit<br>and loss | Less: Previously<br>included in other<br>comprehensive<br>income, transferred<br>to current retained<br>profit and loss | Less: Income tax    | Attributable to<br>shareholders of the<br>parent company | Attributable<br>to minority<br>shareholders |
|---|-------------------------------|--|---|---------------------|--|---|
| Changes in fair value of<br>other equity instruments<br>investment        | 33,109,978.88                 | -  | -   | 8,277,494.72        | 24,701,371.63  | 131,112.53                                  |
| Differences on translation<br>of foreign currency<br>financial statements | -897,590.10                   | -  | -   | -                   | -897,590.10  | -   |
|   | <b>32,212,388.78</b>          | <b>-</b>   | <b>-</b>  | <b>8,277,494.72</b> | <b>23,803,781.53</b>                                     | <b>131,112.53</b>                           |

2018

|   | Amount incurred<br>before tax | Less: Previously<br>included in other<br>comprehensive<br>income, transferred<br>to current profit<br>and loss | Less: Previously<br>included in other<br>comprehensive<br>income, transferred<br>to current retained<br>profit and loss | Less: Income tax    | Attributable to<br>shareholders of the<br>parent company | Attributable<br>to minority<br>shareholders |
|---|-------------------------------|--|---|---------------------|--|---|
| Changes in fair value of<br>other equity instruments<br>investment        | -16,141,975.31                | -  | -   | 5,499,466.60        | -10,409,767.71   | -232,741.00                                 |
| Differences on translation<br>of foreign currency<br>financial statements | 9,535,732.91                  | -  | -   | -                   | 9,535,732.91   | -   |
|   | <b>-6,606,242.40</b>          | <b>-</b>   | <b>-</b>  | <b>5,499,466.60</b> | <b>-874,034.80</b>                                       | <b>-232,741.00</b>                          |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 39. Special reserves

2019

|                       | Opening balance | Increased this year | Decreased this year | Closing balance |
|-----------------------|-----------------|---------------------|---------------------|-----------------|
| Safety production fee | 32,179,588.47   | 38,414,599.61       | 32,090,642.54       | 38,503,545.54   |

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   |

### 40. Surplus reserve

2019

|                               | Opening balance       | Increased this year  | Decreased this year | Closing balance       |
|-------------------------------|-----------------------|----------------------|---------------------|-----------------------|
| Statutory surplus reserve     | 823,024,072.80        | 72,531,564.11        | –                   | 895,555,636.91        |
| Reserve fund                  | 353,065.88            | –                    | –                   | 353,065.88            |
| Discretionary surplus reserve | 620,468.49            | –                    | –                   | 620,468.49            |
|                               | <b>823,997,607.17</b> | <b>72,531,564.11</b> | <b>–</b>            | <b>896,529,171.28</b> |

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  |

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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 41. Undistributed profits

|  | 2019                    | 2018             |
|--|-------------------------|------------------|
| Undistributed profit at the end of the previous year before adjustment   | <b>1,584,535,562.22</b> | 1,416,071,539.76 |
| Changes in accounting policies (Note III. 34)                            | <b>-7,703,297.95</b>    | 12,944,295.94    |
| Undistributed profit at the beginning of the year after adjustment       | <b>1,576,832,264.27</b> | 1,429,015,835.70 |
| Net profit attributable to shareholders of the parent company            | <b>718,230,462.31</b>   | 523,315,600.09   |
| Less: Appropriation to statutory surplus reserve                         | <b>72,531,564.11</b>    | 65,282,172.63    |
| Ordinary share cash dividends payable (Note)                             | <b>244,996,183.98</b>   | 296,574,327.98   |
| Appropriation to employees' bonus and welfare fund in subsidiaries       | <b>5,789,295.88</b>     | 5,939,372.96     |
| Other comprehensive income transferred to retained earnings (Note V. 11) | <b>41,215,576.63</b>    | -                |
| Undistributed profits at the end of the year                             | <b>1,930,530,105.98</b> | 1,584,535,562.22 |

Note: According to the resolution of the board of directors held on 26 March 2019, the profit distribution for 2018 is calculated based on the number of ordinary shares outstanding 12,894,535,999 shares, and a cash dividend of RMB0.19 (including tax) is distributed to all shareholders for every 10 shares. Cash dividends of RMB244,996,183.98 were distributed. The above dividend distribution plan has been approved by the shareholders meeting held on 27 June 2019.

### 42. Revenue and cost of sales

|                      | 2019                    |                         | 2018             |                  |
|----------------------|-------------------------|-------------------------|------------------|------------------|
|                      | Revenue                 | Cost of sales           | Revenue          | Cost of sales    |
| Principal operations | <b>6,368,605,011.51</b> | <b>4,412,174,637.33</b> | 6,440,045,307.27 | 4,892,967,432.46 |
| Other operations     | <b>277,302,264.68</b>   | <b>242,765,722.95</b>   | 314,399,595.11   | 248,767,750.04   |
|                      | <b>6,645,907,276.19</b> | <b>4,654,940,360.28</b> | 6,754,444,902.38 | 5,141,735,182.50 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 42. Revenue and cost of sales (continued)

Revenue is as follows:

|  | 2019                    | 2018             |
|--|-------------------------|------------------|
| Revenue arising from the transactions with the customers | <b>6,531,860,273.93</b> | 6,612,706,441.10 |
| Leasing income   | <b>114,047,002.26</b>   | 141,738,461.28   |
|  | <b>6,645,907,276.19</b> | 6,754,444,902.38 |

The composition of the revenue arising from the transactions with the customers is as follows:

#### 2019

| Reporting segment   | Commodity             | Labour services<br>or services | Others                | Total                   |
|---|-----------------------|--------------------------------|-----------------------|-------------------------|
| Major operating regions   |                       |                                |                       |                         |
| Dalian  | 295,944,581.86        | 5,916,854,857.70               | 325,880,107.73        | 6,538,679,547.29        |
| Others  | -                     | 106,528,602.48                 | 699,126.42            | 107,227,728.90          |
|   | <b>295,944,581.86</b> | <b>6,023,383,460.18</b>        | <b>326,579,234.15</b> | <b>6,645,907,276.19</b> |
| Principal business segment  |                       |                                |                       |                         |
| Container terminal and logistics and trade services                     | 102,759,988.26        | 2,451,754,461.75               | 116,691,788.67        | 2,671,206,238.68        |
| Oil/liquefied chemicals terminal and logistics and trade services       | 124,753,564.24        | 1,444,794,923.33               | 45,916,855.96         | 1,615,465,343.53        |
| Bulk and general cargo terminal and logistics services                  | 1,068,576.64          | 956,625,229.75                 | 22,170,315.32         | 979,864,121.71          |
| Bulk grain terminal and logistics and trade services                    | 13,286,000.00         | 120,228,349.63                 | 12,955,842.32         | 146,470,191.95          |
| Passenger and roll-on/roll-off terminal and logistics services          | 548,908.50            | 170,280,719.08                 | 11,472,559.56         | 182,302,187.14          |
| Port value-added services and ancillary port operations                 | 45,693,305.31         | 809,992,555.36                 | 98,227,736.64         | 953,913,597.31          |
| Automobile terminal and related logistics services and trading business | 7,834,238.91          | 12,210,308.33                  | 1,346,470.10          | 21,391,017.34           |
| Others  | -                     | 57,496,912.95                  | 17,797,665.58         | 75,294,578.53           |
|   | <b>295,944,581.86</b> | <b>6,023,383,460.18</b>        | <b>326,579,234.15</b> | <b>6,645,907,276.19</b> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 42. Revenue and cost of sales (continued)

The composition of the revenue arising from the transactions with the customers is as follows: (continued)

2019 (continued)

| Reporting segment   | Commodity             | Labour services<br>or services | Others                | Total                   |
|---|-----------------------|--------------------------------|-----------------------|-------------------------|
| Time of revenue recognition                               |                       |                                |                       |                         |
| Recognised at a certain point of time                     |                       |                                |                       |                         |
| Revenue from sales of goods                               | 29,010,280.58         | -                              | -                     | 29,010,280.58           |
| Revenue from electric supply services                     | 47,118,581.68         | -                              | -                     | 47,118,581.68           |
| Revenue from commodity trading                            | 219,815,719.60        | -                              | -                     | 219,815,719.60          |
| Recognised over a certain period                          |                       |                                |                       |                         |
| Revenue from agency services                              | -                     | 671,795,203.70                 | -                     | 671,795,203.70          |
| Revenue from project construction and inspection services | -                     | 113,808,913.69                 | -                     | 113,808,913.69          |
| Revenue from logistics services                           | -                     | 970,755,785.78                 | -                     | 970,755,785.78          |
| Revenue from port handling services                       | -                     | 3,995,280,973.35               | -                     | 3,995,280,973.35        |
| Revenue from port management services                     | -                     | 144,737,063.40                 | -                     | 144,737,063.40          |
| Revenue from tallying services                            | -                     | 61,315,082.53                  | -                     | 61,315,082.53           |
| Revenue from information services                         | -                     | 65,690,437.73                  | -                     | 65,690,437.73           |
| Others  | -                     | -                              | 212,532,231.89        | 212,532,231.89          |
| Others  |                       |                                |                       |                         |
| Revenue from leasing services                             | -                     | -                              | 114,047,002.26        | 114,047,002.26          |
|   | <b>295,944,581.86</b> | <b>6,023,383,460.18</b>        | <b>326,579,234.15</b> | <b>6,645,907,276.19</b> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 42. Revenue and cost of sales (continued)

The composition of the revenue arising from the transactions with the customers is as follows: (continued)

2018

| Reporting segment   | Commodity      | Labour services<br>or services | Others         | Total            |
|---|----------------|--------------------------------|----------------|------------------|
| Major operating regions   |                |                                |                |                  |
| Dalian  | 874,070,667.23 | 5,404,322,693.24               | 364,412,481.76 | 6,642,805,842.23 |
| Others  | –              | 110,253,687.54                 | 1,385,372.61   | 111,639,060.15   |
|   | 874,070,667.23 | 5,514,576,380.78               | 365,797,854.37 | 6,754,444,902.38 |
| Principal business segment  |                |                                |                |                  |
| Container terminal and<br>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<br>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<br>and logistics services                   | 810,117.65     | 969,554,089.68                 | 4,444,489.99   | 974,808,697.32   |
| Bulk grain terminal and logistics<br>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<br>terminal and logistics services           | 756,513.74     | 165,200,760.16                 | 11,302,986.71  | 177,260,260.61   |
| Port value-added services and<br>ancillary port operations                  | 55,817,510.90  | 747,852,634.31                 | 127,501,314.00 | 931,171,459.21   |
| Automobile terminal and<br>related logistics services and<br>trading busine | 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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 42. Revenue and cost of sales (continued)

The composition of the revenue arising from the transactions with the customers is as follows: (continued)

2018 (continued)

| Reporting segment   | Commodity      | Labour services<br>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    |
| 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)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 42. Revenue and cost of sales (continued)

Revenue recognized and included in the opening carrying amount of contract liabilities is as follows:

|                                     | 2019                 | 2018          |
|-------------------------------------|----------------------|---------------|
| Sales of motor vehicles             | –                    | 25,728.40     |
| Miscellaneous expenses              | <b>7,312,875.83</b>  | 3,994,771.99  |
| Job package fee due within one year | <b>7,333,167.00</b>  | 9,689,571.00  |
| Advance payment                     | <b>2,543,324.37</b>  | –             |
| Freight                             | <b>409,052.10</b>    | 5,909,747.73  |
| Others                              | <b>6,801,954.27</b>  | 18,243,980.83 |
|                                     | <b>24,400,373.57</b> | 37,863,799.95 |

The information on performance obligations of the Group is as follows:

#### **Sales of goods**

Performance obligations are satisfied when delivering goods to customers. For old customers, the contract price is usually due and payable within 30 to 90 days after the goods are delivered; for new customers, prepayment is usually required.

#### **Port operations services**

Performance obligations are satisfied within the time frame of service provision. For old customers, the customer usually pays the contract price after the operation is completed and upon confirmed by the customer; for new customers, prepayment is usually required.

#### **Logistics and agency services**

Performance obligations are satisfied within the time frame of service provision. For old customers, the customer usually pays the contract price after the logistics service is completed and upon confirmed by the customer; for new customers, prepayment is usually required.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 42. Revenue and cost of sales (continued)

The information on performance obligations of the Group is as follows:

#### *Engineering construction and supervision services*

Performance obligations are satisfied within the time frame when the service is provided, and the contract price is usually paid within 30 days after the settlement of each project node. Under general circumstance, the customer retains a certain percentage of guarantee deposit, which is usually paid after the expiration of the warranty period.

The estimated time for the recognition of the total transaction prices allocated to the closing amount of the unfulfilled performance obligations is as follows:

|                 | 2019                 | 2018          |
|-----------------|----------------------|---------------|
| Within one year | <b>23,174,941.71</b> | 15,317,351.89 |

### 43. Taxes and surcharges

|                                       | 2019                 | 2018          |
|---------------------------------------|----------------------|---------------|
| Land use tax                          | <b>20,201,870.84</b> | 18,238,252.51 |
| Property tax                          | <b>16,159,070.98</b> | 14,324,548.27 |
| City maintenance and construction tax | <b>7,961,478.83</b>  | 8,040,451.10  |
| Educational surcharge                 | <b>5,706,831.77</b>  | 5,750,969.82  |
| Stamp duty                            | <b>3,307,763.16</b>  | 3,309,038.58  |
| Environmental protection tax          | <b>3,466,072.95</b>  | 3,855,885.24  |
| Vehicle and vessel use tax            | <b>1,621,204.69</b>  | 1,644,434.09  |
|                                       | <b>58,424,293.22</b> | 55,163,579.61 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 44. Administrative expenses

|                                 | 2019                  | 2018           |
|---------------------------------|-----------------------|----------------|
| Payroll                         | <b>465,217,404.78</b> | 467,197,678.82 |
| Depreciation and amortisation   | <b>49,836,173.21</b>  | 46,088,225.64  |
| Business entertainment expenses | <b>12,025,205.68</b>  | 16,414,782.47  |
| Office charges                  | <b>5,970,137.80</b>   | 8,649,856.00   |
| Rental expenses                 | <b>7,631,853.60</b>   | 20,775,821.98  |
| Property insurance expenses     | <b>6,696,452.99</b>   | 7,379,946.36   |
| Audit fee                       | <b>4,862,951.34</b>   | 5,905,506.94   |
| Others                          | <b>106,677,072.98</b> | 117,872,848.69 |
|                                 | <b>658,917,252.38</b> | 690,284,666.90 |

### 45. Research and development expenses

|                               | 2019                 | 2018          |
|-------------------------------|----------------------|---------------|
| Payroll                       | <b>13,371,395.92</b> | 9,875,757.95  |
| Depreciation and amortisation | <b>1,297,787.05</b>  | 441,686.20    |
| Others                        | <b>173,643.20</b>    | 1,406,782.73  |
|                               | <b>14,842,826.17</b> | 11,724,226.88 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 46. Financial expenses

|  | 2019                  | 2018            |
|--|-----------------------|-----------------|
| Interest costs                                 | <b>675,089,301.81</b> | 640,780,966.26  |
| Less: Capitalised interest expenses            | <b>7,000,704.63</b>   | 44,678,726.96   |
| Interest expenses                              | <b>668,088,597.18</b> | 596,102,239.30  |
| Less: Interest income                          | <b>62,587,427.37</b>  | 128,417,485.76  |
| Net foreign exchange losses (“-” for net gain) | <b>-25,823,736.49</b> | -181,313,131.35 |
| Others   | <b>1,213,915.58</b>   | 1,935,321.13    |
|  | <b>580,891,348.90</b> | 288,306,943.32  |

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

### 47. Other income

Government subsidies related to daily activities are as follows:

|   | 2019                  | 2018          | Related to assets/income |
|---|-----------------------|---------------|--------------------------|
| Relocation compensation                                 | <b>29,562,016.86</b>  | 30,836,231.06 | Related to assets        |
| Transport junction passenger station project subsidies  | <b>3,412,885.44</b>   | 568,814.24    | Related to assets        |
| Sea-railway transportation subsidies                    | <b>2,191,030.92</b>   | 2,191,030.89  | Related to assets        |
| Production safety fund                                  | <b>1,978.56</b>       | 1,270,329.76  | Related to assets        |
| Energy conservation and emission reduction special fund | <b>59,527.40</b>      | 3,250,821.15  | Related to assets        |
| Vessel acquisition subsidies                            | -                     | 776,217.56    | Related to assets        |
| Others related to assets                                | <b>742,187.60</b>     | 513,621.67    | Related to assets        |
| Equipment reconstruction subsidies                      | <b>541,628.00</b>     | 451,449.99    | Related to assets        |
| Operation subsidies                                     | <b>46,319,759.28</b>  | 13,442,804.28 | Related to income        |
| Additional deduction of VAT                             | <b>11,983,994.85</b>  | -             | Related to income        |
| Others related to income                                | <b>7,158,514.62</b>   | 5,892,881.90  | Related to income        |
| Stable position subsidies                               | <b>4,186,117.00</b>   | 6,949,029.49  | Related to income        |
| Container subsidies                                     | <b>193,000.00</b>     | 13,765,752.80 | Related to income        |
| Foreign trade and economic development special funds    | -                     | 5,450,000.00  | Related to income        |
|   | <b>106,352,640.53</b> | 85,358,984.79 |                          |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 48. Investment income

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Income from long-term equity investments under equity method                 | <b>309,660,253.74</b> | 250,423,644.20 |
| Income from disposal of long-term equity investments                         | <b>295.00</b>         | -              |
| Income earned during the holding period of financial assets held for trading | <b>103,993.00</b>     | 93,422.00      |
| Dividend income from other investments on hand in equity instruments         | <b>9,019,773.00</b>   | 8,291,129.78   |
| Investment income from disposal of financial assets held for trading         | <b>43,452,014.85</b>  | 20,492,078.41  |
| Others   | <b>2,832,334.24</b>   | 1,200,000.00   |
|  | <b>365,068,663.83</b> | 280,500,274.39 |

### 49. Gains on changes in fair value

|                                   | 2019               | 2018         |
|-----------------------------------|--------------------|--------------|
| Financial assets held for trading | <b>-930,957.50</b> | -402,060.00  |
| Other financial liabilities       | <b>-</b>           | 4,837,128.00 |
|                                   | <b>-930,957.50</b> | 4,435,068.00 |

### 50. Credit impairment losses

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Losses on bad debts of accounts receivable | <b>-16,698,809.96</b> | -39,010,791.98 |
| Losses on bad debts of other receivables   | <b>-11,429,431.87</b> | -26,503,398.41 |
| Impairment losses on contract assets       | <b>12,387,400.00</b>  | -12,387,400.00 |
|  | <b>-15,740,841.83</b> | -77,901,590.39 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 51. Gain on disposal of assets

|   | 2019                | 2018       |
|---|---------------------|------------|
| Gain on disposal of fixed assets        | 148,338.29          | 450,029.12 |
| Gain on disposal of right-of-use assets | 4,904,373.99        | -          |
| Gain on disposal of intangible assets   | -937,117.83         | -          |
|   | <b>4,115,594.45</b> | 450,029.12 |

### 52. Non-operating income

|  | 2019                 | 2018          | Amount recognised<br>as non-recurring<br>profit or loss of 2019 |
|--|----------------------|---------------|---|
| Government grants  | 7,066,486.69         | 44,600.00     | 7,066,486.69  |
| Late fee income  | 14,979.00            | 6,585,788.00  | 14,979.00   |
| Income from refund of port<br>construction handling fees | 4,523,117.43         | 5,320,654.89  | 4,523,117.43  |
| Insurance claims   | 30,502,717.69        | 3,923,030.60  | 30,502,717.69   |
| Others   | 3,511,316.96         | 5,620,712.15  | 3,511,316.96  |
|  | <b>45,618,617.77</b> | 21,494,785.64 | 45,618,617.77   |

Details of government grants not related to daily activities are as follows:

|   | 2019                | 2018      |
|---|---------------------|-----------|
| Production safety fund                                  | 1,270,000.00        | -         |
| Vessel acquisition subsidies                            | 789,967.76          | -         |
| Energy conservation and emission reduction special fund | 1,120,064.85        | -         |
| Operation subsidies                                     | 2,962,818.73        | -         |
| Others  | 923,635.35          | 44,600.00 |
|   | <b>7,066,486.69</b> | 44,600.00 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 53. Non-operating expenses

|  | 2019                 | 2018         | Amount recognised<br>as non-recurring<br>profit or loss of 2019 |
|--|----------------------|--------------|---|
| Losses on obsolescence of fixed assets | <b>170,941.29</b>    | 1,239,801.85 | 170,941.29  |
| Delay expenses                         | <b>18,791,025.93</b> | 1,402,627.63 | 18,791,025.93   |
| Others                                 | <b>973,382.76</b>    | 2,768,313.68 | 973,382.76  |
|  | <b>19,935,349.98</b> | 5,410,743.16 | 19,935,349.98   |

### 54. Income tax expenses

|                              | 2019                  | 2018           |
|------------------------------|-----------------------|----------------|
| Current income tax expenses  | <b>291,751,836.39</b> | 207,343,790.57 |
| Deferred income tax expenses | <b>-24,510,507.99</b> | -13,845,420.28 |
|                              | <b>267,241,328.40</b> | 193,498,370.29 |

The reconciliation of the total profit to the income tax expenses is as follows:

|   | 2019                    | 2018           |
|---|-------------------------|----------------|
| Total profit  | <b>1,162,173,233.48</b> | 875,479,721.31 |
| Income tax expense at the statutory rate  | <b>290,543,308.37</b>   | 218,869,930.33 |
| Effect of different tax rates applicable to subsidiaries in Mainland China      | <b>-1,222,593.22</b>    | -1,647,168.34  |
| Effect of different tax rates applicable to subsidiaries outside Mainland China | <b>23,398,761.68</b>    | 3,144,620.07   |
| Adjustments for current income tax of prior periods                             | <b>4,648,513.62</b>     | -3,135,563.51  |
| Income not subject to tax   | <b>-87,060,510.90</b>   | -70,314,968.82 |
| Expenses not deductible for tax purposes  | <b>8,342,396.93</b>     | 7,880,788.42   |
| Utilisation of deductible losses in previous years                              | <b>-1,845,986.29</b>    | -2,580,067.18  |
| Unrecognised deductible temporary differences and deductible losses             | <b>30,437,438.21</b>    | 41,280,799.32  |
| Income tax expense at the actual tax rate of the Group                          | <b>267,241,328.40</b>   | 193,498,370.29 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 55. Expenses by nature

The supplemental information to the Group's cost of sales, selling and distribution expenses, administrative expenses and research and development expenses by nature is as follows:

|   | 2019                    | 2018             |
|---|-------------------------|------------------|
| Cost of goods sold                          | <b>234,030,663.87</b>   | 809,658,996.76   |
| Payroll                                     | <b>1,679,818,819.94</b> | 1,683,193,565.81 |
| Depreciation and amortisation               | <b>1,094,669,595.07</b> | 1,007,612,216.28 |
| Agency costs                                | <b>606,490,567.27</b>   | 560,102,249.33   |
| Rentals not included in leasing liabilities | <b>90,824,885.61</b>    | 372,087,377.71   |
| Fuel expenses                               | <b>205,877,329.34</b>   | 252,778,767.68   |
| Out-sourced operation expenses              | <b>319,023,145.64</b>   | 295,266,037.97   |
| Electricity expenses                        | <b>105,059,969.50</b>   | 116,581,433.55   |
| Materials expenses                          | <b>77,673,067.88</b>    | 90,854,710.82    |
| Repair charges                              | <b>122,430,257.09</b>   | 119,776,610.23   |
| Audit fees                                  | <b>4,862,951.34</b>     | 5,905,506.94     |
| Engineering construction costs              | <b>66,134,544.15</b>    | 65,822,491.47    |
| Processing and loading expenses             | <b>39,611,300.88</b>    | 42,437,833.54    |
| Insurance expenses                          | <b>27,050,991.46</b>    | 24,717,998.09    |
| Commuting expenses                          | <b>22,491,279.82</b>    | 23,315,237.74    |
| Business entertainment expenses             | <b>12,025,205.68</b>    | 15,888,443.95    |
| Agency engagement expenses                  | <b>12,177,078.30</b>    | 14,015,771.47    |
| Water expenses                              | <b>10,221,816.52</b>    | 10,041,001.71    |
| Travel expenses                             | <b>9,930,751.39</b>     | 11,484,358.58    |
| Office expenses                             | <b>8,433,372.84</b>     | 10,295,865.29    |
| Telecommunication expenses                  | <b>8,749,184.62</b>     | 7,840,338.35     |
| Heating expenses                            | <b>8,392,364.19</b>     | 5,857,935.87     |
| Labour protection expenses                  | <b>6,444,218.16</b>     | 1,822,393.14     |
| Others                                      | <b>556,543,407.30</b>   | 297,064,324.25   |
|   | <b>5,328,966,767.86</b> | 5,844,421,466.53 |



# Notes to the Financial Statements (continued)

2019  
In RMB

## 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:

|   | 2019                     | 2018              |
|---|--------------------------|-------------------|
| Earnings  |                          |                   |
| Net profit for the year attributable to ordinary shareholders of the Company (continuing operation) | <b>718,230,462.31</b>    | 523,315,600.09    |
| 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>0.06</b>              | 0.04              |

In 2019 and 2018, there were no dilutive potential ordinary shares in issue.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 57. Notes to the statement of cash flows

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Cash received relating to other operating activities |                       |                |
| Bank interest income received                        | <b>85,724,068.12</b>  | 115,871,236.35 |
| Government grants received                           | <b>48,582,278.53</b>  | 103,082,066.28 |
| Others   | <b>62,786,879.29</b>  | 26,276,686.30  |
|  | <b>197,093,225.94</b> | 245,229,988.93 |
| Other cash paid relating to operating activities     |                       |                |
| Delay expenses                                       | <b>18,791,025.93</b>  | 1,402,627.63   |
| Leasing expenses                                     | <b>9,516,042.64</b>   | 20,775,821.98  |
| Agency costs   | <b>13,730,175.64</b>  | 15,678,949.71  |
| Subsidies paid for other companies                   | -                     | 2,560,789.00   |
| Technology research and development                  | <b>1,471,430.25</b>   | 1,848,468.93   |
| Business entertainment expenses                      | <b>12,025,205.68</b>  | 16,414,782.47  |
| Office expenses                                      | <b>8,630,171.52</b>   | 8,649,856.00   |
| Travel expenses                                      | <b>5,096,482.28</b>   | 6,367,446.81   |
| Insurance expenses                                   | <b>6,696,452.99</b>   | 7,379,946.36   |
| Utility fees   | <b>5,860,569.37</b>   | 7,146,477.21   |
| Commuting expenses                                   | <b>7,463,557.78</b>   | 8,751,556.19   |
| Repair charges                                       | <b>3,777,589.03</b>   | 6,717,838.96   |
| Audit fee  | <b>4,862,951.34</b>   | 5,905,506.94   |
| Materials expenses                                   | <b>1,356,962.12</b>   | 1,268,972.90   |
| Bank commission charges                              | <b>1,213,915.58</b>   | 1,357,475.02   |
| Communication expenses                               | <b>528,941.05</b>     | 417,477.91     |
| Work funding   | <b>2,588,970.28</b>   | 3,827,480.65   |
| Property management fee                              | <b>4,156,250.65</b>   | 2,640,864.41   |
| Others   | <b>33,292,944.59</b>  | 58,129,338.22  |
|  | <b>141,059,638.72</b> | 177,241,677.30 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 57. Notes to the statement of cash flows (continued)

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Other cash received relating to investing activities           |                       |                |
| Receipt of fixed bank deposits of over six months              | <b>167,088,620.00</b> | 760,962,259.20 |
| Cash received from restricted cash with financial institutions | <b>2,919,400.00</b>   | 38,584,414.72  |
| Compensation received for relocation                           | -                     | 27,570,000.00  |
|  | <b>170,008,020.00</b> | 827,116,673.92 |
| Cash paid relating to other investing activities               |                       |                |
| Fixed bank deposits of over six months                         | -                     | 373,000,000.00 |
| Restricted cash with financial institutions                    | <b>3,321,664.77</b>   | 18,253,567.95  |
|  | <b>3,321,664.77</b>   | 391,253,567.95 |
| Other cash paid relating to financing activities               |                       |                |
| Bonds issuance expense paid                                    | <b>7,500,000.00</b>   | 8,056,000.00   |
| Lease payment paid   | <b>237,668,246.94</b> | 2,283,861.03   |
| Payment for acquiring equity                                   | -                     | 15,789,254.72  |
|  | <b>245,168,246.94</b> | 26,129,115.75  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## 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:

|   | 2019                    | 2018             |
|---|-------------------------|------------------|
| Net profit  | <b>894,931,905.08</b>   | 681,981,351.02   |
| Add: Provision for impairment of assets   | <b>15,740,841.83</b>    | 77,901,590.39    |
| Depreciation of fixed assets  | <b>877,439,321.50</b>   | 892,369,963.20   |
| Depreciation of investment properties   | <b>7,144,676.12</b>     | 5,732,862.24     |
| Depreciation of right-of-use assets   | <b>123,771,915.39</b>   | –                |
| Amortisation of intangible assets   | <b>70,672,354.07</b>    | 71,353,523.32    |
| Amortisation of long-term prepaid expenses  | <b>15,641,327.99</b>    | 38,155,867.52    |
| Losses from disposal of fixed assets, intangible assets and other long-term assets (“-” for gain) | <b>-4,115,594.45</b>    | -450,029.12      |
| Losses on obsolescence of fixed assets (“-” for gain)   | <b>170,941.29</b>       | 1,239,801.85     |
| Financial expenses (“-” for gain)   | <b>642,264,860.69</b>   | 409,779,267.52   |
| Losses on investment (“-” for gain)   | <b>-365,068,663.83</b>  | -280,500,274.39  |
| Losses on changes in fair value (“-” for gain)  | <b>930,957.50</b>       | -4,435,068.00    |
| Decrease in deferred tax assets (“-” for increase)  | <b>-18,235,134.03</b>   | -4,692,862.98    |
| Increase in deferred tax liabilities (“-” for decrease)   | <b>-6,275,373.96</b>    | -9,152,557.30    |
| Amortisation of deferred income   | <b>-39,941,287.39</b>   | -48,877,956.52   |
| Decrease in inventories (“-” for increase)  | <b>44,422,744.46</b>    | 404,882,187.60   |
| Increase in special reserve (“-” for decrease)  | <b>8,736,947.56</b>     | -1,738,500.51    |
| Decrease in operating receivables (“-” for increase)  | <b>-548,548,457.69</b>  | -50,955,014.82   |
| Increase in operating payables (“-” for decrease)   | <b>-113,092,298.62</b>  | -296,968,417.69  |
| Net cash flows from operating activities  | <b>1,606,591,983.51</b> | 1,885,625,733.33 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## 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)

|  | 2019                     | 2018              |
|--|--------------------------|-------------------|
| Material investment and financing activities not involving cash:                                   |                          |                   |
| Bank acceptance notes received for sales of goods and provision of services (endorsement transfer) | <b>120,250,728.40</b>    | 144,187,955.37    |
| Net changes in cash and cash equivalents:  |                          |                   |
| Cash and cash equivalents at the end of the year   | <b>4,042,339,664.50</b>  | 5,554,545,244.33  |
| Less: Cash and cash equivalents at the beginning of the year                                       | <b>5,554,545,244.33</b>  | 6,925,797,974.59  |
| Net increase in cash and cash equivalents  | <b>-1,512,205,579.83</b> | -1,371,252,730.26 |

#### (2) Information of disposal of a subsidiary

|  | 2019 | 2018          |
|--|------|---------------|
| Consideration for disposal of a subsidiary                         | -    | -             |
| Cash and cash equivalents received for disposal of a subsidiary    | -    | -             |
| Less: Disposal of cash and cash equivalents held by the subsidiary | -    | 42,203,857.88 |
| Net cash paid for disposal of a subsidiary                         | -    | 42,203,857.88 |

#### (3) Cash and cash equivalents

|   | 2019                    | 2018             |
|---|-------------------------|------------------|
| Cash  |                         |                  |
| Including: Cash on hand                                 | <b>324,984.10</b>       | 727,300.45       |
| Bank deposits that can be readily drawn on demand       | <b>4,041,774,970.26</b> | 5,551,349,150.41 |
| Other cash balances that can be readily drawn on demand | <b>239,710.14</b>       | 2,468,793.47     |
| Cash and cash equivalents at the end of the year        | <b>4,042,339,664.50</b> | 5,554,545,244.33 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 59. Assets with restricted ownership or use right

|                          | 2019                 | 2018           |   |
|--------------------------|----------------------|----------------|---|
| Cash at bank and on hand | <b>3,642,890.79</b>  | 3,240,626.02   | Guarantee including letter of credit (Note 1) |
| Fixed assets             | <b>86,870,647.87</b> | 547,131,677.27 | Long-term borrowings collateral (Note 2)      |
| Intangible assets        | -                    | 14,518,901.29  | Long-term borrowings collateral (Note 2)      |
| Total                    | <b>90,513,538.66</b> | 564,891,204.58 |   |

Note 1: As at 31 December 2019, a bank deposit of RMB22,890.79 (31 December 2018: RMB22,759.40) was pledged as collateral for the Group's project payment guarantee of RMB227,594.00 (31 December 2018: RMB227,594.00).

As at 31 December 2019, a bank deposit of RMB1,620,000.00 (31 December 2018: RMB1,217,866.62) were pledged as the Group's project performance guarantee.

As at 31 December 2019, a bank deposit of RMB2,000,000.00 (31 December 2018: RMB2,000,000.00) were pledged as the guarantee for purchase of electricity.

Note 2: As at 31 December 2019, fixed assets with total carrying amount of RMB86,870,647.87 (31 December 2018: RMB90,645,473.11) were pledged as collateral for long-term borrowings of RMB44,000,000.00 (31 December 2018: RMB54,000,000.00).

As at 31 December 2018, fixed assets with total carrying amount of RMB367,327,204.76 were pledged as collateral for long-term borrowings of RMB487,340,927.22 which was repaid in February 2019. As of 31 December 2019, the relevant release procedures for the collateral on the fixed assets above have been completed.

As at 31 December 2018, the Group had repaid the long-term borrowings of RMB7,010,023.77, but the release procedures for the collateral on the fixed assets (carrying amount: RMB89,158,999.35) and intangible assets (carrying amount: RMB14,518,901.29) above have not been completed. As of 31 December 2019, the release procedures for the collateral on the aforementioned assets have been completed.

# Notes to the Financial Statements (continued)

2019  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 60. Monetary items denominated in foreign currencies

|   | 2019              |               |                | 2018              |               |                  |
|---|-------------------|---------------|----------------|-------------------|---------------|------------------|
|   | Original currency | Exchange rate | Translated RMB | Original currency | Exchange rate | Translated RMB   |
| Cash at bank and on hand                          |                   |               |                |                   |               |                  |
| USD   | 5,742,354.72      | 6.9762        | 40,059,814.98  | 306,542,108.05    | 6.8632        | 2,103,859,795.97 |
| JPY   | 1,199,083.93      | 0.0641        | 76,861.28      | 15,188,384.00     | 0.0619        | 940,160.97       |
| HKD   | 1,134,527.76      | 0.8958        | 1,016,309.97   | 12,593,321.34     | 0.8762        | 11,034,268.16    |
| Accounts receivable                               |                   |               |                |                   |               |                  |
| USD   | 1,944,428.15      | 6.9762        | 13,564,719.63  | 2,086,498.95      | 6.8632        | 14,320,059.59    |
| JPY   | 119,414,428.86    | 0.0641        | 7,654,464.89   | 87,215,188.70     | 0.0619        | 5,398,620.18     |
| KRW   | 28,987,101.67     | 0.0060        | 173,922.61     | 30,338,136.00     | 0.0061        | 185,062.63       |
| Other receivables                                 |                   |               |                |                   |               |                  |
| USD   | 32,160.30         | 6.9762        | 224,356.69     | 495,704.50        | 6.8632        | 3,402,119.12     |
| Accounts payable                                  |                   |               |                |                   |               |                  |
| USD   | 1,303,688.01      | 6.9762        | 9,094,788.29   | 5,400,169.71      | 6.8632        | 37,062,444.75    |
| JPY   | 36,856.01         | 0.0641        | 2,362.47       | -                 | -             | -                |
| Others payables                                   |                   |               |                |                   |               |                  |
| USD   | 2,033,357.58      | 6.9762        | 14,185,109.15  | 6,795.00          | 6.8632        | 46,635.44        |
| HKD   | -                 | -             | -              | 6,449.30          | 0.8762        | 5,650.88         |
| Other equity instrument investments               |                   |               |                |                   |               |                  |
| HKD   | -                 | -             | -              | 25,649,150.00     | 0.8762        | 22,473,785.23    |
| Contractual liabilities                           |                   |               |                |                   |               |                  |
| USD   | 269,339.13        | 6.9762        | 1,878,963.63   | -                 | -             | -                |
| JPY   | 9,999.38          | 0.0641        | 640.96         | -                 | -             | -                |
| Other non-current liabilities due within one year |                   |               |                |                   |               |                  |
| USD   | -                 | -             | -              | 8,549,124.50      | 6.8632        | 58,674,351.27    |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VI. Change in the scope of consolidation

### 1. Disposal of subsidiaries

| Principal place of operation                    | 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 Dilangsirui Automobile Leasing Co., Ltd. | Dalian                | Automobile leasing | 100                                      | 100  | Note                            |

Note: The Company's subsidiary, Dalian Dilangsirui Automobile Leasing Co., Ltd. was cancelled in December 2019. Because the company has not yet commenced to do business, the cancellation of the company had no effect on the consolidation and the financial position of Company as of 31 December 2019 and the consolidation and operating results and cash flows of the Company for the year 2019.

## 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<br>RMB'0,000 | Shareholding percentage |              |
|--|-------------------------|-----------------------|----------------------|---------------------------------|-------------------------|--------------|
|  |                         |                       |                      |                                 | direct (%)              | indirect (%) |
| <b>Subsidiaries invested by PDA Group by equity injection on the date of incorporation</b> |                         |                       |                      |                                 |                         |              |
| Dalian Port Container Development Co., Ltd.  | Dalian                  | Dalian                | Container services   | 296,411                         | 100                     | -            |
| Dalian Port Jifa Logistics Co., Ltd.   | Dalian                  | Dalian                | Logistics services   | 117,940                         | -                       | 100          |
| Dalian Port Logistics Technology Co., Ltd.   | Dalian                  | Dalian                | Software development | 1,000                           | -                       | 100          |
| Dalian Jifa Shipping Agency Co., Ltd.  | Dalian                  | Dalian                | Vessel agency        | 550                             | -                       | 100          |
| Dalian International Logistics Park Development Co., Ltd.                                  | Dalian                  | Dalian                | Property development | 15,000                          | -                       | 100          |
| Dalian Jifa Bohai Rim Container Lines Co., Ltd.  | Dalian                  | Dalian                | Transportation       | 4,923                           | -                       | 97.36        |
| Dalian International Container Services Co., Ltd. (Note 2)                                 | Dalian                  | Dalian                | Logistics services   | USD1,440,000                    | -                       | 55           |
| Dalian Jifa International Freight Co., Ltd.  | Dalian                  | Dalian                | Logistics services   | 500                             | -                       | 100          |
| Dalian Jifa Port Engineering Co., Ltd.   | Dalian                  | Dalian                | Technology services  | 1,200                           | -                       | 100          |
| Dalian Jifa Shipping Management Co., Ltd.  | Dalian                  | Dalian                | Management services  | 41,500                          | 100                     | -            |
| Dalian ETDZ Jin Xin Petro- chemistry Co., Ltd.   | Dalian                  | Dalian                | Wholesale & agency   | 1,000                           | 60                      | -            |



# Notes to the Financial Statements (continued)

2019  
In RMB

## 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<br>RMB'0,000 | Shareholding percentage |              |
|--|-------------------------|------------------------|----------------------------------|---------------------------------|-------------------------|--------------|
|  |                         |                        |                                  |                                 | direct (%)              | indirect (%) |
| <b>Subsidiaries acquired through establishment or investment</b> |                         |                        |                                  |                                 |                         |              |
| Dalian Dilangsirui Caravan Co., Ltd.                             | Dalian                  | Dalian                 | Manufacturing sector             | 10,000                          | 51                      | -            |
| Dalian Ganghong International Trade Co., Ltd. (Note 2)           | Dalian                  | Dalian                 | Trading sector                   | 2,000                           | -                       | 51           |
| Asia Pacific Ports Company Limited                               | Hong Kong               | Hong Kong              | Logistics services               | HKD75,000,000                   | 100                     | -            |
| Harbour Full Group Limited                                       | British Virgin Islands  | British Virgin Islands | Logistics services               | USD50,000                       | -                       | 100          |
| Asia Pacific Ports Investment Co., Ltd.                          | Hong Kong               | Hong Kong              | Logistics services               | HKD1                            | -                       | 100          |
| Asia Pacific Ports (Dalian) Co., Ltd.                            | Dalian                  | Dalian                 | Logistics services               | USD31,580,000                   | -                       | 100          |
| Asia Pacific Ports Development Co., Ltd.                         | British Virgin Islands  | British Virgin Islands | Logistics services               | USD1                            | -                       | 100          |
| Dalian Container Terminal Co., Ltd. (Note 4)                     | Dalian                  | Dalian                 | Terminal services                | 348,000                         | -                       | 48.15        |
| Heilongjiang Suimu Logistics Co., Ltd.                           | Muling                  | Muling                 | Logistics services               | 4,500                           | -                       | 91.67        |
| Qinhuangdao Jigang Shipping Agency Co., Ltd.                     | Qinhuangdao             | Qinhuangdao            | Logistics services               | 500                             | -                       | 100          |
| Dalian Port Grain and Oil Trading Co., Ltd.                      | Dalian                  | Dalian                 | Trading sector                   | 2,500                           | 100                     | -            |
| Dalian Steel Logistics Park Co., Ltd.                            | Dalian                  | Dalian                 | Trading sector                   | 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               | Vessel 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                 | Service industry                 | 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                 | Sale of fuel gas                 | 1,000                           | 51                      | -            |
| Dalian Port Lianheng Supply Chain Management Co., Ltd.           | Dalian                  | Dalian                 | Supply chain management services | 2,000                           | -                       | 51           |
| Dalian Jifa South Coast International Logistics Co., Ltd.        | Dalian                  | Dalian                 | Terminal services                | 1,500                           | -                       | 100          |
| Dalian Dilangsirui Tourism Development Co., Ltd.                 | Dalian                  | Dalian                 | Tourist project development      | 3,000                           | -                       | 100          |

# Notes to the Financial Statements (continued)

2019  
In RMB

## 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<br>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 5)  | Dalian                  | Dalian                | Logistics services         | 9,733                           | 37.5                    | -            |
| Dalian Port Group Zhuanghe Terminal Co., Ltd.   | Dalian                  | Dalian                | Terminal services          | 10,000                          | 60                      | -            |
| Dalian Port Power Supply Co., Ltd.  | Dalian                  | Dalian                | Engineering service        | 11,000                          | 100                     | -            |
| Dalian Changxing Island Economic Zone Wanpeng Port Construction Supervision & Consultation Co., Ltd.  | Dalian                  | Dalian                | Supervision service        | 10                              | -                       | 100          |
| Dalian Port Haiheng Ship Management Co., Ltd.   | Dalian                  | Dalian                | Service industry           | 500                             | 100                     | -            |
| <b>Subsidiaries acquired through business combination not under common control</b>                    |                         |                       |                            |                                 |                         |              |
| Dalian Container Port Logistics Co., Ltd.   | Dalian                  | Dalian                | Logistics services         | 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          |
| Dalian Port LvshunHarbour Service Co., Ltd.   | Lvshun                  | Lvshun                | Terminal services          | 35,000                          | 60                      | -            |
| Liaoning Con-Rail International Logistics Co., Ltd.   | Shenyang                | Shenyang              | Logistics services         | 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 in subsidiaries 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 the ultimate effective control over the subsidiary, as it has the majority voting rights in the board of directors.

Note 4: Based on the concerted action agreement signed with some of the other shareholders, the decision made by such shareholders aligns with that of the subsidiary Dalian Port Container Development Co., Ltd. The Company, in fact, has the ultimate control over the subsidiary.

Note 5: Based on the concerted action agreement signed with some of the other shareholders, the decision made by such shareholders aligns with that of the Company. The Company, in fact, has control over the subsidiary.

# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 1. Interests in subsidiaries (continued)

Subsidiaries with significant minority interests are as follows:

2019

|   | Shareholding<br>of minority<br>shareholders | Profit or loss<br>attributable to<br>minority shareholders | Dividends paid to<br>minority shareholders | Accumulative minority<br>interests at the end<br>of the year |
|---|---|--|--|--|
| Dalian Container Terminal Co., Ltd.         | 51.85%                                      | 178,181,978.89   | 116,728,078.27                             | 1,992,944,904.89   |
| Dalian Haijia Automobile Terminal Co., Ltd. | 50.00%                                      | -5,814,540.96  | -  | 214,445,813.98   |
| Dalian Port LvshunHarbour Service Co., Ltd. | 40.00%                                      | 2,960,467.32   | -  | 139,465,887.81   |
| Dalian Golden Bay Grain Logistics Co., Ltd. | 62.50%                                      | -2,877,934.74  | -  | 118,854,028.35   |

2018

|   | Shareholding<br>of minority<br>shareholders | Profit or loss<br>attributable to<br>minority shareholders | Dividends paid to<br>minority shareholders | Accumulative minority<br>interests at the end<br>of the year |
|---|---|--|--|--|
| 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 LvshunHarbour 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   |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 1. Interests in subsidiaries (continued)

|  | Dalian Container<br>Terminal Co., Ltd. | Dalian Haijia<br>Automobile<br>Terminal Co., Ltd. | Dalian<br>Lvshun Harbour<br>Services Co.,Ltd. | Dalian Golden<br>Bay Grain<br>Logistics Co.,Ltd. |
|--|--|---|---|--|
| <b>2019</b>                              |  |   |   |  |
| Current assets                           | 526,841,617.44                         | 63,547,465.65                                     | 36,046,532.83                                 | 148,211,019.32                                   |
| Non-current assets                       | 7,695,099,246.58                       | 398,012,469.44                                    | 330,353,694.14                                | 44,451,407.06                                    |
| Total assets                             | 8,221,940,864.02                       | 461,559,935.09                                    | 366,400,226.97                                | 192,662,426.38                                   |
| Current liabilities                      | 662,147,193.71                         | 25,456,206.05                                     | 12,923,493.15                                 | 1,098,347.73                                     |
| Non-current liabilities                  | 3,716,119,793.95                       | 7,212,101.09                                      | 4,812,014.29                                  | 1,397,633.29                                     |
| Total liabilities                        | 4,378,266,987.66                       | 32,668,307.14                                     | 17,735,507.44                                 | 2,495,981.02                                     |
| Operating income                         | 1,382,404,752.63                       | 9,815,094.20                                      | 68,101,479.21                                 | 1,894,591.90                                     |
| Net profit                               | 343,648,946.74                         | -11,629,081.92                                    | 7,401,168.31                                  | -4,604,695.58                                    |
| Total comprehensive income               | 343,648,946.74                         | -11,629,081.92                                    | 7,401,168.31                                  | -4,604,695.58                                    |
| Net cash flows from operating activities | 827,232,403.90                         | -5,441,766.78                                     | 29,906,681.76                                 | -935,207.73                                      |
| <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                               | 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                                     |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates

|  | Major business location | Place of registration | Nature of business   | Registered capital RMB'0,000 | Shareholding percentage (%) |          | 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                              | USD9,000,000                 | 50                          | -        | Equity method        |
| Odfjell Terminals (Dalian) Co., Ltd.                               | Dalian                  | Dalian                | Construction and operation of storage tank harbor                      | USD28,000,000                | 50                          | -        | Equity method        |
| Dalian Port PetroChina International Terminal Co., Ltd.            | Dalian                  | Dalian                | Oil product harbor, 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 harbor warehousing facilities | 5,000                        | 40                          | -        | Equity method        |
| Dalian Changxing Island Port 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        |
| Dalian Shunde Jifa Supply Chain Management Co., Ltd.               | Dalian                  | Dalian                | Import and export of goods & 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 agency   | 9,800                        | 51                          | -        | Equity method        |
| Weifang Senda Container Service Co., Ltd.                          | Weifang                 | Weifang               | Discharging and storage  | 500                          | -                           | 50       | Equity method        |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

|  | Major<br>business<br>location | Place of<br>registration | Nature of business   | Registered<br>capital<br>RMB'0,000 | Shareholding<br>percentage (%) |          | Accounting<br>treatment |
|--|-------------------------------|--------------------------|--|------------------------------------|--------------------------------|----------|-------------------------|
|  |                               |                          |  |                                    | Direct                         | Indirect |                         |
| <b>Associates</b>  |                               |                          |  |                                    |                                |          |                         |
| Dalian Puji Storage Facility Co., Ltd.                                   | Dalian                        | Dalian                   | Other storage services   | USD80,000,000                      | -                              | 40       | Equity method           |
| Dalian PetroChina International Warehousing and Transportation Co., Ltd. | Dalian                        | Dalian                   | Crude oil tank leasing services  | 10,000                             | 20                             | -        | Equity method           |
| Taicang Xinggang Tug Co., Ltd.   | Suzhou                        | Suzhou                   | Vessel tugging services  | 1,349.5                            | 42.8571                        | -        | Equity method           |
| PetroChina Dalian LNG Co., Ltd.  | Dalian                        | Dalian                   | LNG related services   | 260,000                            | 20                             | -        | Equity method           |
| Dalian North Oil Petroleum Logistics Co., Ltd.                           | Dalian                        | Dalian                   | Development and construction of storage tank of petroleum and petroleum products | 30,000                             | 20                             | -        | Equity method           |
| Dalian Wanpeng Port Engineering Testing Co., Ltd.                        | Dalian                        | Dalian                   | Engineering testing  | 500                                | -                              | 40       | Equity method           |
| Dalian Port 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 agency   | 30,000                             | 30                             | -        | Equity method           |
| Dalian Gangsheng Tendering & Bidding Agency Co., Ltd. (Note 3)           | Dalian                        | Dalian                   | Tendering & bidding agency   | 200                                | -                              | 35       | Equity method           |
| Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.              | Dalian                        | Dalian                   | Domestic and international freight agency  | 2,800                              | -                              | 20       | Equity method           |
| Dalian Automobile Terminal Co., Ltd.                                     | Dalian                        | Dalian                   | Domestic and international import and export, discharging and storage services   | 40,000                             | 32                             | -        | Equity method           |
| Dalian Singamas International Container Co., Ltd.                        | Dalian                        | Dalian                   | Container services   | USD13,250,000                      | -                              | 43.63    | Equity method           |

Note 1: Under the investment contract, the shareholder, China Development Fund Co., Ltd., obtains fixed income each year, and thus Jifa Logistics recognises the investment income at 50% of the net profit of Dalian Port Yidu Cold Chain Co., Ltd., net of the income of China Development Fund Co., Ltd.

Note 2: In accordance with the Company's Articles of Association, all significant events are jointly decided by investors, and thus it is a joint venture under common control of the Group and other investors.

Note 3: Dalian Port Construction Supervision & Consultation Co., Ltd., a subsidiary of the Company, has transferred all equity interests of Dalian Gangsheng Tendering & Bidding Agency Co., Ltd. held by it to the third natural person in January 2019.

# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

The following table shows the financial information of important joint ventures of the Group. There is no significant difference between the financial policies of these companies and the Group. The Group uses the equity method.

|   | 2019  |   |                                       |   |                                      |  |
|---|---|---|---------------------------------------|---|--------------------------------------|--|
|   | Dalian Changxing Island Port Investment and Development 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. | Dalian Changxing Island Port Co., Ltd. |
| Current assets  | 333,234,312.84  | 56,116,478.22   | 454,101,392.15                        | 24,924,694.02   | 76,593,016.95                        | 77,466,463.54                          |
| Including: Cash and cash equivalents                      | 76,097,131.07   | 26,176,106.54   | 2,138,087.59                          | 24,662,205.00   | 57,067,299.36                        | 6,541,949.05                           |
| Non-current assets  | 4,637,197,868.77  | 388,998,615.67  | 622,948,544.98                        | 454,329,150.15  | 387,733,740.17                       | 2,012,165,843.47                       |
| <b>Total assets</b>                                       | <b>4,970,432,181.61</b>   | <b>445,115,093.89</b>   | <b>1,077,049,937.13</b>               | <b>479,253,844.17</b>                                   | <b>464,326,757.12</b>                | <b>2,089,632,307.01</b>                |
| Current liabilities                                       | 201,882,790.91  | 10,087,068.91   | 394,328,130.37                        | 6,146,263.60  | 59,301,487.81                        | 934,090,795.41                         |
| Non-current liabilities                                   | 3,922,655,430.50  | -   | 113,830,790.42                        | -   | 73,094,714.31                        | 808,184,471.40                         |
| <b>Total liabilities</b>                                  | <b>4,124,538,221.41</b>   | <b>10,087,068.91</b>  | <b>508,158,920.79</b>                 | <b>6,146,263.60</b>                                     | <b>132,396,202.12</b>                | <b>1,742,275,266.81</b>                |
| Minority interests  | -   | -   | -                                     | -   | -                                    | -                                      |
| Equity attributable to shareholders of the parent company | 845,893,960.20  | 435,028,024.98  | 568,891,016.34                        | 473,107,580.57  | 331,930,555.00                       | 347,357,040.20                         |
| Share of net assets based on shareholding                 | 394,017,406.66  | 174,011,209.99  | 284,445,508.17                        | 236,553,790.29  | 165,965,277.50                       | 138,942,816.08                         |
| Adjustments   | -5,914,025.79   | -   | -                                     | -   | -                                    | -                                      |
| <b>Carrying amount of investment</b>                      | <b>388,103,380.87</b>   | <b>174,011,209.99</b>   | <b>284,445,508.17</b>                 | <b>236,553,790.29</b>                                   | <b>165,965,277.50</b>                | <b>138,942,816.08</b>                  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

|  | 2018  |  |   |  |   |  |
|--|---|--|---|--|---|--|
|  | Dalian Changxing<br>Island Port<br>Investment and<br>Development<br>Co., Ltd. | China United<br>International Rail<br>Containers (Dalian)<br>Co., Ltd. | Dalian Port Yidu<br>Cold Chain<br>Co., Ltd. | Dalian Port<br>PetroChina<br>International<br>Terminal Co., Ltd. | Odfjell Terminals<br>(Dalian) Co., Ltd. | Dalian Changxing<br>Island Port<br>Co., Ltd. |
| Current assets   | 384,751,120.08  | 57,851,610.05  | 356,761,825.99                              | 8,450,733.07   | 58,388,392.37                           | 67,033,737.17                                |
| Including: Cash and cash equivalents                         | 149,785,982.28  | 30,269,728.74  | 4,198,528.55                                | 8,370,484.07   | 41,978,492.69                           | 5,737,984.85                                 |
| Non-current assets   | 4,667,337,273.37  | 400,015,618.84   | 574,074,279.78                              | 471,667,812.03   | 389,609,553.69                          | 2,051,555,865.16                             |
| <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>                   | <b>2,118,589,602.33</b>                      |
| Current liabilities  | 325,885,598.11  | 13,242,785.67  | 279,311,434.37                              | 15,777,376.31  | 40,922,322.52                           | 962,478,210.55                               |
| Non-current liabilities                                      | 3,786,464,616.63  | -  | 106,000,000.00                              | -  | 78,197,689.62                           | 838,121,494.14                               |
| <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>                   | <b>1,800,599,704.69</b>                      |
| Minority interests   | -   | -  | -   | -  | -                                       | -  |
| Equity attributable to shareholders<br>of the parent company | 939,738,178.71  | 444,624,443.22   | 545,524,671.40                              | 464,341,168.79   | 328,877,933.92                          | 317,989,897.64                               |
| Share of net assets based on shareholding                    | 437,730,043.64  | 177,849,777.29   | 272,762,335.70                              | 232,170,584.40   | 164,438,966.96                          | 127,195,959.05                               |
| Adjustments  | -5,914,025.79   | -  | -   | -  | -                                       | -  |
| <b>Carrying amount of investment</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>                   | <b>127,195,959.05</b>                        |



# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

|                                       | 2019  |  |   |  |   |  |
|---------------------------------------|---|--|---|--|---|--|
|                                       | Dalian Changxing<br>Island Port<br>Investment and<br>Development<br>Co., Ltd. | China United<br>International Rail<br>Containers (Dalian)<br>Co., Ltd. | Dalian Port Yidu<br>Cold Chain<br>Co., Ltd. | Dalian Port<br>PetroChina<br>International<br>Terminal Co., Ltd. | Odfjell Terminals<br>(Dalian) Co., Ltd. | Dalian Changxing<br>Island Port<br>Co., Ltd. |
| Operating income                      | 380,299,750.47  | 45,899,647.31  | 217,390,379.12                              | 104,285,714.30   | 118,447,488.51                          | 239,194,467.33                               |
| Financial expenses- interest income   | 211,325,519.19  | 529,969.46   | 19,067.55                                   | 146,082.21   | 833,514.44                              | 22,190.43                                    |
| Financial expenses- interest expenses | 1,751,984.71  | -  | 6,550,997.45                                | 336,798.75   | -                                       | 101,720,455.97                               |
| Income tax expenses                   | -   | -  | 8,242,856.88                                | 19,542,665.67  | 16,228,761.82                           | -  |
| Net profit                            | -94,916,114.92  | -9,596,418.24  | 23,297,833.34                               | 57,946,958.77  | 51,870,899.83                           | 28,799,314.11                                |
| Other comprehensive income            | -   | -  | -   | -  | -                                       | -  |
| Total comprehensive income            | -94,916,114.92  | -9,596,418.24  | 23,297,833.34                               | 57,946,958.77  | 51,870,899.83                           | 28,799,314.11                                |
| Dividends received                    | -   | -  | 3,100,000.00                                | 25,000,000.00  | 25,000,000.00                           | -  |

|                                       | 2018  |  |   |  |   |  |
|---------------------------------------|---|--|---|--|---|--|
|                                       | Dalian Changxing<br>Island Port<br>Investment and<br>Development<br>Co., Ltd. | China United<br>International Rail<br>Containers (Dalian)<br>Co., Ltd. | Dalian Port Yidu<br>Cold Chain<br>Co., Ltd. | Dalian Port<br>PetroChina<br>International<br>Terminal Co., Ltd. | Odfjell Terminals<br>(Dalian) Co., Ltd. | Dalian Changxing<br>Island Port<br>Co., Ltd. |
| Operating income                      | 249,453,137.70  | 54,651,619.57  | 146,537,609.18                              | 104,285,714.30   | 118,203,589.75                          | 144,400,534.48                               |
| Financial expenses- interest income   | 156,734,552.17  | 367,866.87   | 20,577.90                                   | 62,515.77  | 583,358.64                              | 20,988.64                                    |
| Financial expenses- interest expenses | 2,870,663.49  | -  | -   | 1,990,279.39   | 237,633.60                              | 80,503,327.68                                |
| Income tax expenses                   | -   | -  | 8,587,138.93                                | 19,150,947.95  | 15,939,926.65                           | -  |
| Net profit                            | -58,146,448.86  | -6,184,089.08  | 23,197,054.96                               | 55,832,814.24  | 51,454,332.82                           | -40,444,692.93                               |
| 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                           | -40,444,692.93                               |
| Dividends received                    | -   | -  | -   | 6,788,307.00   | 22,500,000.00                           | -  |

# Notes to the Financial Statements (continued)

2019  
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.

|  | 2019                            |                                       |                                       |  |                                      |
|--|---------------------------------|---------------------------------------|---------------------------------------|--|--------------------------------------|
|  | 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   | 32,934,830.40                   | 8,348,389,784.28                      | 183,252,259.46                        | 9,674,285.46                           | 85,472,581.69                        |
| Non-current assets                                     | 3,632,078,515.79                | 843,443,225.93                        | 1,717,089,206.01                      | 536,237,265.44                         | 518,762,042.45                       |
| Total assets   | 3,665,013,346.19                | 9,191,833,010.21                      | 1,900,341,465.47                      | 545,911,550.90                         | 604,234,624.14                       |
| Current liabilities                                    | 151,402,929.69                  | 6,961,103,539.82                      | 288,944,812.72                        | 28,955,063.44                          | 72,212,872.33                        |
| Non-current liabilities                                | -                               | -                                     | 200,177,236.29                        | 194,700,000.00                         | -                                    |
| Total liabilities                                      | 151,402,929.69                  | 6,961,103,539.82                      | 489,122,049.01                        | 223,655,063.44                         | 72,212,872.33                        |
| Minority interests                                     | -                               | -                                     | 23,437,543.26                         | -                                      | -                                    |
| Equity attributable shareholders of the parent company | 3,513,610,416.50                | 2,230,729,470.39                      | 1,387,781,873.20                      | 322,256,487.46                         | 532,021,751.81                       |
| Share of net assets based on shareholding              | 702,722,083.30                  | 892,291,788.16                        | 242,861,827.81                        | 128,902,594.98                         | 170,246,960.58                       |
| Adjustments  | -                               | -                                     | -                                     | -24,309,564.21                         | 2,453,618.25                         |
| Carrying amount of investment                          | 702,722,083.30                  | 892,291,788.16                        | 242,861,827.81                        | 104,593,030.77                         | 172,700,578.83                       |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

|   | 2018                               |  |   |   |  |
|---|------------------------------------|--|---|---|--|
|   | PetroChina Dalian<br>LNG Co., Ltd. | Dalian Port Group<br>Financial Co., Ltd. | Sino Rail<br>Bohai Train Ferry<br>Co., Ltd. | Dalian Puji Storage<br>Facility Co., Ltd. | Dalian Automobile<br>Terminal<br>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                             |
| <b>Total assets</b>                                       | <b>3,534,512,886.08</b>            | <b>8,257,799,502.65</b>                  | <b>1,965,765,421.14</b>                     | <b>573,779,843.80</b>                     | <b>609,821,768.57</b>                      |
| 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                              |
| <b>Total liabilities</b>                                  | <b>135,794,827.99</b>              | <b>5,818,055,647.42</b>                  | <b>542,123,664.76</b>                       | <b>228,308,265.40</b>                     | <b>90,559,913.85</b>                       |
| Minority interests  | -                                  | -  | 23,379,805.79                               | -   | -  |
| Equity attributable shareholders<br>of the 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 of net assets based<br>on shareholding              | 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                               |
| <b>Carrying amount of investment</b>                      | <b>679,743,611.61</b>              | <b>975,897,542.10</b>                    | <b>245,045,841.35</b>                       | <b>113,137,548.87</b>                     | <b>168,617,411.76</b>                      |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

|                            | 2019                               |  |   |   |  |
|----------------------------|------------------------------------|--|---|---|--|
|                            | PetroChina Dalian<br>LNG Co., Ltd. | Dalian Port Group<br>Financial Co., Ltd. | Sino Rail                                   |   | Dalian Automobile                          |
|                            |                                    |  | Bohai Train Ferry<br>Co., Ltd.              | Dalian Puji Storage<br>Facility Co., Ltd. | Terminal<br>Co., Ltd.                      |
| Operating income           | 1,374,965,591.29                   | 306,314,142.19                           | 420,738,757.63                              | 42,831,041.54                             | 135,596,419.51                             |
| Income tax expenses        | 238,044,832.29                     | 66,675,075.89                            | 1,287,590.15                                | -   | 13,143,356.94                              |
| Net profit                 | 706,710,000.00                     | 174,997,261.20                           | -14,266,785.49                              | -21,361,295.25                            | 37,248,270.27                              |
| Other comprehensive income | -                                  | -  | -   | -   | -  |
| Total comprehensive income | 706,710,000.00                     | 174,997,261.20                           | -14,266,785.49                              | -21,361,295.25                            | 37,248,270.27                              |
| Dividends received         | 119,524,385.98                     | -  | -   | -   | 6,400,000.00                               |
|                            | 2018                               |  |   |   |  |
|                            | PetroChina Dalian<br>LNG Co., Ltd. | Dalian Port Group<br>Financial Co., Ltd. | Sino Rail<br>Bohai Train Ferry<br>Co., Ltd. | Dalian Puji Storage<br>Facility Co., Ltd. | Dalian Automobile<br>Terminal<br>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                 | 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                              |
| Dividends received         | 69,299,645.51                      | -  | 1,906,936.81                                | -   | 18,600,165.76                              |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

The following table presents summary of financial information of joint ventures and associates not material to the Group:

|   | 2019                  | 2018           |
|---|-----------------------|----------------|
| <b>Joint ventures</b>   |                       |                |
| Aggregate carrying amount of investments  | <b>324,248,713.46</b> | 298,788,380.94 |
| Aggregate amount of the following items calculated in the Group's equity proportion |                       |                |
| Net profit  | <b>46,360,841.22</b>  | 38,645,681.73  |
| Other comprehensive income  | -                     | -              |
| Total comprehensive income  | <b>46,360,841.22</b>  | 38,645,681.73  |
| <b>Associates</b>   |                       |                |
| Aggregate carrying amount of investments  | <b>319,014,681.33</b> | 309,071,261.01 |
| Aggregate amount of the following items calculated in the Group's equity proportion |                       |                |
| Net profit  | <b>21,053,189.12</b>  | 31,398,586.91  |
| Other comprehensive income  | -                     | -              |
| Total comprehensive income  | <b>21,053,189.12</b>  | 31,398,586.91  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

### 1. Classification of financial instruments

The carrying amounts of each category of financial instruments at the balance sheet date are as follows:

2019

#### Financial assets

|  | Financial assets<br>at fair value<br>through profit<br>or loss | Financial assets<br>at amortised cost | Financial assets<br>at fair value<br>through other<br>comprehensive<br>income | Total                   |
|--|--|---------------------------------------|---|-------------------------|
| Cash at bank and on hand                   | -  | 4,051,413,174.71                      | -   | 4,051,413,174.71        |
| Financial assets held for trading          | 304,951,193.83   | -                                     | -   | 304,951,193.83          |
| Notes receivable                           | -  | 248,851,749.33                        | -   | 248,851,749.33          |
| Accounts receivable                        | -  | 1,322,772,566.55                      | -   | 1,322,772,566.55        |
| Other receivables                          | -  | 756,834,129.39                        | -   | 756,834,129.39          |
| Investments in other equity<br>instruments | -  | -                                     | 189,782,564.95  | 189,782,564.95          |
|  | <b>304,951,193.83</b>  | <b>6,379,871,619.98</b>               | <b>189,782,564.95</b>   | <b>6,874,605,378.76</b> |

#### Financial liabilities

|   | Financial liabilities<br>at amortised cost |
|---|--|
| Short-term borrowings                       | 497,660,595.83                             |
| Accounts payable                            | 189,817,515.63                             |
| Other payables                              | 910,581,896.50                             |
| Non-current liabilities due within one year | 400,779,150.69                             |
| Long-term borrowings                        | 1,508,698,814.40                           |
| Bonds payable                               | 5,884,379,767.90                           |
| Lease liabilities                           | 3,132,442,496.82                           |
| Long-term payables                          | 32,500,000.00                              |
|   | <b>12,556,860,237.77</b>                   |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 1. Classification of financial instruments (continued)

The carrying amounts of each category of financial instruments at the balance sheet date are as follows (continued):

2018

Financial assets

|  | Financial assets<br>at fair value<br>through profit<br>or loss | Financial assets<br>at amortised cost | Financial assets<br>at fair value<br>through other<br>comprehensive<br>income | Total                   |
|--|--|---------------------------------------|---|-------------------------|
| Cash at bank and on hand                   | –  | 5,757,830,508.67                      | –   | 5,757,830,508.67        |
| Financial assets held for trading          | 1,892,520,046.14   | –                                     | –   | 1,892,520,046.14        |
| Notes receivable                           | –  | 289,238,760.63                        | –   | 289,238,760.63          |
| Accounts receivable                        | –  | 658,194,719.05                        | –   | 658,194,719.05          |
| Other receivables                          | –  | 634,474,737.09                        | –   | 634,474,737.09          |
| Investments in other equity<br>instruments | –  | –                                     | 179,146,371.30  | 179,146,371.30          |
|  | <u>1,892,520,046.14</u>  | <u>7,339,738,725.44</u>               | <u>179,146,371.30</u>   | <u>9,411,405,142.88</u> |

Financial liabilities

|   | Financial liabilities<br>at amortised cost |
|---|--|
| Short-term borrowings                       | 3,404,071,430.31                           |
| Accounts payable                            | 224,442,511.34                             |
| Other payables                              | 740,764,133.44                             |
| Non-current liabilities due within one year | 965,808,339.33                             |
| Long-term borrowings                        | 2,052,026,017.12                           |
| Long-term payables                          | 40,000,000.00                              |
| Bonds payable                               | <u>5,873,223,359.39</u>                    |
|   | <u>13,300,335,790.93</u>                   |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 2. Transfer of financial assets

#### *Financial assets transferred but not fully derecognized*

On 31 December 2019, the Group endorsed suppliers a bank acceptance for settlement of other payables with value of RMB7,568,413.36 (31 December 2018: RMB7,073,910.19). 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 2019, carrying amount of other payables settled by the Group totals at RMB7,568,413.36 (31 December 2018: RMB7,073,910.19).

#### *Financial assets transferred and derecognized fully but with continuous involvement*

On 31 December 2019, carrying value of the bank acceptance endorsed to to suppliers for settlement of accounts payable amounts to RMB26,504,560.53 (31 December 2018: RMB48,602,332.58). On 31 December 2019, 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 maximum loss and undiscounted cash flows of continuous involvement and repurchase are equivalent to their carrying value. The Group believes that the fair value of continuous involvement is insignificant.

In 2019, the Group did not recognised 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 arising from financial instruments

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, interest rate risk and price risk of investment in equity instruments). The major financial instruments of the Group primarily include cash at bank and on hand, equity investments, debt 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 affecting 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 diverse risks of financial instruments through appropriate diversified investment and business portfolio, and mitigate concentration risk in any single sector, specific region or certain counterparties by formulating corresponding risk management policies.



# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Risks arising from financial instruments (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 and bank acceptance notes receivables 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.

The Group's maximum credit risk exposure at each balance sheet date is the total amount charged to customers less the amount of impairment allowances.

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 2019, the Group is exposed to certain credit risk concentration, as 57% (31 December 2018: 18%) and 66% (31 December 2018: 43%) of accounts receivables are respectively from the customer with the largest balance of account receivable and 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.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in Notes V. 4 and 6.

#### *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:

- (1) For quantities standards, the probability of default in the remaining existence period after the reporting date is increased to a certain proportion.
- (2) 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)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Risks arising from financial instruments (continued)

#### *Credit risk (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 credit risk management for related financial instruments, by reference to the quantitative and qualitative indicators. When debtors are evaluated for credit impairment, the following factors will be taken account of:

- (1) significant financial difficulty of issuer or debtor;
- (2) breach of contract by debtors, such as default or overdue payment in interest or principal repayment;
- (3) a concession granted by the creditor to the debtor due to economic or contractual considerations related to the debtor's financial difficulty, which will not be granted under any other circumstances;
- (4) possible bankruptcy or other financial reorganization of the creditors;
- (5) disappearance of an active market for the financial asset due to financial difficulty of the issuer or the debtor;
- (6) purchase or creation of a financial asset 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.

# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Risks arising from financial instruments (continued)

#### *Credit risk (continued)*

##### *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, counterparty rating 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:

- Counterparty rating is to regularly study the counterparty's expected credit risk and assessing its credit rating by giving consideration to relevant information of the counterparty's industry influence, the nature of company, operating indicators and deduction points indicators, which are divided into Grade A (high-quality enterprise), Grade B (common enterprise), Grade C (enterprise with bad credit) and Grade D (enterprise with significant risk) in order from good to bad.
- Default probability is the possibility that the debtor will be unable to fulfill its payment obligations in the next 12 months or the remaining existence period. The Default probability of the Group is adjusted based on the results of counterparty rating with reference to forwarding information to reflect the debtor's default probability in the current macroeconomic environment;
- Default loss rate is the expectation made for the degree of estimated loss suffered by the Group. Loss rate of the Group 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 next 12 months or the whole period of existence.
- Default risk exposure is the amount that the Group should be compensated in the next 12 months or the remaining existence period upon default.

Forward looking information will be involved in both the evaluation of significantly increased credit risk and the calculation of expected credit losses. By analysis of historical data, the Group identified the key economic indicators affecting the credit risk and the expected credit loss of each business type.

The impact of these economic indicators on default probability and default loss rate varies with different business types.

#### *Credit risk exposure*

As of 31 December 2019, the Group's exposure to credit risk of accounts receivable and other receivables categorized at internal ratings is shown in Note V.4 and Note V.6.

# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Risks arising from financial instruments (continued)

#### Credit risk (continued)

##### Liquidity risk

The Group manages its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and expected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various financial methods including bank loans, finance leases, bonds payable and other interest-bearing borrowings. As at 31 December 2019, 53% (31 December 2018: 40%) of the Group's interest-bearing debts are due within less than one year.

The following table summarise the maturity analysis of financial liabilities at undiscounted contractual cash flows:

#### 2019

|   | Within 1 year           | 1 to 2 years            | 2 to 5 years            | Over 5 years            | Total                    |
|---|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| Short-term borrowings                       | 504,048,549.32          | -                       | -                       | -                       | 504,048,549.32           |
| Accounts payable                            | 189,817,515.63          | -                       | -                       | -                       | 189,817,515.63           |
| Other payables                              | 910,581,896.50          | -                       | -                       | -                       | 910,581,896.50           |
| Non-current liabilities due within one year | 400,779,150.69          | -                       | -                       | -                       | 400,779,150.69           |
| Long-term borrowings                        | 236,156,990.80          | 456,097,237.98          | 1,017,988,955.12        | 9,459,095.63            | 1,719,702,279.53         |
| Bonds payable                               | 299,793,753.42          | 3,893,062,520.55        | 2,622,584,931.51        | -                       | 6,815,441,205.48         |
| Lease liabilities                           | 237,077,462.76          | 237,077,462.76          | 665,000,436.31          | 5,863,713,877.25        | 7,002,869,239.08         |
| Long-term payables                          | -                       | 15,000,000.00           | 17,500,000.00           | -                       | 32,500,000.00            |
|   | <b>2,778,255,319.12</b> | <b>4,601,237,221.29</b> | <b>4,323,074,322.94</b> | <b>5,873,172,972.88</b> | <b>17,575,739,836.23</b> |

#### 2018

|   | Within 1 year           | 1 to 2 years            | 2 to 5 years            | Over 5 years          | Total                    |
|---|-------------------------|-------------------------|-------------------------|-----------------------|--------------------------|
| Short-term borrowings                       | 3,473,880,911.25        | -                       | -                       | -                     | 3,473,880,911.25         |
| Notes payable and accounts payable          | 224,442,511.34          | -                       | -                       | -                     | 224,442,511.34           |
| Other payables                              | 740,764,133.44          | -                       | -                       | -                     | 740,764,133.44           |
| Non-current liabilities due within one year | 974,352,119.09          | -                       | -                       | -                     | 974,352,119.09           |
| Long-term borrowings                        | 90,054,002.06           | 849,426,563.89          | 669,487,177.53          | 841,118,846.35        | 2,450,066,589.83         |
| Long-term payables                          | -                       | 7,500,000.00            | 15,000,000.00           | 17,500,000.00         | 40,000,000.00            |
| Bonds payable                               | 138,086,794.52          | 299,793,753.42          | 6,515,647,452.05        | -                     | 6,953,527,999.99         |
|   | <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> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Risks arising from financial instruments (continued)

#### *Market risk*

##### *Interest rate risk*

Risk of changes in market interest rate exposed by the Group is primarily related to liabilities at variable interest rate.

In terms of management of interest rate exposures, the Group's policy is to manage its interest cost using a mix of fixed and variable rate debts to avoid interest rate risks.

The table below is a sensitivity analysis of interest rate risk. It reflects the impact on net profit or loss (through the impact on floating rate borrowings) and shareholders' equity when a reasonably possible change in interest rates occurs, with all other variables held constant.

|             | Increase of<br>basis points | Increase of<br>net profit or loss | Increase of<br>shareholders'<br>equity |
|-------------|-----------------------------|-----------------------------------|--|
| <b>2019</b> |                             |                                   |  |
| RMB         | 50                          | -5,920,441.67                     | -5,920,441.67                          |
| RMB         | -50                         | 5,920,441.67                      | 5,920,441.67                           |
| <b>2018</b> |                             |                                   |  |
| RMB         | 50                          | -9,999,321.48                     | -9,999,321.48                          |
| RMB         | -50                         | 9,999,321.48                      | 9,999,321.48                           |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Risks arising from financial instruments (continued)

#### Market risk (continued)

##### Exchange rate risk

The Group is exposed to trading exchange risk. Such risk arises from operating units carrying out sales or purchases with currency other than their functional currency. Approximately 4% of sales of the Group (2018: 3%) are denominated in currency other than the functional currency of operating units, while around 6% (2018: 7%) of cost is denominated in functional currency of operating units.

The table below is a sensitivity analysis of exchange rate risk. It reflects the impact on net profit or loss and other comprehensive income net of tax when a reasonably possible change in exchange rate of foreign currency occurs, with all other variables held constant.

#### 2019

|                             | Increase of exchange rate | Increase of profit or loss | Increase in other comprehensive income, net of tax | Increase of total shareholders' equity |
|-----------------------------|---------------------------|----------------------------|--|--|
| RMB strengthens against USD | -1%                       | -219,508.95                | -0.13  | -219,509.08                            |
| RMB strengthens against HKD | -1%                       | -22.28                     | -8,461.45  | -8,483.73                              |
| RMB strengthens against JPY | -1%                       | -57,962.42                 | -  | -57,962.42                             |
| RMB strengthens against KRW | -1%                       | -1,304.42                  | -  | -1,304.42                              |
| RMB weakens against USD     | 1%                        | 219,508.95                 | 0.13   | 219,509.08                             |
| RMB weakens against HKD     | 1%                        | 22.28                      | 8,461.45   | 8,483.73                               |
| RMB weakens against JPY     | 1%                        | 57,962.42                  | -  | 57,962.42                              |
| RMB weakens against KRW     | 1%                        | 1,304.42                   | -  | 1,304.42                               |

#### 2018

|                             | Increase of exchange rate | Increase of profit or loss | Increase in other comprehensive income, net of tax | Increase of total shareholders' equity |
|-----------------------------|---------------------------|----------------------------|--|--|
| RMB strengthens against USD | -1%                       | -14,937,796.18             | -284,782.23  | -15,222,578.41                         |
| RMB strengthens against HKD | -1%                       | -26.11                     | -280,494.76  | -280,520.87                            |
| RMB strengthens against JPY | -1%                       | -47,530.87                 | -  | -47,530.87                             |
| RMB strengthens against KRW | -1%                       | -1,387.97                  | -  | -1,387.97                              |
| RMB weakens against USD     | 1%                        | 14,937,796.18              | 284,782.23   | 15,222,578.41                          |
| RMB weakens against HKD     | 1%                        | 26.11                      | 280,494.76   | 280,520.87                             |
| RMB weakens against JPY     | 1%                        | 47,530.87                  | -  | 47,530.87                              |
| RMB weakens against KRW     | 1%                        | 1,387.97                   | -  | 1,387.97                               |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Risks arising from financial instruments (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 2019, the Group is exposed to price risk of investment in equity instruments arising from individual equity instrument investment classified as equity instrument investment at fair value through profit or loss and equity instrument investment at fair value through other comprehensive income. Investments in equity instruments held by the Group are listed in stock exchanges in Shanghai and Shenzhen, 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<br>2019 |             | At the end of<br>2018 |             |
|---------------------------|-----------------------|-------------|-----------------------|-------------|
|                           | Highest/lowest        |             | Highest/lowest        |             |
| Shanghai – A Shares Index | 3,196                 | 3,426/2,580 | 2,611                 | 3,728/2,600 |
| Shenzhen- A Shares Index  | 1,802                 | 1,865/1,303 | 1,362                 | 2,051/1,288 |

The following table demonstrates the sensitivity to every 1% increase in the fair values (based on the carrying amount of the balance sheet date) of the equity instrument investments on the Group's net profit or loss and net after tax of other comprehensive income, with all other variables held constant.

#### 2019

|  | Carrying amount<br>of equity<br>Instrument<br>investments | Increase in net<br>profit or loss | Increase in other<br>comprehensive<br>income,<br>net of tax | Increase in total<br>shareholders'<br>equity |
|--|---|-----------------------------------|---|--|
| Equity instrument investments  |   |                                   |   |  |
| Shanghai- equity instrument investment<br>at fair value through profit or loss     | 576,630.00  | 4,324.73                          | -   | 4,324.73                                     |
| Shenzhen- equity instrument investment<br>at fair value through profit or loss     | 1,144,920.00  | 8,586.90                          | -   | 8,586.90                                     |
| Unlisted equity instrument investments<br>at fair value                            |   |                                   |   |  |
| – equity instrument investment at fair value<br>through other comprehensive income | 189,782,564.95  | -                                 | 1,423,369.24  | 1,423,369.24                                 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 3. Risks arising from financial instruments (continued)

#### Market risk (continued)

#### Price risk of investment in equity instruments (continued)

2018

|   | Carrying amount<br>of equity<br>Instrument<br>investments | Increase in net<br>profit or loss | Increase in other<br>comprehensive<br>income,<br>net of tax | Increase in total<br>shareholders'<br>equity |
|---|---|-----------------------------------|---|--|
| Equity instrument investments   |   |                                   |   |  |
| Shanghai- equity instrument<br>investment at fair value through<br>profit or loss     | 3,209,190.00  | 24,068.93                         | –   | 24,068.93                                    |
| Shenzhen- equity instrument<br>investment at fair value through<br>profit or loss     | 1,427,157.50  | 10,703.68                         | –   | 10,703.68                                    |
| Hong Kong- equity instrument<br>investment at fair value through<br>profit or loss    | 22,473,785.23   | –                                 | 168,553.39  | 168,553.39                                   |
| Unlisted equity instrument investments<br>at fair value                               |   |                                   |   |  |
| – equity instrument investment<br>at fair value through other<br>comprehensive income | 156,672,586.07  | –                                 | 1,175,044.40  | 1,175,044.40                                 |

### 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 2019 and 2018, the objective, policies or process of capital management are not changed.



# Notes to the Financial Statements (continued)

2019  
In RMB

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

### 4. Capital management (continued)

The Group manages its capital using the leverage ratio, which is calculated by dividing net liabilities by the sum of adjusted capital and net liabilities. The Group's leverage ratio at the balance sheet date is as follows:

|   | 2019                     | 2018              |
|---|--------------------------|-------------------|
| Short-term borrowings                       | <b>497,660,595.83</b>    | 3,404,071,430.31  |
| Non-current liabilities due within one year | <b>400,779,150.69</b>    | 965,808,339.33    |
| Long-term borrowings                        | <b>1,508,698,814.40</b>  | 2,052,026,017.12  |
| Bonds payable                               | <b>5,884,379,767.90</b>  | 5,873,223,359.39  |
| Long-term payables                          | <b>32,500,000.00</b>     | 40,000,000.00     |
| Lease liabilities                           | <b>3,132,442,496.82</b>  | –                 |
| Other non-current liabilities               | <b>95,544,136.00</b>     | 88,541,797.00     |
| Less: Cash at bank and on hand              | <b>4,051,413,174.71</b>  | 5,757,830,508.67  |
| Financial assets held for trading           | <b>304,951,193.83</b>    | 1,892,520,046.14  |
| Other receivables – entrusted loans         | <b>49,530,570.84</b>     | 39,024,022.72     |
| Net liabilities                             | <b>7,146,110,022.26</b>  | 4,734,296,365.62  |
| Shareholders' equity                        | <b>21,404,415,590.73</b> | 20,860,315,944.17 |
| Capital and net liabilities                 | <b>28,550,525,612.99</b> | 25,594,612,309.79 |
| Leverage ratio                              | <b>25%</b>               | 19%               |

# Notes to the Financial Statements (continued)

2019  
In RMB

## IX. Disclosure of fair value

### 1. Assets and liabilities measured at fair value

2019

|  | Input used in fair value measurement      |   |   | Total                 |
|--|---|---|---|-----------------------|
|  | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |                       |
| <b>Continuous fair value measurement</b> |   |   |   |                       |
| Financial assets held for trading        |   |   |   |                       |
| Debt instrument investments              | -   | -                                       | 303,229,643.83                            | 303,229,643.83        |
| Equity instrument investments            | 1,721,550.00                              | -                                       | -   | 1,721,550.00          |
| Investments in other equity instruments  | -   | -                                       | 189,782,564.95                            | 189,782,564.95        |
|  | <b>1,721,550.00</b>                       | <b>-</b>                                | <b>493,012,208.78</b>                     | <b>494,733,758.78</b> |

2018

|  | Input used in fair value measurement      |   |   | Total                   |
|--|---|---|---|-------------------------|
|  | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |                         |
| <b>Continuous fair value measurement</b> |   |   |   |                         |
| Financial assets held for trading        |   |   |   |                         |
| Debt instrument investments              | -   | -                                       | 1,887,883,698.64                          | 1,887,883,698.64        |
| Equity instrument investments            | 4,636,347.50                              | -                                       | -   | 4,636,347.50            |
| Investments in other equity instruments  | 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)

2019  
In RMB

## IX. Disclosure of fair value (continued)

### 2. Assets and liabilities disclosed at fair value

2019

|                       | Input used in fair value measurement      |   |   | Total            |
|-----------------------|---|---|---|------------------|
|                       | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |                  |
| Financial liabilities |   |   |   |                  |
| Long-term borrowings  | -   | -                                       | 1,506,961,979.50                          | 1,506,961,979.50 |
| Bonds payable         | -   | -                                       | 5,933,757,380.47                          | 5,933,757,380.47 |
|                       | -   | -                                       | 7,440,719,359.97                          | 7,440,719,359.97 |

2018

|                       | Input used in fair value measurement      |   |   | Total            |
|-----------------------|---|---|---|------------------|
|                       | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |                  |
| Financial liabilities |   |   |   |                  |
| Long-term borrowings  | -   | -                                       | 2,570,853,492.82                          | 2,570,853,492.82 |
| Bonds payable         | -   | -                                       | 2,049,941,043.61                          | 2,049,941,043.61 |
|                       | -   | -                                       | 7,992,143,598.86                          | 7,992,143,598.86 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## IX. Disclosure of fair value (continued)

### 3. Fair value estimates

#### *Fair value of financial instruments*

The followings are the carrying amount and fair value of financial instruments except for the lease liability and financial instruments that the difference between the carrying amount and fair value is immaterial.

|                       | Carrying amount         |                  | Fair value              |                  |
|-----------------------|-------------------------|------------------|-------------------------|------------------|
|                       | 31 December 2019        | 31 December 2018 | 31 December 2019        | 31 December 2018 |
| Financial liabilities |                         |                  |                         |                  |
| Long-term borrowings  | <b>1,508,698,814.40</b> | 2,052,026,017.12 | <b>1,506,961,979.50</b> | 2,049,941,043.61 |
| Bonds payable         | <b>5,884,379,767.90</b> | 5,873,223,359.39 | <b>5,933,757,380.47</b> | 5,942,202,555.25 |

Management has assessed the cash at bank and on hand, notes receivable, accounts receivable, other receivables, short-term borrowings, accounts payable, together with non-current liabilities due within one year, etc. Their fair values approximate to their carrying amounts as the residual maturities of these instruments are not long.

The financial department of the Group is led by the financial manager and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial director and the audit committee. At each balance sheet date, the financial department analyses the movements in the fair value of the financial instrument and determines the major input applicable to the valuation. The valuation must be reviewed and approved by the financial manager. For the purposes of preparing interim and annual financial statements, the financial department discusses the valuation process and results with the audit committee twice a year.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction, other than in a forced or liquidation sale. The following methods and assumptions were used in the estimate of fair value.

The fair value of long-term and short-term borrowings, bonds payable, etc., is calculated by discounting the future cash flows using the market yield currently available for other financial instruments with similar contract terms, credit risk and residual term as the discount rate. As at 31 December 2019 and 31 December 2018, the Group's exposure to non-performance risk associated with the long-term and short-term borrowings is assessed as insignificant.

The fair value of listed equity instruments is determined based on market quotation. The fair value of unlisted equity instrument investments is estimated using the valuation model. The assumptions used are not supported by the observable market price. The Group needs to make estimate for related assumptions and parameters. The Group believes that the fair value estimated using valuation techniques and its change are reasonable, and is the most applicable value on the balance sheet date.

For the fair value of the unlisted equity instrument investment, the Group estimated and quantified the potential impact of adopting other reasonable and possible assumptions as input in the valuation model: with the use of less favorable assumptions, the fair value decreased by approximately RMB18,978,256.50; with the use of more favorable assumptions, the fair value increased by approximately RMB18,978,256.50.

# Notes to the Financial Statements (continued)

2019  
In RMB

## IX. Disclosure of fair value (continued)

### 4. Unobservable inputs

The following table summarises significant unobservable inputs for level 3 fair value measurement:

|                               | Fair value at the end of the year  | Valuation techniques             | Unobservable inputs | Range (weighted average mean) |
|-------------------------------|------------------------------------|----------------------------------|---------------------|-------------------------------|
| Debt instrument investments   | 31 December 2019: 303,229,643.83   | Cash flows discount method       | Prepayment rate     | 31 December 2019: 0%          |
|                               | 31 December 2018: 1,887,883,698.64 |                                  | Default probability | 31 December 2018: 0%          |
|                               |                                    |                                  | Default loss rate   | 31 December 2019: 0%          |
|                               |                                    |                                  |                     | 31 December 2018: 0%          |
| Equity instrument investments | 31 December 2019: 189,782,564.95   | Listed company comparison method | Liquidity discount  | 31 December 2019: 20-30%      |
|                               | 31 December 2018: 156,672,586.07   |                                  |                     | 31 December 2018: 25-30%      |

# Notes to the Financial Statements (continued)

2019  
In RMB

## IX. Disclosure of fair value (continued)

### 5. Reconciliation of fair value measurement

The reconciliation of continuous fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

2019

|                               | Total gain or loss for the period |                         | Included in other comprehensive income | Purchase         | Issue | Sale             | Settlement | Balance at the end of the year | Change in unrealised gain or loss of assets held at year-end and included in profit or loss |
|-------------------------------|-----------------------------------|-------------------------|--|------------------|-------|------------------|------------|--------------------------------|---|
|                               | Transfer into Level 3             | Transfer out of Level 3 |  |                  |       |                  |            |                                |   |
| Equity instrument investments | -                                 | -                       | 33,109,978.88                          | -                | -     | -                | -          | 189,782,564.95                 | -   |
| Debt instrument investments   | -                                 | -                       | 43,452,014.85                          | 4,445,290,000.00 | -     | 6,073,396,069.66 | -          | 303,229,643.83                 | -   |

2018

|                               | Total gain or loss for the period |                         | Included in other comprehensive income | Purchase         | Issue | Sale             | Settlement | Balance at the end of the year | Change in unrealised gain or loss of assets held at year-end and included in profit or loss |
|-------------------------------|-----------------------------------|-------------------------|--|------------------|-------|------------------|------------|--------------------------------|---|
|                               | Transfer into Level 3             | Transfer out of Level 3 |  |                  |       |                  |            |                                |   |
| Equity instrument investments | -                                 | -                       | -21,997,866.39                         | -                | -     | -                | -          | 156,672,586.07                 | -   |
| Debt instrument investments   | -                                 | -                       | 20,492,078.41                          | 2,870,000,000.00 | -     | 1,152,608,379.77 | -          | 1,887,883,698.64               | -   |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties

### 1. Parent

|           | Place of registration | Nature of business | Registered capital<br>(RMB) | Percentage of shareholding in the Company<br>(%) | Percentage of voting rights in the Company<br>(%) |
|-----------|-----------------------|--------------------|-----------------------------|--|---|
| PDA Group | Dalian                | Port business      | 12,083,156,000.00           | 46.78  | 46.78   |

The parent of the Company is Dalian Port Corporation Limited, and the ultimate controlling party is China Merchants Group Limited.

### 2. Subsidiaries

For the subsidiaries, please refer to Note VII. 1.

### 3. Joint ventures and associates

For the joint ventures and associates, please refer to Note VII. 2.

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 4. Other related parties

| <u>Company name</u>   | <u>Relationship with the Group</u> |
|---|------------------------------------|
| Liaoning Port Group Limited   | Parent of the parent               |
| Dalian Port Wantong Logistics Co., Ltd.   | Subsidiary of the parent           |
| Dalian Wanfeng Properties Co., Ltd.   | Subsidiary of the parent           |
| Dalian United King Port Auto Trade Co., Ltd. (Note)                                       | Subsidiary of the parent           |
| Dalian Port Petroleum & Chemical Co., Ltd.  | Subsidiary of the parent           |
| Dalian Hongyu Building Co., Ltd.  | Subsidiary of the parent           |
| Dalian Port North Shore Investment and Development Co., Ltd.                              | Subsidiary of the parent           |
| Dalian Taiping Bay Sunshine Real Estate Co., Ltd.   | Subsidiary of the parent           |
| Dalian Taiping Bay Investment & Development Co., Ltd.                                     | Subsidiary of the parent           |
| Dalian Port North Shore Automobile Terminal Co., Ltd.                                     | Subsidiary of the parent           |
| Dalian Port Security Services Co., Ltd.   | Subsidiary of the parent           |
| Dalian International Cruise City Development Co., Ltd.                                    | Subsidiary of the parent           |
| Dalian Port North Shore Container Terminal Co., Ltd.                                      | Subsidiary of the parent           |
| Dalian Taiping Bay Port Company Limited   | Subsidiary of the parent           |
| Dalian Port Investment and Financing Holding Group Co., Ltd.                              | Subsidiary of the parent           |
| Dalian Gangtai Insurance Brokers Co., Ltd.  | Subsidiary of the parent           |
| Dalian Port Real Estate Co., Ltd.   | Subsidiary of the parent           |
| Dalian Port Real Estate Group Co., Ltd.   | Subsidiary of the parent           |
| Dalian Harbour City Construction Development Co., Ltd.                                    | Subsidiary of the parent           |
| Dalian Northeast Asia International Shipping Center of Shipping Exchange Market Co., Ltd. | Subsidiary of the parent           |
| Dalian Port Petty Loan Co., Ltd.  | Subsidiary of the parent           |
| Dalian Harbour Building Co., Ltd.   | Subsidiary of the parent           |
| Dalian FTZ Yongdixin Real Estate Development Co., Ltd.                                    | Subsidiary of the parent           |
| Dalian Wantong Ronghai Shipping Co., Ltd.   | Subsidiary of the parent           |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd.                            | Subsidiary of the parent           |
| PDA Group (Jinzhou) Liaoxi Port Investment and Development Co., Ltd.                      | Subsidiary of the parent           |
| Dalian Taiping Bay Construction Engineering Co., Ltd.                                     | Subsidiary of the parent           |
| Ningbo Yizhihong International Trade Co., Ltd.  | Subsidiary of the parent           |
| Shenyang Kaiming Industrial Co., Ltd.   | Subsidiary of the parent           |
| Dalian Dagang Hongyu Housekeeping Services Co., Ltd.                                      | Subsidiary of the parent           |
| Dalian Taiping Bay Investment & Holding Co., Ltd.   | Subsidiary of the parent           |
| Dalian Dagang Equity Fund (Limited Partnership)   | Subsidiary of the parent           |
| Dalian Taiping Bay Modern Agricultural Science and Technology Development Co., Ltd.       | Subsidiary of the parent           |
| Dalian Port Huitong Occupational Training School  | Subsidiary of the parent           |
| Ocean Harvest Container Co., Ltd.   | Subsidiary of the parent           |
| Jinzhou Liaoxi PDA Properties Co., Ltd.   | Subsidiary of the parent           |



# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 4. Other related parties (continued)

| Company name   | Relationship with the Group                                       |
|--|---|
| Dalian Port Machinery Co., Ltd.  | Joint venture of the parent                                       |
| Sinopec Harbour Oil Sales (Dalian) Co., Ltd.                             | Joint venture of the parent                                       |
| Dalian Creative Industry Project Development Co., Ltd.                   | Joint venture of the parent                                       |
| Dalian Harbour Engineering Co., Ltd.                                     | Associate of the parent   |
| Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.           | Associate of the parent   |
| Dalian CITIC Harbour Investment Co., Ltd.                                | Associate of the parent   |
| Datong Securities Co., Ltd.  | Associate of the parent   |
| Dalian Port Industrial Co., Ltd.   | Associate of the parent   |
| Dalian Port Design & Research Institute Co., Ltd.                        | Associate of the parent   |
| Dalian Port Machinery and Electric Co., Ltd.                             | Associate of the parent   |
| Dalian Port Landscape Engineering Co., Ltd.                              | Associate of the parent   |
| Dalian Port Rixing Boiler Installation Co., Ltd.                         | Associate of the parent   |
| Dalian Port Xingang Construction Engineering Co., Ltd.                   | Associate of the parent   |
| Dalian Port Property Management Co., Ltd.                                | Associate of the parent   |
| Dalian Equipment Finance Lease Co., Ltd.                                 | Associate of the parent   |
| Ganghe (Shanghai) Economic and Trade Co., Ltd.                           | Associate of the parent   |
| Dalian Ganghe Economic and Trade Co., Ltd.                               | Associate of the parent   |
| Dalian Yuxiang Marine Engineering Co., Ltd.                              | Associate of the parent   |
| Dalian Gangrong International Trade Co., Ltd.                            | Associate of the parent   |
| Dalian Gangming Port Automobile Inspection Co., Ltd.<br>(大連港明口岸汽車檢測有限公司) | Associate of the parent   |
| Dalian Gangxin Construction Engineering Co., Ltd.                        | Associate of the parent   |
| Dalian Life Raft Inspection Co., Ltd.                                    | Associate of the parent   |
| Jinzhou Port Co., Ltd.   | Associate of the parent   |
| Dalian Wanpeng Foundation Engineering Co., Ltd.                          | Associate of the parent   |
| Yingkou Port Liability Co., Ltd.   | Company controlled by the same ultimate party                     |
| Yingkou Port Group Co., Ltd.   | Company controlled by the same ultimate party                     |
| Yingkou Gangxin Technology Co., Ltd. (營口港信科技有限公司)                        | Company controlled by the same ultimate party                     |
| Yingkou Gangfeng Hotel Co., Ltd. (營口港豐大酒店有限公司)                           | Company controlled by the same ultimate party                     |
| Liaoning Harbour Engineering Technology Co., Ltd.<br>(遼寧港灣船務工程技術有限公司)    | Company controlled by the same ultimate party                     |
| Shenyang Yinggang Lugang Service Co., Ltd. (瀋陽營港陸港服務有限公司)                | Company controlled by the same ultimate party                     |
| Jilin Inland Port Logistics Co., Ltd. (吉林省陸港物流有限公司)                      | Associate of the company controlled<br>by the same ultimate party |
| Yingkou Port Gaizhou Logistics Co., Ltd. (營口港蓋州物流有限公司)                   | Associate of the company controlled<br>by the same ultimate party |

Note: Dalian United King Port Auto Trade Co., Ltd. ("King Port Auto") was a subsidiary of the Company. The Company transferred its 60% of equity interests in King Port Auto to PDA Group on 26 June 2018. From 30 June 2018, King Port Auto was not included in the Group's consolidation scope.

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties

#### (1) Goods and services transactions with related parties

*Purchase of goods and receiving of service from related parties*

|   | Goods or type<br>of service (note) | 2019                  | 2018          |
|---|------------------------------------|-----------------------|---------------|
| <b>Transactions with the parent</b>                               |                                    |                       |               |
| PDA Group   | Comprehensive services             | <b>25,605,168.08</b>  | 20,086,442.88 |
| <b>Transactions with joint ventures and associates</b>            |                                    |                       |               |
| Dalian Changxing Island Port Investment and Development Co., Ltd. | Comprehensive services             | <b>195,113,977.17</b> | 36,858,406.73 |
| China Oil Dock Management (Dalian) Co., Ltd.                      | Port service                       | <b>11,556,162.54</b>  | 14,085,812.67 |
| Dalian North Oil Petroleum Logistics Co., Ltd.                    | Comprehensive services             | <b>6,141,509.43</b>   | –             |
| Dalian Port Tongli Shipping Agency Co., Ltd.                      | Agency services                    | <b>1,139,149.89</b>   | 1,158,112.51  |
| Dalian Jilong Logistics Co., Ltd.                                 | Transportation services            | <b>405,460.46</b>     | –             |
| China United International Rail Containers (Dalian) Co., Ltd.     | Transportation services            | <b>3,084,334.21</b>   | 15,420,868.29 |
| Dalian Changxing Island Port Co., Ltd.                            | Electrical service                 | <b>245,329.81</b>     | 236,333.58    |
| Odfjell Dalian Port Consulting Co., Ltd.                          | Training service                   | <b>178,485.44</b>     | 263,711.06    |
| Dalian Vanguard International Logistics Co., Ltd.                 | Transportation services            | <b>130,801.89</b>     | –             |
| Dalian Port Group Financial Co., Ltd.                             | Financial service                  | <b>2,018.87</b>       | –             |
| Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.             | Agency services                    | –                     | 287,101.88    |
| Ha'ou International Logistics Co., Ltd.                           | Transportation services            | –                     | 1,674,891.94  |
| Dalian Automobile Terminal Co., Ltd.                              | Supervision service                | –                     | 6,116.50      |
|   |                                    | <b>217,997,229.71</b> | 69,991,355.16 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (1) Goods and services transactions with related parties (continued)

*Purchase of goods and receiving of service from related parties (continued)*

|  | Goods or type<br>of service (note) | 2019                  | 2018           |
|--|------------------------------------|-----------------------|----------------|
| <b>Transactions with other related parties</b>                 |                                    |                       |                |
| Sinopec Harbour Oil Sales (Dalian) Co., Ltd.                   | Purchase of fuel                   | <b>59,100,915.91</b>  | 64,057,545.87  |
| Dalian Port Industrial Co., Ltd.                               | Comprehensive services             | <b>33,280,778.50</b>  | 37,184,383.91  |
| Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd. | Purchase of fuel                   | <b>30,199,732.93</b>  | 29,193,936.84  |
| Dalian Port Machinery Co., Ltd.                                | Maintenance service                | <b>12,221,059.42</b>  | 7,981,421.73   |
| Dalian Port Xingang Construction Engineering Co., Ltd.         | Maintenance service                | <b>4,847,953.33</b>   | 8,771,187.70   |
| Dalian Hongyu Building Co., Ltd.                               | Comprehensive services             | <b>3,590,727.99</b>   | 4,565,095.32   |
| Dalian Port Machinery and Electric Co., Ltd.                   | Comprehensive services             | <b>2,907,456.78</b>   | 2,979,513.74   |
| Dalian Port Security Services Co., Ltd.                        | Security services                  | <b>2,886,756.51</b>   | 2,032,421.94   |
| Dalian Port Landscape Engineering Co., Ltd.                    | Comprehensive services             | <b>2,316,032.18</b>   | 4,610,665.74   |
| Dalian Port Rixing Boiler Installation Co., Ltd.               | Maintenance service                | <b>1,799,029.72</b>   | 3,888,391.49   |
| Dalian Harbour Engineering Co., Ltd.                           | Comprehensive services             | <b>1,179,845.57</b>   | 3,859,100.62   |
| Dalian Port Property Management Co., Ltd.                      | Property service                   | <b>964,080.84</b>     | 909,275.40     |
| Dalian Harbour Building Co., Ltd.                              | Comprehensive services             | <b>756,650.91</b>     | 1,501,683.39   |
| Dalian Port Huitong Occupational Training School               | Training service                   | <b>281,214.56</b>     | 131,090.29     |
| Dalian Life Raft Inspection Co., Ltd.                          | Maintenance service                | <b>216,972.84</b>     | 194,481.69     |
| Dalian Port Design & Research Institute Co., Ltd.              | Comprehensive services             | <b>70,754.72</b>      | 1,044,811.32   |
| Yingkou Gangfeng Hotel Co., Ltd.<br>(營口港豐大酒店有限公司)              | Comprehensive services             | <b>3,759.14</b>       | -              |
| Jinzhou Port Co., Ltd.   | Comprehensive services             | -                     | 5,509.10       |
|  |                                    | <b>156,623,721.85</b> | 172,910,516.09 |
|  |                                    | <b>400,226,119.64</b> | 262,988,314.13 |

The purchases of goods and receipt of services from related parties have been conducted in accordance with the terms of the agreements entered into between the Group and the related parties.

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (1) Goods and services transactions with related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

|   | Goods or type<br>of service (note) | 2019                 | 2018          |
|---|------------------------------------|----------------------|---------------|
| <b>Transactions with the parent</b>   |                                    |                      |               |
| PDA Group   | Comprehensive services             | <b>26,135,091.13</b> | 27,768,759.30 |
| <b>Transactions with joint ventures and associates</b>                      |                                    |                      |               |
| China Oil Dock Management (Dalian) Co., Ltd.                                | Comprehensive services             | <b>69,009,217.91</b> | 56,953,523.69 |
| Dalian Port Yidu Cold Chain Co., Ltd.                                       | Comprehensive services             | <b>20,555,349.59</b> | 16,031,145.51 |
| Dalian Changxing Island Port Investment and<br>Development Co., Ltd.        | Comprehensive services             | <b>25,055,131.24</b> | 21,980,240.10 |
| Taicang Xinggang Tug Co., Ltd.  | Transportation services            | <b>13,500,872.62</b> | 16,658,712.29 |
| Dalian PetroChina International Warehousing and<br>Transportation Co., Ltd. | Comprehensive services             | <b>11,779,192.90</b> | 16,698,378.38 |
| Dalian Changxing Island Port Co., Ltd.                                      | Comprehensive services             | <b>5,966,627.22</b>  | 6,661,519.70  |
| Liaoning Electronic Port Co., Ltd.  | Comprehensive services             | <b>4,328,018.87</b>  | –             |
| Odfjell Terminals (Dalian) Co., Ltd.  | Comprehensive services             | <b>3,075,237.90</b>  | 4,762,877.34  |
| Dalian Automobile Terminal Co., Ltd.  | Comprehensive services             | <b>2,648,809.83</b>  | 4,433,743.68  |
| Dalian Vanguard International Logistics Co., Ltd.                           | Comprehensive services             | <b>2,054,317.29</b>  | 1,626,073.63  |
| Dalian North Oil Petroleum Logistics Co., Ltd.                              | Electrical service                 | <b>1,933,060.87</b>  | 1,986,022.67  |
| China United International Rail Containers (Dalian) Co., Ltd.               | Comprehensive services             | <b>1,797,757.79</b>  | 2,652,040.81  |
| Dalian Puji Storage Facility Co., Ltd.                                      | Comprehensive services             | <b>1,592,268.71</b>  | 1,709,145.25  |
| Dalian Shenyang Railway Bureau Yuangang<br>Logistics Co., Ltd.              | Transportation services            | <b>1,584,017.14</b>  | 2,843,644.79  |
| Dalian Jilong Logistics Co., Ltd.   | Comprehensive services             | <b>1,447,369.19</b>  | 2,233,308.78  |
| Dalian Dagang China Shipping Container Terminal Co., Ltd.                   | Comprehensive services             | <b>1,153,446.99</b>  | 1,457,460.32  |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (1) Goods and services transactions with related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

|  | Goods or type<br>of service (note) | 2019                  | 2018                  |
|--|------------------------------------|-----------------------|-----------------------|
| <b>Transactions with joint ventures and associates (continued)</b> |                                    |                       |                       |
| Dalian United International Shipping Agency Co., Ltd.              | Comprehensive services             | 1,099,056.63          | 957,547.20            |
| Dalian Port PetroChina International Terminal Co., Ltd.            | Comprehensive services             | 1,001,896.83          | 693,802.49            |
| China Shipping Gang Lian Co., Ltd.                                 | Comprehensive services             | 966,129.18            | 983,570.27            |
| China United Tally (Dalian) Co., Ltd.                              | Comprehensive services             | 870,873.81            | 822,275.00            |
| Dalian Singamas International Container Co., Ltd.                  | Comprehensive services             | 718,760.64            | 764,129.53            |
| Weifang Senda Container Service Co., Ltd.                          | Comprehensive services             | 424,528.30            | 608,554.34            |
| Dalian Port Group Financial Co., Ltd.                              | Comprehensive services             | 373,285.46            | 820,648.45            |
| Dalian Harbour ECL Logistics Co., Ltd.                             | Comprehensive services             | 289,697.98            | 290,013.37            |
| PetroChina Dalian LNG Co., Ltd.                                    | Comprehensive services             | 192,198.24            | 516,448.15            |
| Dalian Port Tongli Shipping Agency Co., Ltd.                       | Comprehensive services             | 142,748.91            | 142,881.34            |
| Dalian Port Xiangyu Grain Logistics Co., Ltd.                      | Comprehensive services             | 114,571.29            | 127,426.85            |
| Dalian New Silk Road International Logistics Co., Ltd.             | Logistics service                  | 60,000.00             | 2,691,318.10          |
| Dalian Wanpeng Port Engineering Testing Co., Ltd.                  | Comprehensive services             | 49,483.94             | 12,148.64             |
| Dalian Port Bulk Cargo Logistics Center Co., Ltd.                  | Comprehensive services             | 4,528.30              | 400,830.90            |
| Ha'ou International Logistics Co., Ltd.                            | Transportation services            | -                     | 1,103,696.23          |
| Odfjell Changxing Terminals (Dalian) Co., Ltd.                     | Comprehensive services             | -                     | 647,586.47            |
| Sino Rail Bohai Train Ferry Co., Ltd.                              | Port service                       | -                     | 2,886.79              |
|  |                                    | <b>173,788,455.57</b> | <b>170,273,601.06</b> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (1) Goods and services transactions with related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

|  | Goods or type<br>of service (note) | 2019                 | 2018          |
|--|------------------------------------|----------------------|---------------|
| <b>Transactions with other related parties</b>                 |                                    |                      |               |
| Dalian Port Wantong Logistics Co., Ltd.                        | Comprehensive services             | <b>62,327,505.79</b> | 39,367,714.39 |
| Liaoning Port Group Limited                                    | Comprehensive services             | <b>8,259,645.49</b>  | –             |
| Dalian Port Design & Research Institute Co., Ltd.              | Supervision services               | <b>4,456,459.45</b>  | 138,959.68    |
| Dalian Wanfeng Properties Co., Ltd.                            | Supervision services               | <b>3,238,596.07</b>  | 5,099,966.78  |
| Dalian Port North Shore Automobile Terminal Co., Ltd.          | Supervision services               | <b>2,593,788.06</b>  | 902,054.04    |
| Dalian Port Machinery and Electric Co., Ltd.                   | Engineering construction           | <b>2,542,694.21</b>  | 135,952.84    |
| Datong Securities Co., Ltd.                                    | Telecommunication services         | <b>2,042,389.48</b>  | 790,661.69    |
| Jilin Inland Port Logistics Co., Ltd. (吉林省陸港物流有限公司)            | Transportation services            | <b>1,939,609.88</b>  | –             |
| Dalian Port Industrial Co., Ltd.                               | Comprehensive services             | <b>1,815,126.45</b>  | 318,660.23    |
| Dalian Port Petroleum & Chemical Co., Ltd.                     | Comprehensive services             | <b>1,771,903.02</b>  | 3,684,082.85  |
| Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd. | Comprehensive services             | <b>1,703,132.04</b>  | 1,411,036.27  |
| Dalian Hongyu Building Co., Ltd.                               | Comprehensive services             | <b>1,629,495.45</b>  | 1,851,547.49  |
| Yingkou Port Group Co., Ltd.                                   | Comprehensive services             | <b>1,646,226.38</b>  | –             |
| Dalian Harbour Building Co., Ltd.                              | Comprehensive services             | <b>799,693.75</b>    | 13,343.99     |
| Dalian Taiping Bay Investment & Development Co., Ltd.          | Comprehensive services             | <b>621,675.60</b>    | 930,070.13    |
| Dalian Port Machinery Co., Ltd.                                | Comprehensive services             | <b>587,102.42</b>    | 749,183.00    |
| Dalian Port North Shore Investment and Development Co., Ltd.   | Comprehensive services             | <b>542,319.56</b>    | 1,305,798.41  |
| Yingkou Gangxin Technology Co., Ltd.<br>(營口港信科技有限公司)           | Comprehensive services             | <b>424,528.30</b>    | –             |
| Dalian Port Xingang Construction Engineering Co., Ltd.         | Telecommunication services         | <b>335,575.77</b>    | 5,001.53      |
| Dalian Harbour Engineering Co., Ltd.                           | Comprehensive services             | <b>251,405.17</b>    | 2,153,292.60  |
| Yingkou Port Liability Co., Ltd.                               | Comprehensive services             | <b>166,987.16</b>    | –             |
| Dalian International Cruise City Development Co., Ltd.         | Comprehensive services             | <b>150,450.76</b>    | 475,246.17    |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (1) Goods and services transactions with related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

|  | Goods or type<br>of service (note) | 2019             | 2018         |
|--|------------------------------------|------------------|--------------|
| <b>Transactions with other related parties (continued)</b>                                   |                                    |                  |              |
| Sinopec Harbour Oil Sales (Dalian) Co., Ltd.   | Telecommunication services         | <b>88,944.58</b> | 92,848.35    |
| Dalian Gangxin Construction Engineering Co., Ltd.  | Engineering construction           | <b>73,182.14</b> | –            |
| Dalian United King Port Auto Trade Co., Ltd.   | Telecommunication services         | <b>63,327.78</b> | 3,773,973.26 |
| Dalian Port Investment and Financing Holding Group Co., Ltd.                                 | Comprehensive services             | <b>62,689.97</b> | 81,296.10    |
| Dalian Port Real Estate Co., Ltd.  | Telecommunication services         | <b>56,256.27</b> | 56,168.37    |
| Dalian Gangtai Insurance Brokers Co., Ltd.   | Comprehensive services             | <b>55,053.41</b> | 58,755.24    |
| Dalian Creative Industry Project Development Co., Ltd.                                       | Telecommunication services         | <b>53,271.53</b> | 55,357.13    |
| Dalian Port North Shore Container Terminal Co., Ltd.   | Telecommunication services         | <b>36,434.00</b> | 366,622.69   |
| Dalian Northeast Asia International Shipping Center of<br>Shipping Exchange Market Co., Ltd. | Telecommunication services         | <b>22,130.44</b> | 22,334.92    |
| Dalian Port Landscape Engineering Co., Ltd.  | Comprehensive services             | <b>21,686.23</b> | 17,950.90    |
| Dalian Harbour City Construction Development Co., Ltd.                                       | Telecommunication services         | <b>20,424.21</b> | 25,840.89    |
| Dalian Port Petty Loan Co., Ltd.   | Telecommunication services         | <b>20,068.30</b> | 21,327.82    |
| Dalian Port Property Management Co., Ltd.  | Comprehensive services             | <b>18,711.32</b> | 4,678.74     |
| Dalian Port Rixing Boiler Installation Co., Ltd.   | Telecommunication services         | <b>15,670.75</b> | 15,383.60    |
| Dalian Wantong Ronghai Shipping Co., Ltd.  | Telecommunication services         | <b>13,711.92</b> | 6,982.11     |
| Dalian Port Real Estate Group Co., Ltd.  | Telecommunication services         | <b>10,329.73</b> | 38,182.49    |
| Dalian Equipment Finance Lease Co., Ltd.   | Comprehensive services             | <b>3,396.23</b>  | 3,396.23     |
| PDA Group (Jinzhou) Liaoxi Port Investment and<br>Development Co., Ltd.                      | Telecommunication services         | <b>2,273.33</b>  | 1,698.11     |
| Dalian FTZ Yongdexin Real Estate Development Co., Ltd.                                       | Telecommunication services         | <b>1,975.44</b>  | 12,363.05    |
| Shenyang Kaiming Industrial Co., Ltd.  | Comprehensive services             | <b>1,132.08</b>  | 1,132.08     |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (1) Goods and services transactions with related parties (continued)

*Sales of goods and rendering of services to related parties (continued)*

|  | Goods or type<br>of service (note) | 2019                  | 2018           |
|--|------------------------------------|-----------------------|----------------|
| <b>Transactions with other related parties (continued)</b>                             |                                    |                       |                |
| Dalian Gangming Port Automobile Inspection Co., Ltd.<br>(大連港明口岸汽車檢測有限公司)               | Comprehensive services             | 1,132.07              | –              |
| Dalian Dagang Hongyu Housekeeping Services Co., Ltd.                                   | Telecommunication services         | 1,271.88              | 1,094.32       |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd.                         | Comprehensive services             | 566.04                | 6,605.73       |
| Dalian Taiping Bay Construction Engineering Co., Ltd.                                  | Comprehensive services             | 566.04                | 1,224.16       |
| Dalian Taiping Bay Investment & Holding Co., Ltd.                                      | Comprehensive services             | 566.04                | 566.04         |
| Dalian Gangrong International Trade Co., Ltd.  | Comprehensive services             | 566.04                | 566.04         |
| Dalian CITIC Harbour Investment Co., Ltd.  | Electrical services                | –                     | 1,212,985.34   |
| Dalian Taiping Bay Sunshine Real Estate Co., Ltd.                                      | Comprehensive services             | –                     | 1,076,593.02   |
| Dalian Port Security Services Co., Ltd.  | Telecommunication services         | –                     | 870,375.32     |
| Dalian Taiping Bay Port Company Limited  | Supervision services               | –                     | 334,978.10     |
| Ganghe (Shanghai) Economic and Trade Co., Ltd.   | Telecommunication services         | –                     | 1,698.11       |
| Ningbo Yizhihong International Trade Co., Ltd.   | Telecommunication services         | –                     | 1,132.08       |
| Dalian Yuxiang Marine Engineering Co., Ltd.  | Comprehensive services             | –                     | 566.04         |
| Dalian Dagang Equity Fund (Limited Partnership)  | Comprehensive services             | –                     | 566.04         |
| Dalian Taiping Bay Modern Agricultural Science and<br>Technology Development Co., Ltd. | Comprehensive services             | –                     | 566.04         |
|  |                                    | <b>100,491,648.03</b> | 67,498,380.55  |
|  |                                    | <b>300,415,194.73</b> | 265,540,740.91 |

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)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (2) Leasing with related parties

The Group as the lessor

|   | Type of the leased assets      | Leasing income recognised for the year 2019 | Leasing income recognised for the year 2018 |
|---|--------------------------------|---|---|
| <b>Transactions with joint ventures and associates</b>        |                                |   |   |
| China Oil Dock Management (Dalian) Co., Ltd.                  | Berth and stock yard           | 14,260,000.00                               | 14,260,000.00                               |
| Dalian Jilong Logistics Co., Ltd.                             | Site place                     | 5,066,435.09                                | 4,870,505.88                                |
| China United International Rail Containers (Dalian) Co., Ltd. | Site place/Buildings           | 4,990,363.36                                | 4,786,479.87                                |
| Dalian Port Yidu Cold Chain Co., Ltd.                         | Handling equipment/Site place  | 3,804,582.93                                | 1,052,455.75                                |
| 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/Buildings | 106,212.48                                  | 24,928.71                                   |
| Dalian Dagang China Shipping Container Terminal Co., Ltd.     | Handling equipment             | -   | 500,000.00                                  |
|   |                                | <b>28,439,498.62</b>                        | <b>25,706,274.97</b>                        |
| <b>Transactions with other related parties</b>                |                                |   |   |
| Dalian Port Industrial Co., Ltd.                              | Automobile/Buildings           | 1,692,956.79                                | 1,648,536.14                                |
| 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                                  | 107,485.71                                  |
| Dalian CITIC Harbour Investment Co., Ltd.                     | Buildings                      | 51,724.20                                   | 8,620.69                                    |
| Dalian Taiping Bay Port Company Limited                       | Buildings                      | -   | 999,680.17                                  |
|   |                                | <b>2,525,310.70</b>                         | <b>3,437,466.71</b>                         |
|   |                                | <b>30,964,809.32</b>                        | <b>29,143,741.68</b>                        |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (2) Leasing with related parties (continued)

The Group as the lessee

|   | Type of the leased assets     | Leasing expenses recognised for the year 2019 | Leasing expenses recognised for the year 2018 |
|---|-------------------------------|---|---|
| <b>Transactions with the parent</b>                     |                               |   |   |
| PDA Group   | Land use rights               | 90,176,394.74                                 | 60,103,947.39                                 |
| <b>Transactions with joint ventures and associates</b>  |                               |   |   |
| Dalian Port PetroChina International Terminal Co., Ltd. | Terminal facilities           | 104,285,714.30                                | 104,285,714.30                                |
| Dalian Changxing Island Port Co., Ltd.                  | Buildings                     | 51,428.57                                     | -   |
| Dalian Automobile Terminal Co., Ltd.                    | Buildings                     | 5,244.76                                      | 11,796.12                                     |
| Dalian Port Xiangyu Grain Logistics Co., Ltd.           | Vehicles                      | -   | 400,717.96                                    |
|   |                               | <b>104,342,387.63</b>                         | <b>104,698,228.38</b>                         |
| <b>Transactions with other related parties</b>          |                               |   |   |
| Dalian Port Wantong Logistics Co., Ltd.                 | Buildings                     | 9,050,792.31                                  | -   |
| Dalian FTZ Yongdixin Real Estate Development Co., Ltd.  | Buildings                     | 4,864,948.80                                  | 5,523,626.62                                  |
| Dalian Harbour Building Co., Ltd.                       | Buildings                     | 3,847,498.63                                  | 2,873,846.52                                  |
| Dalian Hongyu Building Co., Ltd.                        | Buildings                     | 1,404,484.62                                  | 423,225.92                                    |
| Dalian Equipment Finance Lease Co., Ltd.                | Office equipment              | 1,380,221.61                                  | -   |
| Dalian Port Industrial Co., Ltd.                        | Automobile/Handling equipment | 601,918.30                                    | 930,064.83                                    |
| Dalian Port Landscape Engineering Co., Ltd.             | Office equipment              | 70,754.72                                     | -   |
|   |                               | <b>21,220,618.99</b>                          | <b>9,750,763.89</b>                           |
|   |                               | <b>215,739,401.36</b>                         | <b>174,552,939.66</b>                         |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (2) Leasing with related parties (continued)

Assets held under finance leases

|  | Type of the leased assets | Leasing expenses recognised for the year 2019 | Leasing expenses recognised for the year 2018 |
|--|---------------------------|---|---|
| Dalian Equipment Finance Lease Co., Ltd. | ISO dry containers        | -   | 2,346,097.48                                  |
| Ocean Harvest Container Co., Ltd.        | ISO dry containers        | -   | 1,800,144.03                                  |
|  |                           | -   | 4,146,241.51                                  |

The rentals from the assets leased out to or leased from related parties by the Group were based on the terms of the agreements entered into between the Group and the related parties.

#### (3) Guarantees from related parties

Guarantees received from a related party

2019

|           | Guaranteed amount | Commencement date | Termination date | Fully performed or not |
|-----------|-------------------|-------------------|------------------|------------------------|
| PDA Group | 2,350,000,000.00  | 23/5/2011         | 22/11/2021       | No                     |

2018

|           | Guaranteed amount | Commencement date | Termination date | Fully performed or not |
|-----------|-------------------|-------------------|------------------|------------------------|
| PDA Group | 2,350,000,000.00  | 23/5/2011         | 22/11/2021       | 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)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (4) Borrowings and lending from/to related parties

##### Borrowings

##### 2019

|  | Borrowing amount | Commencement date | Maturity date |
|--|------------------|-------------------|---------------|
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 8,000,000.00     | 21/1/2019         | 2/9/2019      |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 8,000,000.00     | 1/2/2019          | 2/9/2019      |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 8,000,000.00     | 8/3/2019          | 2/9/2019      |
| Dalian Port Yidu Cold Chain Co., Ltd.                          | 30,000,000.00    | 4/4/2019          | 30/9/2020     |

##### 2018

|  | Borrowing amount | Commencement date | Maturity date |
|--|------------------|-------------------|---------------|
| Dalian Port Group Financial Co., Ltd. (Note 1)                 | 30,000,000.00    | 9/3/2018          | 9/3/2019      |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 8,000,000.00     | 6/9/2018          | 6/9/2019      |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 2,500,000.00     | 26/9/2018         | 29/9/2019     |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 5,500,000.00     | 8/10/2018         | 12/10/2019    |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 8,000,000.00     | 29/10/2018        | 29/10/2019    |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 8,000,000.00     | 20/11/2018        | 20/11/2019    |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 4,000,000.00     | 5/12/2018         | 5/12/2019     |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | 3,500,000.00     | 25/12/2018        | 25/12/2019    |
| Dalian United International Shipping Agency Co., Ltd.          | 15,000,000.00    | 4/5/2018          | 4/5/2021      |
| Dalian Port Yidu Cold Chain Co., Ltd. (Note 2)                 | 6,000,000.00     | 26/12/2018        | 25/12/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd.                          | 15,000,000.00    | 30/10/2018        | 29/10/2019    |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (4) Borrowings and lending from/to related parties (continued)

##### *Borrowings (continued)*

2018 (continued)

|                                       | Borrowing<br>amount | Commencement<br>date | Maturity date |
|---------------------------------------|---------------------|----------------------|---------------|
| Dalian Port Yidu Cold Chain Co., Ltd. | 7,000,000.00        | 27/10/2018           | 26/10/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd. | 24,000,000.00       | 26/10/2018           | 25/10/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd. | 26,000,000.00       | 24/10/2018           | 23/10/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd. | 24,000,000.00       | 20/10/2018           | 19/10/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd. | 26,000,000.00       | 19/10/2018           | 18/10/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd. | 5,000,000.00        | 29/11/2018           | 28/11/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd. | 10,000,000.00       | 24/11/2018           | 23/11/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd. | 14,000,000.00       | 22/11/2018           | 21/11/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd. | 6,000,000.00        | 13/11/2018           | 12/11/2019    |
| Dalian Port Yidu Cold Chain Co., Ltd. | 5,000,000.00        | 10/11/2018           | 9/11/2019     |
| Dalian Port Yidu Cold Chain Co., Ltd. | 8,000,000.00        | 9/11/2018            | 8/11/2019     |
| Dalian Port Yidu Cold Chain Co., Ltd. | 40,000,000.00       | 2/11/2018            | 1/11/2019     |
| Dalian Port Yidu Cold Chain Co., Ltd. | 9,000,000.00        | 31/10/2018           | 30/10/2019    |

Note 1: The above borrowings from Dalian Port Group Financial Co., Ltd. are intra-group entrusted loans through Dalian Port Group Financial Co., Ltd.

Note 2: During the year, the Group obtained a borrowing of RMB30,000,000 from Dalian Port Yidu Cold Chain Co., Ltd. ("Yidu Cold Chain"), with an annual interest rate of 5.70%, and repaid the borrowing of RMB80,150,000. In addition, the Group's borrowings of RMB163,350,000 from Yidu Cold Chain in previous years were renewed for another year after maturity this year. The maturity date is 30 September 2020.

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (4) Borrowings and lending from/to related parties (continued)

##### Borrowings (continued)

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| <b>Repayment</b>   |                       |                |
| Dalian Port Group Financial Co., Ltd.                          | <b>710,000,000.00</b> | 111,900,000.00 |
| Dalian Port Yidu Cold Chain Co., Ltd.                          | <b>80,150,000.00</b>  | 11,500,000.00  |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | <b>50,036,753.89</b>  | 13,463,246.11  |
|  | <b>840,186,753.89</b> | 136,863,246.11 |
| <b>Interest expenses paid</b>                                  |                       |                |
| Dalian Port Group Financial Co., Ltd.                          | <b>16,324,687.80</b>  | 32,231,390.28  |
| Dalian Port Yidu Cold Chain Co., Ltd.                          | <b>11,551,787.23</b>  | 9,610,781.30   |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | <b>1,171,766.59</b>   | 334,818.49     |
| Dalian United International Shipping Agency Co., Ltd.          | <b>722,395.86</b>     | 478,958.35     |
|  | <b>29,770,637.48</b>  | 42,655,948.42  |

The borrowings from above related parties bear interest rates mutually agreed between the parties by reference to the interest rates of the same type of bank loans as stipulated by the People's Bank of China.

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (4) Borrowings and lending from/to related parties (continued)

##### Lending

2019

|   | Borrowing amount | Commencement date | Maturity date |
|---|------------------|-------------------|---------------|
| Dalian Vanguard International Logistics Co., Ltd. | 23,000,000.00    | 28/6/2019         | 28/6/2020     |

2018

|  | Borrowing amount | Commencement date | Maturity date |
|--|------------------|-------------------|---------------|
| Dalian Changxing Island Port Co., Ltd. | 29,000,000.00    | 18/8/2018         | 18/8/2019     |

|   | 2019                 | 2018                 |
|---|----------------------|----------------------|
| Dalian Vanguard International Logistics Co., Ltd. | 23,000,000.00        | –                    |
| Dalian Changxing Island Port Co., Ltd.            | –                    | 29,000,000.00        |
|   | <b>23,000,000.00</b> | <b>29,000,000.00</b> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (4) Borrowings and lending from/to related parties (continued)

##### Lending (continued)

Interest income from lending

|   | 2019                | 2018         |
|---|---------------------|--------------|
| Dalian Changxing Island Port Co., Ltd.            | <b>1,809,180.54</b> | 1,568,610.43 |
| Dalian Vanguard International Logistics Co., Ltd. | <b>656,848.51</b>   | 374,067.52   |
|   | <b>2,466,029.05</b> | 1,942,677.95 |

The borrowings to related parties bear interest rates mutually agreed between the parties by reference to the interest rates of the same type of bank loans as stipulated by the People's Bank of China.

#### (5) Transfer of assets of related parties

##### Acquisition of assets

|  | Content of transactions  | 2019                 | 2018          |
|--|--------------------------|----------------------|---------------|
| Dalian Port Machinery and Electric Co., Ltd.           | Engineering construction | <b>38,492,745.97</b> | 28,988,685.89 |
| Dalian Harbour Engineering Co., Ltd.                   | Engineering construction | <b>8,136,727.70</b>  | 11,112,257.57 |
| Dalian Port Xingang Construction Engineering Co., Ltd. | Engineering construction | <b>9,159,019.39</b>  | 2,357,283.31  |
| Dalian Port Rixing Boiler Installation Co., Ltd.       | Engineering construction | <b>5,351,807.48</b>  | 4,609,052.14  |
| Dalian Port Machinery Co., Ltd.                        | Engineering construction | <b>1,109,495.57</b>  | 4,569,512.47  |
| Dalian Port Design & Research Institute Co., Ltd.      | Engineering construction | <b>238,679.24</b>    | 11,467,038.85 |
| Dalian Wanpeng Port Engineering Testing Co., Ltd.      | Engineering construction | -                    | 50,745.65     |
| Dalian Port Landscape Engineering Co., Ltd.            | Engineering construction | -                    | 14,374.55     |
|  |                          | <b>62,488,475.35</b> | 63,168,950.43 |

The prices for acquisition of assets from related parties were in accordance with the terms of agreements mutually agreed between the parties.



# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 5. Major transactions between the Group and related parties (continued)

#### (6) Remuneration of key management

|                                | 2019                | 2018         |
|--------------------------------|---------------------|--------------|
| Remuneration of key management | <b>3,550,028.59</b> | 3,237,141.68 |

#### (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

|   | 2019                 | 2018           |
|---|----------------------|----------------|
| <b>Lessee</b>                             |                      |                |
| PDA Group                                 | <b>10,277,047.63</b> | 149,578,488.42 |
| Dalian Equipment Finance Lease Co., Ltd.  | -                    | 4,422,990.00   |
|   | <b>10,277,047.63</b> | 154,001,478.42 |
| <b>Lessor</b>                             |                      |                |
| Dalian Port Yidu Cold Chain Co., Ltd.     | <b>11,502,883.70</b> | 1,052,455.69   |
| Dalian Jilong Logistics Co., Ltd.         | <b>1,278,507.78</b>  | -              |
| Dalian CITIC Harbour Investment Co., Ltd. | -                    | 94,827.59      |
|   | <b>12,781,391.48</b> | 1,147,283.28   |
| <b>Acquisition of assets</b>              |                      |                |
| Dalian Harbour Engineering Co., Ltd.      | -                    | 492,087.44     |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 6. Amounts due from related parties

#### Accounts receivable

|   | 2019                 |                         | 2018          |                         |
|---|----------------------|-------------------------|---------------|-------------------------|
|   | Book balance         | Provision for bad debts | Book balance  | Provision for bad debts |
| <b>Amount due from the parent</b>                                 |                      |                         |               |                         |
| PDA Group   | 18,786.53            | 3.76                    | 260,624.83    | 1,824.37                |
| <b>Amounts due from joint ventures and associates</b>             |                      |                         |               |                         |
| Dalian Port Bulk Cargo Logistics Center Co., Ltd.                 | 19,398,568.00        | 1,939.86                | -             | -                       |
| Liaoning Electronic Port Co., Ltd.                                | 3,937,810.00         | 27,564.67               | -             | -                       |
| Dalian Port Yidu Cold Chain Co., Ltd.                             | 3,592,596.70         | 2,152.84                | 8,912,206.81  | 1,293,285.97            |
| Dalian Changxing Island Port Co., Ltd.                            | 1,782,145.94         | 187,393.00              | 2,917,913.31  | 598,783.57              |
| China Oil Dock Management (Dalian) Co., Ltd.                      | 1,655,826.00         | 165.58                  | 1,169,245.00  | 8,184.71                |
| Dalian United International Shipping Agency Co., Ltd.             | 1,573,257.23         | 572.26                  | 1,664,086.56  | 11,648.60               |
| Dalian Changxing Island Port Investment and Development Co., Ltd. | 450,000.00           | 1,350.00                | 1,527,494.00  | 10,692.46               |
| Odfjell Terminals (Dalian) Co., Ltd.                              | 365,178.00           | 36.52                   | 40,595.00     | 284.16                  |
| Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.       | 151,043.00           | 15.10                   | 158,388.00    | 1,108.72                |
| Dalian Jilong Logistics Co., Ltd.                                 | 7,500.00             | 0.75                    | 12,000.00     | 84.00                   |
| Dalian Vanguard International Logistics Co., Ltd.                 | 5,223.50             | 36.56                   | 142,536.20    | 997.75                  |
| China United International Rail Containers (Dalian) Co., Ltd.     | 1,967.00             | 13.77                   | 20,067.22     | 140.47                  |
| Dalian Automobile Terminal Co., Ltd.                              | -                    | -                       | 433,842.10    | 3,036.89                |
| Dalian Port Group Financial Co., Ltd.                             | -                    | -                       | 84,600.00     | 592.20                  |
| Dalian Singamas International Container Co., Ltd.                 | -                    | -                       | 41,755.00     | 292.28                  |
| Dalian Dagang China Shipping Container Terminal Co., Ltd.         | -                    | -                       | 29,718.94     | 208.03                  |
|   | <b>32,921,115.37</b> | <b>221,240.91</b>       | 17,154,448.14 | 1,929,339.81            |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 6. Amounts due from related parties (continued)

#### Accounts receivable (continued)

|  | 2019                 |                         | 2018          |                         |
|--|----------------------|-------------------------|---------------|-------------------------|
|  | Book balance         | Provision for bad debts | Book balance  | Provision for bad debts |
| <b>Amounts due from other related</b>                          |                      |                         |               |                         |
| Dalian Creative Industry Project Development Co., Ltd.         | 5,336,904.90         | 3,816,646.27            | 3,855,273.54  | 206,167.53              |
| Liaoning Port Group Limited                                    | 3,416,200.00         | 8,595.40                | –             | –                       |
| Dalian Port Design & Research Institute Co., Ltd.              | 2,972,782.85         | 210,870.96              | 76,486.55     | 52,089.54               |
| Yingkou Port Group Co., Ltd.                                   | 1,215,000.00         | 121.50                  | –             | –                       |
| Dalian Port Wantong Logistics Co., Ltd.                        | 724,437.57           | 72.44                   | 717.00        | 5.02                    |
| Yingkou Gangxin Technology Co., Ltd.<br>(營口港信科技有限公司)           | 450,000.00           | 3,150.00                | –             | –                       |
| Dalian Port Machinery and Electric Co., Ltd.                   | 396,920.34           | 698.72                  | 154,532.57    | 87,008.14               |
| Dalian Taiping Bay Investment & Development Co., Ltd.          | 250,429.50           | 187,822.13              | 316,029.50    | 175,759.85              |
| Dalian Port Petroleum & Chemical Co., Ltd.                     | 212,792.00           | 25.59                   | 193,230.00    | 1,352.61                |
| Dalian Harbour Engineering Co., Ltd.                           | 190,578.07           | 43,490.75               | 456,132.94    | 244,676.30              |
| Yingkou Port Liability Co., Ltd.                               | 182,016.00           | 18.20                   | –             | –                       |
| Dalian Port North Shore Investment and Development Co., Ltd.   | 151,982.39           | 15.20                   | –             | –                       |
| Dalian Port North Shore Automobile Terminal Co., Ltd.          | 131,700.00           | 13.17                   | –             | –                       |
| Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd. | 76,462.00            | 7.65                    | –             | –                       |
| Dalian CITIC Harbour Investment Co., Ltd.                      | 47,506.35            | 9.50                    | 225,375.91    | 3,999.32                |
| Dalian Gangxin Construction Engineering Co., Ltd.              | 44,971.23            | 4.50                    | –             | –                       |
| Dalian Taiping Bay Sunshine Real Estate Co., Ltd.              | 22,775.00            | 2.28                    | –             | –                       |
| Dalian Port Property Management Co., Ltd.                      | 584.15               | 0.06                    | –             | –                       |
|  | <b>15,824,042.35</b> | <b>4,271,564.32</b>     | 5,277,778.01  | 771,058.31              |
|  | <b>48,763,944.25</b> | <b>4,492,808.99</b>     | 22,692,850.98 | 2,702,222.49            |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 6. Amounts due from related parties (continued)

#### Other receivables

|   | 2019                  |                         | 2018           |                         |
|---|-----------------------|-------------------------|----------------|-------------------------|
|   | Book balance          | Provision for bad debts | Book balance   | Provision for bad debts |
| <b>Amount due from the parent</b>                                 |                       |                         |                |                         |
| PDA Group   | <b>9,300,335.89</b>   | <b>66,751.13</b>        | 3,436,644.27   | 303,849.72              |
| <b>Amounts due from joint ventures and associates</b>             |                       |                         |                |                         |
| Dalian Changxing Island Port Investment and Development Co., Ltd. | <b>80,041,594.96</b>  | <b>15,624,851.49</b>    | 80,741,514.18  | 11,153,115.09           |
| Dalian Changxing Island Port Co., Ltd.                            | <b>40,921,576.55</b>  | <b>11,029,884.27</b>    | 44,218,356.55  | 6,963,284.53            |
| Dalian Vanguard International Logistics Co., Ltd.                 | <b>23,030,570.84</b>  | <b>23,030.57</b>        | 7,824,925.52   | 1,330,237.34            |
| Dalian Port Yidu Cold Chain Co., Ltd.                             | <b>3,033,114.15</b>   | <b>3,033.12</b>         | 5,450,720.01   | 184,310.57              |
| Dalian United International Shipping Agency Co., Ltd.             | <b>1,099,240.50</b>   | <b>81,674.28</b>        | 1,551,265.00   | 46,537.95               |
| Dalian Shunde Jifa Supply Chain Management Co., Ltd.              | <b>366,305.19</b>     | <b>36.63</b>            | –              | –                       |
| Dalian Puji Storage Facility Co., Ltd.                            | <b>160,917.12</b>     | <b>32.18</b>            | 160,917.12     | 4,827.51                |
| Odfjell Terminals (Dalian) Co., Ltd.                              | <b>68,730.00</b>      | <b>7.87</b>             | 1,168,227.06   | 197,898.60              |
| Dalian Port PetroChina International Terminal Co., Ltd.           | <b>45,165.41</b>      | <b>4.52</b>             | 8,537.00       | 256.11                  |
| Dalian Automobile Terminal Co., Ltd.                              | <b>36,712.90</b>      | <b>3.67</b>             | 159,274.38     | 17,905.69               |
| Dalian North Oil Petroleum Logistics Co., Ltd.                    | <b>28,800.00</b>      | <b>2.88</b>             | 180,134.35     | 30,622.84               |
| Dalian Jilong Logistics Co., Ltd.                                 | <b>21,000.00</b>      | <b>41.00</b>            | 71,000.00      | 2,130.00                |
| Dalian Port Bulk Cargo Logistics Center Co., Ltd.                 | –                     | –                       | 281,705.47     | 8,451.16                |
| Odfjell Changxing Terminals (Dalian) Co., Ltd.                    | –                     | –                       | 227,481.84     | 6,824.46                |
| Dalian Port Group Financial Co., Ltd.                             | –                     | –                       | 37,450.57      | 1,123.52                |
| Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.             | –                     | –                       | 36,800.00      | 1,104.00                |
| China United International Rail Containers (Dalian) Co., Ltd.     | –                     | –                       | 15,000.00      | 450.00                  |
| PetroChina Dalian LNG Co., Ltd.                                   | –                     | –                       | 9,100.00       | 9,100.00                |
| Dalian Dagang China Shipping Container Terminal Co., Ltd.         | –                     | –                       | 5,938.57       | 178.16                  |
|   | <b>148,853,727.62</b> | <b>26,762,602.48</b>    | 142,148,347.62 | 19,958,357.53           |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 6. Amounts due from related parties (continued)

#### Other receivables (continued)

|  | 2019                  |                         | 2018           |                         |
|--|-----------------------|-------------------------|----------------|-------------------------|
|  | Book balance          | Provision for bad debts | Book balance   | Provision for bad debts |
| <b>Amounts due from other related</b>                        |                       |                         |                |                         |
| Dalian Port Machinery and Electric Co., Ltd.                 | 2,330,177.63          | 817,586.82              | 2,037,685.38   | 702,387.79              |
| Dalian Port Wantong Logistics Co., Ltd.                      | 1,999,139.77          | 199.91                  | –              | –                       |
| Dalian Port Machinery Co., Ltd.                              | 1,417,985.00          | 432,008.80              | 1,329,220.00   | 206,066.00              |
| Dalian Taiping Bay Sunshine Real Estate Co., Ltd.            | 1,394,013.00          | 319,674.16              | 2,022,818.46   | 66,959.35               |
| Dalian Wanfeng Properties Co., Ltd.                          | 1,218,255.47          | 144.44                  | 226,103.57     | 6,783.11                |
| Dalian Port North Shore Automobile Terminal Co., Ltd.        | 874,666.00            | 87.47                   | 221,580.00     | 6,647.40                |
| Dalian Harbour Engineering Co., Ltd.                         | 474,776.16            | 307.82                  | 1,163,553.62   | 35,939.46               |
| Dalian Port Design & Research Institute Co., Ltd.            | 473,070.07            | 1,442.14                | 164,895.57     | 21,545.09               |
| Dalian Port Petroleum & Chemical Co., Ltd.                   | 419,680.86            | 46.97                   | 208,655.34     | 26,477.38               |
| Jinzhou Liaoxi PDA Properties Co., Ltd.                      | 360,500.00            | 180,250.00              | –              | –                       |
| Dalian Port Xingang Construction Engineering Co., Ltd.       | 360,288.00            | 36.03                   | 9,300.00       | 1,581.00                |
| Dalian Port North Shore Investment and Development Co., Ltd. | 182,270.00            | 18.22                   | 60,000.00      | 21,000.00               |
| Sinopec Harbour Oil Sales (Dalian) Co., Ltd.                 | 90,000.00             | 9.00                    | 80,000.00      | 2,400.00                |
| Liaoning Port Group Limited                                  | 67,600.00             | 6.76                    | –              | –                       |
| Dalian Hongyu Building Co., Ltd.                             | 56,224.00             | 5.62                    | 15,387.00      | 5,385.45                |
| Dalian Taiping Bay Investment & Development Co., Ltd.        | 43,020.50             | 18,929.05               | 49,861.45      | 12,444.49               |
| Dalian Gangtai Insurance Brokers Co., Ltd.                   | 20,000.00             | 200.00                  | 20,000.00      | 600.00                  |
| Dalian Gangxin Construction Engineering Co., Ltd.            | 10,821.80             | 1.08                    | –              | –                       |
| Dalian International Cruise City Development Co., Ltd.       | 9,000.00              | 1.80                    | 9,600.00       | 288.00                  |
| Dalian Port Security Services Co., Ltd.                      | 2,800.00              | 0.28                    | 800.00         | 24.00                   |
| Dalian Taiping Bay Port Company Limited                      | –                     | –                       | 62,817.50      | 5,621.49                |
| Dalian Port Industrial Co., Ltd.                             | –                     | –                       | 1,186,748.39   | 35,602.45               |
|  | <b>11,804,288.26</b>  | <b>1,770,956.37</b>     | 8,869,026.28   | 1,157,752.46            |
|  | <b>169,958,351.77</b> | <b>28,600,309.98</b>    | 154,454,018.17 | 21,419,959.71           |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 6. Amounts due from related parties (continued)

#### Prepayments

|   | 2019                |                         | 2018         |                         |
|---|---------------------|-------------------------|--------------|-------------------------|
|   | Book balance        | Provision for bad debts | Book balance | Provision for bad debts |
| <b>Amounts prepaid to joint ventures and associates</b>       |                     |                         |              |                         |
| China United International Rail Containers (Dalian) Co., Ltd. | 361,003.95          | -                       | -            | -                       |
| Liaoning Electronic Port Co., Ltd.                            | 21,619.50           | -                       | 21,619.50    | -                       |
|   | <b>382,623.45</b>   | <b>-</b>                | 21,619.50    | -                       |
| <b>Amounts prepaid to other related parties</b>               |                     |                         |              |                         |
| Sinopec Harbour Oil Sales (Dalian) Co., Ltd.                  | 1,712,200.00        | -                       | 1,377,209.27 | -                       |
| Dalian Port Machinery Co., Ltd.                               | 36,669.00           | -                       | -            | -                       |
| Dalian Port Industrial Co., Ltd.                              | -                   | -                       | 7,609.08     | -                       |
|   | <b>1,748,869.00</b> | <b>-</b>                | 1,384,818.35 | -                       |
|   | <b>2,131,492.45</b> | <b>-</b>                | 1,406,437.85 | -                       |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 6. Amounts due from related parties (continued)

#### Interest receivable

|   | 2019                |                         | 2018                |                         |
|---|---------------------|-------------------------|---------------------|-------------------------|
|   | Book balance        | Provision for bad debts | Book balance        | Provision for bad debts |
| <b>Amounts due from joint ventures and associates</b> |                     |                         |                     |                         |
| Dalian Port Group Financial Co., Ltd.                 | -                   | -                       | 6,922,997.11        | -                       |
| Dalian Changxing Island Port Co., Ltd.                | 3,425,024.59        | -                       | 2,196,260.66        | -                       |
| Dalian Vanguard International Logistics Co., Ltd.     | -                   | -                       | 2,836.54            | -                       |
|   | <b>3,425,024.59</b> | <b>-</b>                | <b>9,122,094.31</b> | <b>-</b>                |

#### Notes receivable

|   | 2019         |                         | 2018                |                         |
|---|--------------|-------------------------|---------------------|-------------------------|
|   | Book balance | Provision for bad debts | Book balance        | Provision for bad debts |
| <b>Amounts due from joint ventures and associates</b> |              |                         |                     |                         |
| Dalian North Oil Petroleum Logistics Co., Ltd.        | -            | -                       | 420,000.00          | -                       |
| <b>Amounts due from other related</b>                 |              |                         |                     |                         |
| Dalian Ganghe Economic and Trade Co., Ltd.            | -            | -                       | 2,000,000.00        | -                       |
|   | <b>-</b>     | <b>-</b>                | <b>2,420,000.00</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)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 7. Amounts due to related parties

#### Accounts payable

|   | 2019                 | 2018          |
|---|----------------------|---------------|
| <b>Amounts due to the parent</b>                                      |                      |               |
| PDA Group   | 69,000.00            | –             |
| <b>Amounts due to joint ventures and associates</b>                   |                      |               |
| Dalian Changxing Island Port Investment and Development Co., Ltd.     | 17,205,000.00        | 26,471,467.00 |
| China United International Rail Containers (Dalian) Co., Ltd.         | 1,326,346.15         | –             |
| Dalian Automobile Terminal Co., Ltd.                                  | 931,680.00           | –             |
| Dalian Shunde Jifa Supply Chain Management Co., Ltd.                  | 802,200.00           | –             |
| Dalian Singamas International Container Co., Ltd.                     | 625,515.96           | 550,587.72    |
| Dalian Jilong Logistics Co., Ltd.                                     | 265,980.47           | 143,764.00    |
| Dalian United International Shipping Agency Co., Ltd.                 | 68,702.61            | –             |
| Dalian Vanguard International Logistics Co., Ltd.                     | 12,082.00            | 29,671.00     |
| Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.           | 23.20                | –             |
| Ha'ou International Logistics Co., Ltd.                               | –                    | 1,200.00      |
|   | <b>21,237,530.39</b> | 27,196,689.72 |
| <b>Amounts due to other related parties</b>                           |                      |               |
| Dalian Harbour Engineering Co., Ltd.                                  | 1,001,432.40         | 284,191.00    |
| Yingkou Port Gaizhou Logistics Co., Ltd.<br>(營口港蓋州物流有限公司)             | 848,990.43           | –             |
| Dalian Port Wantong Logistics Co., Ltd.                               | 822,000.00           | –             |
| Shenyang Yinggang Lugang Service Co., Ltd.<br>(瀋陽營港陸港服務有限公司)          | 392,452.83           | –             |
| Dalian Port Machinery Co., Ltd.                                       | 266,152.35           | 423,401.00    |
| Liaoning Harbour Engineering Technology Co., Ltd.<br>(遼寧港灣船務工程技術有限公司) | 160,000.00           | –             |
| Sinopec Harbour Oil Sales (Dalian) Co., Ltd.                          | 74,395.16            | 109,317.34    |
| Jilin Inland Port Logistics Co., Ltd. (吉林省陸港物流有限公司)                   | 51,624.10            | –             |
|   | <b>3,617,047.27</b>  | 816,909.34    |
|   | <b>24,923,577.66</b> | 28,013,599.06 |



# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 7. Amounts due to related parties (continued)

#### Other payables

|   | 2019                   | 2018          |
|---|------------------------|---------------|
| <b>Amounts due to the parent</b>                                  |                        |               |
| PDA Group   | 5,529,862.46           | 2,593,745.24  |
| <b>Amounts due to joint ventures and associates</b>               |                        |               |
| Dalian United International Shipping Agency Co., Ltd.             | 600,500.00             | 600,500.00    |
| Dalian Port Yidu Cold Chain Co., Ltd.                             | 164,070,696.00         | 100,000.00    |
| China United Tally (Dalian) Co., Ltd.                             | 167,043.40             | 163,343.40    |
| Dalian Changxing Island Port Investment and Development Co., Ltd. | 63,600.00              | 96,000.00     |
| Dalian Wanpeng Port Engineering Testing Co., Ltd.                 | 40,000.00              | –             |
| Dalian Jilong Logistics Co., Ltd.                                 | 10,000.00              | 15,000.00     |
| Dalian Singamas International Container Co., Ltd.                 | 700.00                 | 700.00        |
|   | <b>164,952,539.40</b>  | 975,543.40    |
| <b>Amounts due to other related parties</b>                       |                        |               |
| Ocean Harvest Container Co., Ltd.                                 | 49,104,208.41          | –             |
| Dalian Port Machinery and Electric Co., Ltd.                      | 35,734,352.05          | 7,363,005.77  |
| Dalian Harbour Engineering Co., Ltd.                              | 33,991,427.17          | 54,567,216.22 |
| Dalian Port Rixing Boiler Installation Co., Ltd.                  | 15,440,633.36          | 2,763,228.78  |
| Dalian Port Xingang Construction Engineering Co., Ltd.            | 4,985,225.31           | 3,123,662.33  |
| Dalian Port Machinery Co., Ltd.                                   | 3,409,616.00           | 2,111,283.83  |
| Sinopec Harbour Oil Sales (Dalian) Co., Ltd.                      | 1,025,873.25           | 1,293,397.99  |
| Dalian Port Landscape Engineering Co., Ltd.                       | 517,512.00             | –             |
| Dalian CITIC Harbour Investment Co., Ltd.                         | 300,000.00             | –             |
| Dalian Port Industrial Co., Ltd.                                  | 70,160.00              | 1,461,500.00  |
| Dalian Wanpeng Foundation Engineering Co., Ltd.                   | 50,000.43              | 1,276,300.43  |
| Dalian Port Design & Research Institute Co., Ltd.                 | 48,634.00              | 1,469,134.00  |
| Dalian Wantong Ronghai Shipping Co., Ltd.                         | 30,000.00              | –             |
| Dalian Creative Industry Project Development Co., Ltd.            | 5,000.00               | –             |
| Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.    | 5,000.00               | –             |
| Dalian Port Wantong Logistics Co., Ltd.                           | –                      | 60,000.00     |
|   | <b>144,717,641.98</b>  | 75,488,729.35 |
|   | <b>315,200,043.844</b> | 79,058,017.99 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 7. Amounts due to related parties (continued)

#### *Interests payable*

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| <b>Amounts due to joint ventures and associates</b>   |                     |                     |
| Dalian Port Group Financial Co., Ltd.                 | 1,003,902.03        | 1,045,725.71        |
| Dalian Port Yidu Cold Chain Co., Ltd.                 | -                   | 283,777.08          |
| Dalian United International Shipping Agency Co., Ltd. | -                   | 21,770.85           |
|   | <b>1,003,902.03</b> | <b>1,351,273.64</b> |

#### *Short-term borrowings*

|  | 2019 | 2018           |
|--|------|----------------|
| <b>Amounts due to joint ventures and associates</b>            |      |                |
| Dalian Port Yidu Cold Chain Co., Ltd.                          | -    | 213,500,000.00 |
|  | -    | 213,500,000.00 |
| <b>Amounts due to other related parties</b>                    |      |                |
| Xinghai International Commercial Factoring (Tianjin) Co., Ltd. | -    | 26,036,753.89  |
|  | -    | 239,536,753.89 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 7. Amounts due to related parties (continued)

#### Long-term borrowings

|   | 2019                 | 2018           |
|---|----------------------|----------------|
| <b>Amounts due to joint ventures and associates</b>   |                      |                |
| Dalian Port Group Financial Co., Ltd.                 | 34,000,000.00        | 644,000,000.00 |
| Dalian United International Shipping Agency Co., Ltd. | 15,000,000.00        | 15,000,000.00  |
|   | <b>49,000,000.00</b> | 659,000,000.00 |

#### Long-term borrowings due within one year

|   | 2019                 | 2018           |
|---|----------------------|----------------|
| <b>Amounts due to the parent</b>                        |                      |                |
| PDA Group   | 18,062,586.11        | –              |
| <b>Amounts due to joint ventures and associates</b>     |                      |                |
| Dalian Port Group Financial Co., Ltd.                   | 40,063,861.11        | 151,000,000.00 |
| Dalian Port PetroChina International Terminal Co., Ltd. | 14,866,780.32        | –              |
| Dalian Changxing Island Port Co., Ltd.                  | 51,428.57            | –              |
| Dalian United International Shipping Agency Co., Ltd.   | 21,770.90            | –              |
|   | <b>55,003,840.90</b> | 151,000,000.00 |
| <b>Amounts due to other related parties</b>             |                      |                |
| Dalian FTZ Yongdexin Real Estate Development Co., Ltd.  | 1,304,445.87         | –              |
| Dalian Equipment Finance Lease Co., Ltd.                | 1,168,874.35         | –              |
| Dalian Harbour Building Co., Ltd.                       | 957,521.97           | –              |
| Ocean Harvest Container Co., Ltd.                       | –                    | 59,116,470.17  |
|   | <b>3,430,842.19</b>  | 59,116,470.17  |
|   | <b>76,497,269.20</b> | 210,116,470.17 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 7. Amounts due to related parties (continued)

#### Advances from customers

|   | 2019             | 2018 |
|---|------------------|------|
| <b>Amounts due from other related</b>     |                  |      |
| Dalian CITIC Harbour Investment Co., Ltd. | <b>43,103.39</b> | –    |

#### Contract liabilities

|  | 2019              | 2018       |
|--|-------------------|------------|
| <b>The parent</b>  |                   |            |
| PDA Group  | <b>18,012.23</b>  | –          |
| <b>Joint ventures and associates</b>                           |                   |            |
| PetroChina Dalian LNG Co., Ltd.                                | <b>331,978.77</b> | 328,960.78 |
| Dalian Jilong Logistics Co., Ltd.                              | <b>222,475.57</b> | 213,384.17 |
| Dalian Wanpeng Port Engineering Testing Co., Ltd.              | <b>18,530.62</b>  | –          |
| China United International Rail Containers (Dalian) Co., Ltd.  | <b>17,360.00</b>  | –          |
| Odfjell Terminals (Dalian) Co., Ltd.                           | <b>2,809.91</b>   | –          |
| Dalian Singamas International Container Co., Ltd.              | <b>250.00</b>     | –          |
| Dalian Port Yidu Cold Chain Co., Ltd.                          | <b>107.66</b>     | 107.66     |
| Taicang Xinggang Tug Co., Ltd.                                 | –                 | 104,716.98 |
| Dalian United International Shipping Agency Co., Ltd.          | –                 | 38,114.00  |
|  | <b>593,512.53</b> | 685,283.59 |
| <b>Other related parties</b>                                   |                   |            |
| Dalian Port Industrial Co., Ltd.                               | <b>181,312.82</b> | –          |
| Dalian Harbour Engineering Co., Ltd.                           | <b>32,115.81</b>  | –          |
| Dalian Port Property Management Co., Ltd.                      | <b>21,020.28</b>  | –          |
| Dalian Port Landscape Engineering Co., Ltd.                    | <b>19,453.21</b>  | –          |
| Dalian Port Rixing Boiler Installation Co., Ltd.               | <b>16,553.24</b>  | –          |
| Sinopec Harbour Oil Sales (Dalian) Co., Ltd.                   | <b>6,420.47</b>   | 8,603.82   |
| Dalian Port Xingang Construction Engineering Co., Ltd.         | <b>4,322.94</b>   | –          |
| Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd. | <b>4,061.76</b>   | –          |
| Dalian United King Port Auto Trade Co., Ltd.                   | –                 | 4,000.00   |
|  | <b>285,260.53</b> | 12,603.82  |
|  | <b>896,785.29</b> | 697,887.41 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## X. Relationships and transactions with related parties (continued)

### 7. Amounts due to related parties (continued)

#### Lease liabilities

|   | 2019             | 2018 |
|---|------------------|------|
| <b>The parent</b>                                       |                  |      |
| PDA Group   | 1,249,967,409.70 | –    |
| <b>Joint ventures and associates</b>                    |                  |      |
| Dalian Port PetroChina International Terminal Co., Ltd. | 1,699,979,733.09 | –    |
| Dalian Changxing Island Port Co., Ltd.                  | 183,427.20       | –    |
|   | 1,700,163,160.29 | –    |
| <b>Other related parties</b>                            |                  |      |
| Dalian FTZ Yongdixin Real Estate Development Co., Ltd.  | 48,840,700.39    | –    |
| Dalian Harbour Building Co., Ltd.                       | 24,573,813.77    | –    |
| Dalian Equipment Finance Lease Co., Ltd.                | 1,168,874.35     | –    |
|   | 74,583,388.51    | –    |
|   | 3,024,713,958.50 | –    |

Except for short-term borrowings, long-term borrowings, lease liabilities and non-current liabilities due within one year, 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

|                                       | 2019             | 2018             |
|---------------------------------------|------------------|------------------|
| Dalian Port Group Financial Co., Ltd. | 3,164,692,091.29 | 3,242,844,668.96 |

The annual interest rate for the above deposits in 2019 was 0.525% – 4.125% (2018: 0.35% – 4.13%).

The Group obtained deposit interest income of RMB23,818,329.58 from Dalian Port Group Financial Co., Ltd. (2018: RMB23,624,724.35).

As at 31 December 2019, the cash on hand and at bank deposited with Dalian Port Group Financial Co., Ltd. included accrued interest of RMB4,769,583.81.

# Notes to the Financial Statements (continued)

2019  
In RMB

## XI. Commitments and contingencies

### 1. Major commitments

|                                    | 2019                 | 2018           |
|------------------------------------|----------------------|----------------|
| Contracted but not yet provisioned |                      |                |
| Capital commitments                | 40,147,285.65        | 63,197,435.87  |
| Investment commitments             | 27,900,000.00        | 48,400,000.00  |
|                                    | <b>68,047,285.65</b> | 111,597,435.87 |

### 2. Contingencies

#### *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. fulfills 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 2019, DNPL had made a repayment of RMB81 million.

# Notes to the Financial Statements (continued)

2019  
In RMB

## XII. Events after the balance sheet date

### 1. Profit distribution after the balance sheet date

In accordance with the resolution approved at the Board meeting dated on 26 March 2020, the profit distribution plan for 2019 will be made based on 12,894,535,999 shares and a cash dividend of RMB0.21 (tax inclusive) per 10 shares is proposed to be distributed to all shareholders. Total amount of dividend to be distributed will be RMB270,785,255.98. The resolution is pending for approval at the general meeting.

### 2. The assessment of the impact of the novel coronavirus pneumonia

Since the outbreak of the novel coronavirus pneumonia (“COVID-19”) in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group actively responds to and implements national regulations and requirements for the prevention and control of the COVID-19.

It is expected that the COVID-19 and prevention and control measures will have a certain temporary impact on the Group’s production and operation in 2020, and the degree of the impact will depend on the situation of the progress, duration of the epidemic prevention and control as well as the implementation of local prevention and control policies.

The Group will keep continuous attention on the situation of the COVID-19, assess its impact on the financial position and operating results of the Group, strengthen the epidemic prevention and control, and actively and orderly promote the resumption of work and production.

### 3. Matters related to the proposed liquidation of the Company’s associates

According to the integration requirements of China Merchants Group Limited, the de facto controller of the Company, and the relevant requirements of the China Banking and Insurance Regulatory Commission, it is proposed to liquidate Dalian Port Group Financial Co., Ltd. (“Dalian Port Finance Company”), and the transaction has been considered and approved by the 2020 first (extraordinary) meeting of the fifth session of the board of directors of the Company on 9 March 2020. As of the approval date of this financial statement for publication, the cancellation of Dalian Port Finance Company has not been completed. In order to ensure the normal conducting and smooth undertaking of the Company’s related fund settlement business in the future, the Company has considered and approved the Resolution in relation to the Newly Signed Financial Service Agreement at the 2019 eighth (extraordinary) meeting of the fifth session of the board of directors on 6 December 2019, which approved that the Company signed the Financial Service Agreement with China Merchants Group Finance Co., Ltd., and approved to submit the daily continuing connected transactions to the general meeting of the Company for consideration.

# Notes to the Financial Statements (continued)

2019  
In RMB

## 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   |

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.



# Notes to the Financial Statements (continued)

2019  
In RMB

## XIII. Other important items (continued)

### 1. Segment information (continued)

#### Operating segments (continued)

Segment information for 2019 was presented as follows:

|  | Oil/liquefied<br>chemicals<br>terminal<br>and related<br>logistic<br>and trading<br>services<br>RMB'000 | Container<br>terminal<br>and related<br>logistic<br>and trading<br>services<br>RMB'000 | Bulk and<br>general<br>cargo<br>terminal<br>and related<br>Logistics<br>services<br>RMB'000 | Bulk<br>grains<br>terminal<br>and related<br>logistics<br>and trading<br>services<br>RMB'000 | Passenger<br>and roll-on,<br>roll-off<br>terminal<br>and related<br>logistics<br>services<br>RMB'000 | Port<br>value-added<br>and ancillary<br>services<br>RMB'000 | Automobile<br>terminal<br>and related<br>logistics<br>and trading<br>services<br>RMB'000 | Others<br>RMB'000 | Elimination<br>RMB'000 | Total<br>RMB'000 |
|--|---|--|---|--|--|---|--|-------------------|------------------------|------------------|
| Revenue from external customers                                  | 1,615,465   | 2,671,206  | 979,864   | 146,470  | 182,302  | 953,914   | 21,391   | 75,295            | -                      | 6,645,907        |
| Inter-segment revenue  | 969   | 6,010  | 1,030   | 283  | 139  | 180,605   | -  | 10,059            | -199,095               | -                |
| Cost of sales  | 988,986   | 1,916,663  | 712,377   | 160,133  | 135,942  | 630,728   | 25,194   | 84,917            | -                      | 4,654,940        |
| Investment income from<br>associates and joint ventures          | 181,429   | 18,066   | 20,244  | -614   | 3,311  | 75,417  | 11,807   | -                 | -                      | 309,660          |
| Credit impairment losses   | -1,327  | -4,582   | 18,651  | -12,447  | -407   | 5,923   | -7   | 9,937             | -                      | 15,741           |
| Depreciation and<br>amortisation expenses                        | 265,665   | 395,461  | 194,625   | 61,925   | 43,305   | 69,860  | 8,402  | 55,427            | -                      | 1,094,670        |
| Total profit   | 685,741   | 540,032  | 145,925   | -36,359  | 18,105   | 244,911   | -7,137   | -429,045          | -                      | 1,162,173        |
| Income tax expenses  | 147,922   | 134,909  | 26,870  | -7,348   | 4,011  | 35,750  | -119   | -74,754           | -                      | 267,241          |
| Net profit   | 537,819   | 405,123  | 119,055   | -29,011  | 14,094   | 209,161   | -7,018   | -354,291          | -                      | 894,932          |
| Total assets   | 8,371,916   | 10,491,182   | 4,166,970   | 1,305,081  | 1,556,556  | 2,996,122   | 921,735  | 6,915,948         | -1,627,235             | 35,098,275       |
| Total liabilities  | 2,529,291   | 4,729,836  | 649,756   | 201,772  | 45,055   | 435,526   | 34,884   | 6,694,974         | -1,627,235             | 13,693,859       |
| Long-term equity investments in<br>associates and joint ventures | 1,641,200   | 718,375  | 153,771   | 37,318   | 339,723  | 913,350   | 342,718  | -                 | -                      | 4,146,455        |
| Increase in non-current assets                                   | 84,121  | 122,716  | 27,154  | 15,560   | 9,969  | 14,077  | 36,966   | 82,874            | -                      | 393,437          |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIII. Other important items (continued)

### 1. Segment information (continued)

#### Operating segments (continued)

Segment information for 2018 was presented as follows:

|  | Oil/liquefied<br>chemicals<br>terminal<br>and related<br>logistic<br>and trading<br>services<br>RMB'000 | Container<br>terminal<br>and related<br>logistic<br>and trading<br>services<br>RMB'000 | Bulk and<br>general cargo<br>terminal<br>and related<br>Logistics<br>services<br>RMB'000 | Bulk<br>grains<br>terminal<br>and related<br>logistics<br>and trading<br>services<br>RMB'000 | Passenger<br>and roll-on,<br>roll-off<br>terminal<br>and related<br>logistics<br>services<br>RMB'000 | Port<br>value-added<br>and ancillary<br>services<br>RMB'000 | Automobile<br>terminal<br>and related<br>logistics<br>and trading<br>services<br>RMB'000 | Others<br>RMB'000 | Elimination<br>RMB'000 | Total<br>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               | -                |
| Cost of sales  | 887,720   | 2,060,139  | 714,544  | 401,223  | 123,555  | 634,942   | 225,094  | 94,518            | -                      | 5,141,735        |
| Investment income from<br>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<br>amortisation expenses                        | 218,441   | 399,577  | 182,534  | 59,369   | 33,480   | 63,584  | 4,096  | 46,531            | -                      | 1,007,612        |
| Total profit   | 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   | 377,769   | 290,852  | 97,983   | -47,528  | 7,159  | 181,485   | 13,869   | -239,608          | -                      | 681,981          |
| Total assets   | 6,377,646   | 10,783,124   | 3,829,496  | 1,354,827  | 1,558,188  | 2,787,319   | 936,051  | 9,572,174         | -1,883,242             | 35,315,583       |
| Total liabilities  | 1,080,643   | 5,137,179  | 98,397   | 139,514  | 50,009   | 186,556   | 42,784   | 9,603,427         | -1,883,242             | 14,455,267       |
| Long-term equity investments in<br>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)

2019  
In RMB

## XIII. Other important items (continued)

### 1. Segment information (continued)

#### *Other information*

##### *Information about products and services*

The revenue classified by rendering of services is disclosed in Note V.42.

##### *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 2019, no sales to a single customer contributed 10% or more of the Group's total revenue (2018: Nil).

### 2. Lease

#### *(1) As lessor*

The Group leases part of buildings for a lease term of 0.5-30 years, forming an operating lease. According to the lease contract, the rental is required to be adjusted every year according to the market rental situation. In 2019, the Group's revenue from leasing of buildings was RMB24,368,222.92, the leasing of buildings is disclosed in Note V. 12 and 13.

The Group also leases part of vessels, storage facilities, machinery and equipment, land use rights, etc., for a lease term of 1-30 years, forming an operating lease. In 2019, the Group's revenue from the aforesaid assets of RMB89,678,779.34 is disclosed in Note V. 12 and 13.

##### *Operating lease*

The profit and loss related to operating leases are listed below:

|                | <b>2019</b>           |
|----------------|-----------------------|
| Leasing income | <b>114,047,002.26</b> |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIII. Other important items (continued)

### 2. Lease (continued)

#### (1) As lessor (continued)

##### Operating lease (continued)

According to the lease contracts signed with lessees, the minimum lease collection under non-cancellable leases are as follows:

|                                  | 2019                  |
|----------------------------------|-----------------------|
| Within 1 year (including 1 year) | 67,770,875.80         |
| 1 to 2 years (including 2 years) | 49,984,360.21         |
| 2 to 3 years (including 3 years) | 25,383,566.11         |
| 3 to 4 years (including 4 years) | 24,683,402.70         |
| 4 to 5 years (including 5 years) | 12,305,517.54         |
| Over 5 years                     | 934,400.00            |
|                                  | <b>181,062,122.36</b> |

#### (2) As lessee

|   | 2019                  |
|---|-----------------------|
| Interest expenses on lease liabilities  | 174,228,353.65        |
| Short-term lease expenses using simplified treatment through profit or loss                                 | 90,755,490.20         |
| Low-value assets expenses using simplified treatment through profit or loss<br>(excluding short-term lease) | 69,395.41             |
| Total cash outflows related to lease  | <b>247,184,289.58</b> |

Fixed assets under operating lease include buildings and land use rights, warehouse, vehicles, port and terminal facilities and other equipment leased from related parties and third parties by the Group. The Group has the option to renew or terminate the lease. The lease term includes the period covered by an option to renew the lease.

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIII. Other important items (continued)

### 2. Lease (continued)

#### (2) As lessee (continued)

##### *Option to renew or terminate the lease*

In 2019, the Group's lease term changes due to changes in the assessment results or actual exercise of option to renew or terminate the lease, and the Group's lease liabilities recognised decreased by RMB177,226,247.91.

Finance lease (only applicable in 2018):

As at 31 December 2018, there were no unrecognised financing expenses. According to the lease contracts signed with lessors, the minimum lease payments under non-cancellable leases are as follows:

|                                  | 2018          |
|----------------------------------|---------------|
| Within 1 year (including 1 year) | 59,116,470.17 |

Significant operating lease (only applicable in 2018):

According to the lease contracts signed with lessors, the minimum lease payments under non-cancellable leases are as follows:

|                                  | 2018                  |
|----------------------------------|-----------------------|
| Within 1 year (including 1 year) | 102,609,510.68        |
| 1 to 2 years (including 2 years) | 56,726,290.41         |
| 2 to 3 years (including 3 years) | 51,436,670.13         |
| Over 3 years                     | 195,020,646.55        |
|                                  | <u>405,793,117.77</u> |

##### *Other lease information*

Right-of-use assets are disclosed in Note V.15, simplified treatment of short-term leases and leases of low-value assets are disclosed in Note III.28 and 34, lease liabilities are disclosed in Note V.32.

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIII. Other important items (continued)

### 3. Emoluments of directors, supervisors and senior management

|                           | 2019         | 2018         |
|---------------------------|--------------|--------------|
| Director's fee            | 650,000.00   | 650,000.00   |
| Other emoluments:         |              |              |
| Salaries and allowances   | 5,128,526.90 | 4,313,229.56 |
| Pension plan contribution | 216,995.48   | 227,633.40   |
|                           | 5,345,522.38 | 4,540,862.96 |
|                           | 5,995,522.38 | 5,190,862.96 |

#### (1) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

|              | 2019       | 2018       |
|--------------|------------|------------|
| Wang Zhifeng | 200,000.00 | 200,000.00 |
| Sun Xiyun    | 200,000.00 | 200,000.00 |
| Luo Wenda    | 250,000.00 | 250,000.00 |
|              | 650,000.00 | 650,000.00 |

There were no other emoluments payable to independent non-executive directors during the year (2018: Nil).

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIII. Other important items (continued)

### 3. Emoluments of directors, supervisors and senior management (continued)

#### (2) Executive directors, non-executive directors and supervisors

|                          | 2019                | 2018         |
|--------------------------|---------------------|--------------|
| Salaries and allowances: |                     |              |
| Executive directors:     |                     |              |
| Wei Minghui              | <b>794,079.38</b>   | 330,900.60   |
| Zhang Yiming*            | -                   | -            |
| Non-executive directors: |                     |              |
| Xu Song*                 | -                   | -            |
| Yan Gang**               | -                   | -            |
| Li Jianhui**             | -                   | -            |
| Cao Dong**               | -                   | -            |
| Yuan Yi**                | -                   | -            |
| Bai Jingtao*             | -                   | -            |
| Zheng Shaoping*          | -                   | -            |
| Yin Shihui*              | -                   | -            |
| Supervisors:             |                     |              |
| Jia Wenjun               | <b>480,683.63</b>   | -            |
| Qi Yue                   | -                   | -            |
| Kong Xianjing            | <b>100,000.00</b>   | 100,000.00   |
| Jiao Yingguang           | <b>563,197.38</b>   | 557,260.60   |
| Lu Yongkui               | <b>557,314.38</b>   | 562,408.60   |
|                          | <b>2,495,274.77</b> | 1,550,569.80 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIII. Other important items (continued)

### 3. Emoluments of directors, supervisors and senior management (continued)

#### (2) Executive directors, non-executive directors and supervisors (continued)

|                            | 2019              | 2018       |
|----------------------------|-------------------|------------|
| Pension plan contribution: |                   |            |
| Executive directors:       |                   |            |
| Wei Minghui                | <b>35,117.76</b>  | 42,026.04  |
| Zhang Yiming*              | -                 | -          |
| Non-executive directors:   |                   |            |
| Xu Song*                   | -                 | -          |
| Yan Gang**                 | -                 | -          |
| Li Jianhui**               | -                 | -          |
| Cao Dong**                 | -                 | -          |
| Yuan Yi**                  | -                 | -          |
| Bai Jingtao*               | -                 | -          |
| Zheng Shaoping*            | -                 | -          |
| Yin Shihui*                | -                 | -          |
| Supervisors:               |                   |            |
| Jia Wenjun                 | <b>24,062.88</b>  | -          |
| Jiao Yingguang             | <b>35,117.76</b>  | 42,026.04  |
| Lu Yongkui                 | <b>35,117.76</b>  | 42,026.04  |
| Qi Yue                     | -                 | -          |
| Kong Xianjing              | -                 | -          |
|                            | <b>129,416.16</b> | 126,078.12 |

\* Zhang Yiming and Bai Jingtao resigned from respective positions in the Company in March 2019, Zheng Shaoping and Yin Shihui resigned as non-executive directors of the Company in March 2019, and Xu Song resigned from respective positions in the Company in December 2019.

\*\* Cao Dong, Li Jianhui and Yuan Yi have been non-executive directors of the Company since June 2019, Yan Gang has been a non-executive director of the Company since June 2019 and resigned in December 2019.



# Notes to the Financial Statements (continued)

2019  
In RMB

## XIII. Other important items (continued)

### 3. Emoluments of directors, supervisors and senior management (continued)

#### (3) Senior management

|                            | 2019                | 2018         |
|----------------------------|---------------------|--------------|
| Salaries and allowances:   |                     |              |
| Wei Minghui                | <b>794,079.38</b>   | 330,900.60   |
| Wang Jilu**                | <b>60,201.22</b>    | 595,402.06   |
| Zhao Qiang**               | <b>81,726.41</b>    | 357,967.50   |
| Xing Jianfei (邢劍飛)*        | <b>384,144.76</b>   | –            |
| Wang Ping                  | <b>458,175.38</b>   | 494,998.60   |
| Wang Huiying*              | <b>332,549.76</b>   | –            |
| Lee Kin Yu, Arthur         | <b>1,316,454.60</b> | 1,314,291.60 |
| Tai Jingang (台金剛)*         | –                   | –            |
| Yin Kaiyang (尹凱陽)*         | –                   | –            |
| Luo Dongxi (羅東曦)*          | –                   | –            |
| Zhang Tie (張鐵)*            | –                   | –            |
| Sun Dequan*                | –                   | –            |
|                            | <b>3,427,331.51</b> | 3,093,560.36 |
| Pension plan contribution: |                     |              |
| Wei Minghui                | <b>35,117.76</b>    | 42,026.04    |
| Wang Jilu**                | <b>7,369.92</b>     | 42,026.04    |
| Zhao Qiang**               | <b>4,375.80</b>     | 17,503.20    |
| Xing Jianfei (邢劍飛)*        | <b>20,377.92</b>    | –            |
| Wang Ping                  | <b>35,117.76</b>    | 42,026.04    |
| Wang Huiying*              | <b>20,337.92</b>    | –            |
| Lee Kin Yu, Arthur         | –                   | –            |
| Tai Jingang (台金剛)*         | –                   | –            |
| Yin Kaiyang (尹凱陽)*         | –                   | –            |
| Luo Dongxi (羅東曦)*          | –                   | –            |
| Zhang Tie (張鐵)*            | –                   | –            |
| Sun Dequan*                | –                   | –            |
|                            | <b>122,697.08</b>   | 143,581.32   |

\* Wang Huiying has held respective positions in the Company since April 2019; Xing Jianfei (邢劍飛) has held respective positions of the Company since April 2019 and resigned in December 2019. Tai Jingang (台金剛), Yin Kaiyang (尹凱陽), Luo Dongxi (羅東曦), Zhang Tie (張鐵) and Sun Dequan have held respective positions in the Company since December 2019.

\*\* Wang Jilu and Zhao Qiang resigned from respective positions in the Company in February 2019 and April 2019, respectively.

During the year, there was no agreement for a director, supervisor or senior management to waive or agree to waive the emoluments for the year (2018: Nil).

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIII. Other important items (continued)

### 3. Emoluments of directors, supervisors and senior management (continued)

#### (4) The top five highest paid individuals

The top five highest paid individuals of the Group in 2019 include one director (the top five highest paid individuals of the Group in 2018 include no director). The aggregate emoluments are as follows:

|                         | 2019                | 2018         |
|-------------------------|---------------------|--------------|
| Salaries and allowances | 4,342,047.97        | 5,158,797.60 |
| Social security         | 353,978.06          | 411,994.56   |
|                         | <b>4,696,026.03</b> | 5,570,792.16 |

#### Emolument bands

|                             | 2019<br>Headcount | 2018<br>Headcount |
|-----------------------------|-------------------|-------------------|
| RMB0 – RMB1,000,000         | 4                 | 2                 |
| RMB1,000,000 – RMB1,500,000 | 1                 | 3                 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements

### 1. 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:

|  | 2019                    | 2018           |
|--|-------------------------|----------------|
| Within 1 year  | <b>860,092,218.71</b>   | 309,468,240.20 |
| 1 to 2 years   | <b>132,716,514.20</b>   | 3,019,834.79   |
| 2 to 3 years   | <b>2,806,813.34</b>     | 1,370,699.72   |
| Over 3 years   | <b>51,165,419.82</b>    | 49,847,498.10  |
|  | <b>1,046,780,966.07</b> | 363,706,272.81 |
| Less: Provision for bad debts of accounts receivable | <b>57,883,280.43</b>    | 36,601,556.85  |
|  | <b>988,897,685.64</b>   | 327,104,715.96 |

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

|      | Opening<br>balance   | Accrual              | Reversal | Write-off | Cancelled after<br>verification | Closing<br>balance   |
|------|----------------------|----------------------|----------|-----------|---------------------------------|----------------------|
| 2019 | <b>36,601,556.85</b> | <b>21,281,723.58</b> | -        | -         | -                               | <b>57,883,280.43</b> |
| 2018 | 8,143,445.57         | 28,458,111.28        | -        | -         | -                               | 36,601,556.85        |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 1. Accounts receivable (continued)

|   | 2019                    |                |                         |                | 2018           |                |                         |                |
|---|-------------------------|----------------|-------------------------|----------------|----------------|----------------|-------------------------|----------------|
|   | Book balance            |                | Provision for bad debts |                | Book balance   |                | Provision for bad debts |                |
|   | Amount                  | Percentage (%) | Amount                  | Percentage (%) | Amount         | Percentage (%) | Amount                  | Percentage (%) |
| Provision for bad debts on an individual basis                          | -                       | -              | -                       | -              | 48,854,764.10  | 13.43          | 31,755,596.67           | 65.00          |
| Provision for bad debts on the portfolio of credit risk characteristics | <b>1,046,780,966.07</b> | <b>100.00</b>  | <b>57,883,280.43</b>    | <b>5.53</b>    | 314,851,508.71 | 86.57          | 4,845,960.18            | 1.54           |
|   | <b>1,046,780,966.07</b> | <b>100.00</b>  | <b>57,883,280.43</b>    | <b>5.53</b>    | 363,706,272.81 | 100.00         | 36,601,556.85           | 10.06          |

As at 31 December 2019, receivables of the Company for which bad debt are provided based on credit risk characteristics portfolio are as follows:

|             | Book balance of estimated default | Expected credit loss rate | Expected credit loss for the entire duration |
|-------------|-----------------------------------|---------------------------|--|
| Portfolio A | <b>173,082,288.75</b>             | <b>0.00%-0.10%</b>        | <b>17,419.42</b>                             |
| Portfolio B | <b>813,388,382.60</b>             | <b>0.10%-0.30%</b>        | <b>1,066,894.26</b>                          |
| Portfolio C | <b>3,935,192.00</b>               | <b>0.30%-50.00%</b>       | <b>1,055,941.60</b>                          |
| Portfolio D | <b>56,375,102.72</b>              | <b>50.00%-100.00%</b>     | <b>55,743,025.15</b>                         |
|             | <b>1,046,780,966.07</b>           |                           | <b>57,883,280.43</b>                         |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 1. Accounts receivable (continued)

As at 31 December 2018, the bad debt provision for accounts receivable using the aging analysis method is as follows:

|               | Book balance of<br>estimated default | Expected credit<br>loss rate | Expected credit<br>loss for the<br>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   |
|               | <u>314,851,508.71</u>                |                              | <u>4,845,960.18</u>                                |

As at 31 December 2018, accounts receivable with related provision for bad debts made on the individual basis are as follows:

|                                   | Book balance  | Provision for<br>bad debts | Expected credit<br>loss rate (%) | Reason |
|-----------------------------------|---------------|----------------------------|----------------------------------|--------|
| Shenyang Oriental Steel Co., Ltd. | 48,854,764.10 | 31,755,596.67              | 65                               | Note   |

Note: 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.

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 2. Other receivables

|                      | 2019                    | 2018             |
|----------------------|-------------------------|------------------|
| Dividends receivable | <b>1,407,912,587.46</b> | 1,220,792,292.25 |
| Other receivables    | <b>80,851,933.67</b>    | 388,175,300.56   |
|                      | <b>1,488,764,521.13</b> | 1,608,967,592.81 |

#### *Dividends receivable*

The management of the Company was of the opinion that impairment provision for dividends receivable as at the balance sheet date was not necessary.

#### *Other receivables*

The ageing analysis of other receivables is as follows:

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Within 1 year                                      | <b>32,246,700.71</b>  | 335,834,826.35 |
| 1 to 2 years                                       | <b>65,737,024.53</b>  | 66,810,724.22  |
| 2 to 3 years                                       | <b>2,839,910.00</b>   | 9,053,410.31   |
| Over 3 years                                       | <b>10,498,684.78</b>  | 6,935,284.66   |
|  | <b>111,322,320.02</b> | 418,634,245.54 |
| Less: Provision for bad debts of other receivables | <b>30,470,386.35</b>  | 30,458,944.98  |
|  | <b>80,851,933.67</b>  | 388,175,300.56 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 2. Other receivables (continued)

#### *Other receivables (continued)*

Other receivables are listed as follows by nature:

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Entrusted loans  | –                     | 304,293,196.03 |
| Receivables from income of entrusted management services | <b>87,244,199.59</b>  | 88,537,307.21  |
| Others   | <b>24,078,120.43</b>  | 25,803,742.30  |
|  | <b>111,322,320.02</b> | 418,634,245.54 |
| Less: Provision for bad debts                            | <b>30,470,386.35</b>  | 30,458,944.98  |
|  | <b>80,851,933.67</b>  | 388,175,300.56 |

Movements in the provision for bad debts of expected credit losses of other receivables over the next 12 months and the entire duration are as follows:

### 2019

|   | First stage<br>Expected credit<br>loss over the<br>next 12 months | Second stage<br>Expected credit<br>loss for the<br>entire duration | Third stage<br>Financial assets<br>with credit<br>impairment<br>(Expected credit<br>loss for the<br>entire duration) | Total         |
|---|---|--|--|---------------|
| Opening balance                             | 23,110,408.74   | 636,817.25   | 6,711,718.99   | 30,458,944.98 |
| Opening balance                             |   |  |  |               |
| – transfers to the second stage in the year | -10,553,090.00  | 10,553,090.00  | –  | –             |
| – transfers to the third stage in the year  | -384.50   | –  | 384.50   | –             |
| Accrual                                     | –   | 7,248,297.15   | 5,316,783.98   | 12,565,081.13 |
| Reversal                                    | 12,553,639.76   | –  | –  | 12,553,639.76 |
| Closing balance                             | 3,294.48  | 18,438,204.40  | 12,028,887.47  | 30,470,386.35 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 2. Other receivables (continued)

#### Other receivables (continued)

Movements in the provision for bad debts of expected credit losses of other receivables over the next 12 months and the entire duration are as follows (continued):

2018

|   | Phase I<br>Expected credit<br>loss over the next<br>12 months | Phase II<br>Expected credit<br>loss for the<br>entire duration | Phase III<br>Financial assets with<br>credit impairment<br>(Expected credit<br>loss for the<br>entire duration) | Total         |
|---|---|--|---|---------------|
| Opening balance   | 10,294,254.25   | 3,585,907.63   | 2,217,937.82  | 16,098,099.70 |
| Opening balance<br>– transfers to the third stage in the year | –   | -3,276,000.00  | 3,276,000.00  | –             |
| Accrual   | 12,816,154.49   | 326,909.62   | 1,217,781.17  | 14,360,845.28 |
| Closing balance   | 23,110,408.74   | 636,817.25   | 6,711,718.99  | 30,458,944.98 |

As at 31 December 2019, a summary of the top five other receivables was as follows:

|  | Balance               | Provision for<br>bad debts | % of total other<br>receivables |
|--|-----------------------|----------------------------|---------------------------------|
| Total balances of top five other receivables | <b>104,040,963.35</b> | <b>27,505,151.22</b>       | <b>93.46</b>                    |

As at 31 December 2018, a summary of the top five other receivables was as follows:

|  | Balance        | Provision for<br>bad debts | % of total other<br>receivables |
|--|----------------|----------------------------|---------------------------------|
| Total balances of top five other receivables | 399,494,467.18 | 25,775,399.71              | 95.43                           |



# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 3. Long-term equity investments

2019

|  | Opening balance  | Movements for<br>the current year | Closing balance  | Dividend<br>distribution |
|--|------------------|-----------------------------------|------------------|--------------------------|
| <b>Subsidiaries</b>  |                  |                                   |                  |                          |
| Dalian Port Container Development Co., Ltd.                      | 3,201,948,622.38 | -                                 | 3,201,948,622.38 | 155,558,386.33           |
| Asia Pacific Ports Company Limited                               | 76,155,000.00    | -                                 | 76,155,000.00    | -                        |
| Dalian ETDZ Jin Xin Petro-chemistry Co., Ltd.                    | 6,629,301.65     | -                                 | 6,629,301.65     | 2,765,956.84             |
| Dalian Jifa Shipping Management Co., Ltd.                        | 419,011,554.73   | -                                 | 419,011,554.73   | -                        |
| Dalian Ocean Shipping Tally Co., Ltd.                            | 14,259,172.03    | -                                 | 14,259,172.03    | 6,323,011.02             |
| Dalian Port Construction Supervision &<br>Consultation Co., Ltd. | 18,278,125.97    | -                                 | 18,278,125.97    | -                        |
| Dalian Port Telecommunications Engineering<br>Co., Ltd.          | 6,137,212.61     | -                                 | 6,137,212.61     | 1,678,050.00             |
| 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   | 4,970,950.40             |
| 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 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     | 553,732.17               |
| Dalian Hongyang International Logistics Co., Ltd.                | 10,000,000.00    | -                                 | 10,000,000.00    | -                        |
| Subtotal   | 4,560,286,140.45 | -                                 | 4,560,286,140.45 | 171,850,086.76           |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

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

2019

|   | Movements for the current year |   |                          |                                  | Closing balance  |
|---|--------------------------------|---|--------------------------|----------------------------------|------------------|
|   | Opening balance                | Investment profit/<br>(loss) under<br>equity method | Other equity<br>movement | Declaration of<br>cash dividends |                  |
| <b>Joint ventures</b>   |                                |   |                          |                                  |                  |
| Dalian Port Tongli Shipping Agency Co., Ltd                                 | 1,157,737.63                   | 355,376.39  | -                        | 300,000.00                       | 1,213,114.02     |
| Dalian Harbour ECL Logistics Co., Ltd                                       | 31,867,289.81                  | 1,135,818.05  | 9,128.23                 | 1,068,492.48                     | 31,943,743.61    |
| Odfjell Terminals (Dalian) Co., Ltd.  | 164,438,966.96                 | 25,935,449.92                                       | 590,860.62               | 25,000,000.00                    | 165,965,277.50   |
| Dalian Port PetroChina International Terminal Co., Ltd.                     | 232,170,584.40                 | 28,973,479.39                                       | 409,726.50               | 25,000,000.00                    | 236,553,790.29   |
| China United Tally (Dalian) Co., Ltd.                                       | 3,274,054.99                   | 371,505.93  | -79,086.79               | 415,597.59                       | 3,150,876.54     |
| China Oil Dock Management (Dalian)Co., Ltd.                                 | 5,013,298.47                   | 14,830,027.34                                       | -                        | -                                | 19,843,325.81    |
| Dalian Changxing Island Port Co., Ltd.                                      | 127,195,959.05                 | 11,519,725.64                                       | 227,131.39               | -                                | 138,942,816.08   |
| Dalian Port Bulk Cargo Logistics Center Co., Ltd.                           | 16,828,152.50                  | 8,724,682.64  | 63,117.02                | 10,787,468.44                    | 14,828,483.72    |
| Odfjell Dalian Port Consulting Co., Ltd.                                    | 1,133,761.95                   | -212,633.17   | -                        | -                                | 921,128.78       |
| Dalian Changxing Island Port Investment and<br>Development Co., Ltd.        | 437,730,043.64                 | -44,211,926.33                                      | 499,289.35               | -                                | 394,017,406.66   |
| Odfjell Changxing Terminals (Dalian) Co., Ltd.                              | 9,023,496.96                   | -942,296.29   | -                        | -                                | 8,081,200.67     |
| Dalian Port Xiangyu Grain Logistics Co., Ltd.                               | 37,931,417.68                  | -613,574.60   | -                        | -                                | 37,317,843.08    |
| China Shipping Gang Lian Co., Ltd.  | 91,053,318.99                  | 5,808,000.01  | -                        | -                                | 96,861,319.00    |
| Subtotal  | 1,158,818,083.03               | 51,673,634.92                                       | 1,720,166.32             | 62,571,558.51                    | 1,149,640,325.76 |
| <b>Associates</b>   |                                |   |                          |                                  |                  |
| Dalian PetroChina International Warehousing and<br>Transportation Co., Ltd. | 35,729,600.86                  | 10,895,241.48                                       | 20,698.81                | 2,140,000.00                     | 44,505,541.15    |
| Taicang Xingang Tug Co., Ltd.   | 7,970,321.02                   | 3,718,196.92  | -                        | 1,543,851.51                     | 10,144,666.43    |
| PetroChina Dalian LNG Co., Ltd.   | 679,743,611.61                 | 141,342,000.00                                      | 1,160,857.67             | 119,524,385.98                   | 702,722,083.30   |
| Dalian North Oil Petroleum Logistics Co., Ltd.                              | 72,828,582.52                  | 4,463,025.32  | -                        | 4,000,000.00                     | 73,291,607.84    |
| Sino Rail Bohai Train Ferry Co., Ltd.                                       | 245,045,841.35                 | -2,496,687.46                                       | 312,673.92               | -                                | 242,861,827.81   |
| CDC International Logistics Co., Ltd.                                       | 139,320,757.64                 | -1,248,000.76                                       | -                        | -                                | 138,072,756.88   |
| Dalian Port Group Financial Co., Ltd.                                       | 975,897,542.10                 | 69,998,904.48                                       | -                        | 153,604,658.42                   | 892,291,788.16   |
| Dalian Automobile Terminal Co., Ltd.  | 168,617,411.76                 | 11,919,446.49                                       | 163,720.58               | 8,000,000.00                     | 172,700,578.83   |
| Subtotal  | 2,325,153,668.86               | 238,592,126.47                                      | 1,657,950.98             | 288,812,895.91                   | 2,276,590,850.40 |
| Total   | 8,044,257,892.34               | 290,265,761.39                                      | 3,378,117.30             | 351,384,454.42                   | 7,986,517,316.61 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

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

2018

|   | Opening balance  | Increase<br>in investment | Decrease<br>in investment | Closing balance  | Dividend<br>distribution |
|---|------------------|---------------------------|---------------------------|------------------|--------------------------|
| <b>Subsidiaries</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 ETDZ Jin Xin Petro-chemistry Co., Ltd.                 | 6,629,301.65     | -                         | -                         | 6,629,301.65     | 6,285,158.80             |
| Dalian Jifa Shipping 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    | -                        |
| Subtotal  | 4,539,258,940.45 | 27,027,200.00             | 6,000,000.00              | 4,560,286,140.45 | 231,651,236.42           |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

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

2018 (continued)

|  | Opening balance  | Movements for the current year |                        |  |                       | Closing balance  |
|--|------------------|--------------------------------|------------------------|--|-----------------------|------------------|
|  |                  | Increase in investment         | Decrease in investment | Investment profit/(loss) under equity method | Other equity movement |                  |
| <b>Joint ventures</b>  |                  |                                |                        |  |                       |                  |
| Dalian Port Tongli Shipping Agency Co., Ltd                              | 1,553,286.13     | -                              | -                      | 329,451.50                                   | -                     | 1,157,737.63     |
| Dalian Harbour ECL Logistics Co., Ltd                                    | 31,642,331.03    | -                              | -                      | 1,187,213.88                                 | -5,931.95             | 31,867,289.81    |
| Odfjell Terminals (Dalian) Co., Ltd.                                     | 161,275,711.82   | -                              | -                      | 25,727,166.41                                | -63,911.27            | 164,438,966.96   |
| Dalian Port PetroChina International Terminal Co., Ltd.                  | 210,260,341.43   | -                              | -                      | 27,916,407.12                                | 782,142.85            | 232,170,584.40   |
| China United Tally (Dalian) Co., Ltd.                                    | 3,013,183.04     | -                              | -                      | 416,317.59                                   | 133,494.41            | 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            | 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    |
| Subtotal   | 1,167,473,698.23 | -                              | -                      | 29,826,632.44                                | 934,762.30            | 1,158,818,083.03 |
| <b>Associates</b>  |                  |                                |                        |  |                       |                  |
| Dalian PetroChina International Warehousing and Transportation Co., Ltd. | 29,032,422.33    | -                              | -                      | 8,647,178.53                                 | -                     | 35,729,600.86    |
| Taicang Xinggang Tug Co., Ltd.   | 7,746,479.04     | 4,497,900.00                   | -                      | 4,297,361.98                                 | -                     | 7,970,321.02     |
| PetroChina Dalian LNG Co., Ltd.  | 616,277,108.14   | -                              | -                      | 132,804,873.31                               | -38,724.33            | 679,743,611.61   |
| Dalian North Oil Petroleum Logistics Co., Ltd.                           | 69,886,134.72    | -                              | -                      | 4,942,447.80                                 | -                     | 72,828,582.52    |
| Sino Rail Bohai Train Ferry Co., Ltd.                                    | 261,332,415.92   | -                              | -                      | -14,379,637.76                               | -                     | 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            | 168,617,411.76   |
| Subtotal   | 2,210,976,868.90 | 4,497,900.00                   | -                      | 198,264,445.15                               | -57,542.87            | 2,325,153,668.86 |
| Total  | 7,917,709,507.58 | 31,525,100.00                  | 6,000,000.00           | 228,091,077.59                               | 877,219.43            | 8,044,257,892.34 |

Management of the Company is of the opinion that no impairment provision was necessary for long-term equity investments at the balance sheet date.

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 4. Revenue and cost of sales

Revenue is as follows:

|                                   | 2019                    | 2018             |
|-----------------------------------|-------------------------|------------------|
| Revenue from principal operations | <b>3,188,272,305.11</b> | 2,725,223,580.57 |
| Revenue from other operations     | <b>319,300,725.73</b>   | 380,307,148.44   |
|                                   | <b>3,507,573,030.84</b> | 3,105,530,729.01 |

Cost of sales is as follows:

|                              | 2019                    | 2018             |
|------------------------------|-------------------------|------------------|
| Cost of principal operations | <b>2,160,461,617.94</b> | 2,067,144,905.15 |
| Cost of other operations     | <b>181,867,223.59</b>   | 202,390,928.43   |
|                              | <b>2,342,328,841.53</b> | 2,269,535,833.58 |

Revenue by classification is as follows:

|   | 2019                    | 2018             |
|---|-------------------------|------------------|
| Revenue from the contracts with the customers | <b>3,418,495,987.01</b> | 3,009,954,211.96 |
| Revenue from leasing services                 | <b>89,077,043.83</b>    | 95,576,517.05    |
|   | <b>3,507,573,030.84</b> | 3,105,530,729.01 |

# Notes to the Financial Statements (continued)

2019  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 5. Investment income

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Investment income from long-term equity investments under the cost method      | <b>171,850,086.76</b> | 231,651,236.42 |
| Investment income from long-term equity investments under the equity method    | <b>290,265,761.39</b> | 228,091,077.59 |
| Investment Income from disposal of long-term equity investments                | -                     | -6,000,000.00  |
| Investment income from held-for-trading financial assets during holding period | <b>103,993.00</b>     | 93,422.00      |
| Investment income from disposal of held-for-trading financial assets           | <b>43,452,014.85</b>  | 20,123,715.44  |
| Others   | <b>21,418,194.17</b>  | -              |
|  | <b>527,090,050.17</b> | 473,959,451.45 |

### 6. Supplementary information to the statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

|  | 2019                   | 2018            |
|--|------------------------|-----------------|
| Net profit   | <b>725,315,641.10</b>  | 652,821,726.27  |
| Add: Provision for asset impairments   | <b>8,905,764.95</b>    | 55,206,356.55   |
| Depreciation of fixed assets   | <b>538,200,351.33</b>  | 534,400,913.41  |
| Depreciation of right-of-use assets  | <b>85,711,093.95</b>   | -               |
| Amortisation of intangible assets  | <b>21,300,892.44</b>   | 20,018,672.38   |
| Amortisation of long-term prepaid expenses   | <b>3,394,370.02</b>    | 3,860,763.18    |
| Losses from disposal of fixed assets, intangible assets and other long-term assets (Income represented in "-" signs) | <b>-170,872.06</b>     | -427,855.35     |
| Losses on obsolescence of fixed assets (Income represented in "-" signs)   | <b>83,016.98</b>       | 883,080.06      |
| Financial expenses (Income represented in "-" signs)   | <b>504,755,327.71</b>  | 265,128,557.04  |
| Investment losses (Income represented in "-" signs)  | <b>-527,090,050.17</b> | -473,959,451.45 |
| Losses on changes in fair value (Income represented in "-" signs)  | <b>930,957.50</b>      | 402,060.00      |
| Decrease in deferred tax assets (Increase represented in "-" signs)  | <b>-16,950,479.07</b>  | -5,925,087.20   |
| Amortisation of deferred income  | <b>-37,748,625.27</b>  | -43,550,540.98  |
| Decrease in inventories (Increase represented in "-" signs)  | <b>4,705,838.84</b>    | 4,025,829.12    |
| Increase in special reserve (Decrease represented in "-" signs)  | <b>6,915,839.84</b>    | -104,695.66     |
| Decrease in operating receivables (Increase represented in "-" signs)  | <b>-579,193,449.50</b> | -165,617,189.38 |
| Increase in operating payables (Decrease represented in "-" signs)   | <b>-78,981,906.02</b>  | 123,898,725.54  |
| Net cash flows from operating activities   | <b>660,083,712.57</b>  | 971,061,863.53  |

# Supplementary Information to the Financial Statements

2019  
In RMB

## I. Statement of non-recurring profit or loss

The Group recognised non-recurring profit or loss for 2019 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).

|   | 2019                  |
|---|-----------------------|
| Profit or loss on disposal of non-current assets  | 3,944,653.16          |
| Government grants charged to profit or loss for the current period<br>(except for those closely related to the ordinary operation of the Company and<br>received constantly at a fixed amount or quantity according to a certain<br>standard based on state policies) | 40,819,666.33         |
| Except for the effective hedging activities related to the Group’s ordinary operation,<br>profit or loss arising from changes in fair value of financial assets held for trading,<br>and investment income from disposal of financial assets held for trading         | 42,625,050.35         |
| Profit or loss from outward entrusted loans   | 2,466,029.05          |
| Non-operating income and expenses other than aforesaid items  | 18,787,722.39         |
| Other non-operating income and expenses   | 295.00                |
| Total of non-recurring profit or loss   | <u>108,643,416.28</u> |
| Less: effect of income tax  | 27,189,031.95         |
| Effect of minority interests (after tax)  | <u>15,018,122.95</u>  |
|   | <u>66,436,261.38</u>  |

# Supplementary Information to the Financial Statements (continued)

2019  
In RMB

## II. Return on net assets and earnings per share

2019

|   | Weighted<br>average return<br>on net assets | Basic earnings<br>per share |
|---|---|-----------------------------|
| Net profit attributable to ordinary shareholders of the Company   | 3.86%                                       | 0.06                        |
| Net profit attributable to ordinary shareholders of the Company<br>after deducting non-recurring profit or loss | 3.50%                                       | 0.05                        |

2018

|   | Weighted<br>average return<br>on net assets | Basic earnings<br>per share |
|---|---|-----------------------------|
| Net profit attributable to ordinary shareholders of the Company   | 2.86%                                       | 0.04                        |
| Net profit attributable to ordinary shareholders of the Company<br>after deducting non-recurring profit or loss | 2.59%                                       | 0.04                        |

No dilutive potential ordinary shares have been issued by the Company.



# Financial Highlights for the Past Five Financial Years

| RMB'000   | 2019              | 2018       | 2017       | 2016       | 2015       |
|---|-------------------|------------|------------|------------|------------|
| <b>Revenue and Profit</b>                       |                   |            |            |            |            |
| Revenue   | <b>6,645,907</b>  | 6,754,445  | 9,031,643  | 12,814,484 | 8,886,167  |
| Gross profit                                    | <b>1,990,967</b>  | 1,612,710  | 1,463,441  | 1,387,422  | 1,454,512  |
| Operating profit                                | <b>1,136,490</b>  | 859,396    | 711,284    | 610,752    | 461,118    |
| Total profit                                    | <b>1,162,173</b>  | 875,480    | 727,158    | 778,013    | 729,745    |
| Net profit                                      | <b>894,932</b>    | 681,981    | 574,292    | 612,683    | 569,138    |
| Net profit attributable to owners of the parent | <b>718,230</b>    | 523,316    | 500,780    | 531,013    | 484,333    |
| Basic earnings per share (RMB)                  | <b>0.056</b>      | 0.041      | 0.039      | 0.042      | 0.048      |
| <b>Assets and Liabilities</b>                   |                   |            |            |            |            |
| Cash and bank balances                          | <b>4,051,413</b>  | 5,757,831  | 7,507,917  | 6,741,279  | 2,933,298  |
| Current assets                                  | <b>6,890,986</b>  | 9,559,480  | 10,439,083 | 9,162,323  | 6,258,683  |
| Non-current assets                              | <b>28,207,289</b> | 25,756,103 | 26,146,192 | 22,739,742 | 22,871,206 |
| Borrowings                                      | <b>8,220,756</b>  | 12,124,862 | 13,415,605 | 10,549,202 | 11,303,901 |
| Current liabilities                             | <b>2,377,417</b>  | 5,701,990  | 9,193,179  | 6,147,463  | 4,911,232  |
| Non-current liabilities                         | <b>11,316,442</b> | 8,753,277  | 6,772,298  | 6,648,287  | 8,849,372  |
| Total assets                                    | <b>35,098,275</b> | 35,315,583 | 36,585,276 | 31,902,065 | 29,129,890 |
| Net assets                                      | <b>21,404,416</b> | 20,860,316 | 20,619,798 | 19,106,315 | 15,369,286 |
| <b>Capital and Equity</b>                       |                   |            |            |            |            |
| Share capital                                   | <b>12,894,536</b> | 12,894,536 | 12,894,536 | 12,894,536 | 4,426,000  |
| Equity attributable to owners of the parent     | <b>18,769,790</b> | 18,276,366 | 18,059,929 | 17,773,317 | 14,038,472 |
| Minority interests                              | <b>2,634,626</b>  | 2,583,950  | 2,559,869  | 1,332,998  | 1,330,814  |
| Shareholders' equity                            | <b>21,404,416</b> | 20,860,316 | 20,619,798 | 19,106,315 | 15,369,286 |
| Net assets per share (RMB)                      | <b>1.46</b>       | 1.42       | 1.40       | 1.38       | 3.17       |

# Environmental, Social and Governance Report

## Contents

|  |     |
|--|-----|
| About This Report . . . . .                              | 330 |
| ESG Management System . . . . .                          | 330 |
| ESG Concept and Goals . . . . .                          | 330 |
| ESG Management Structure . . . . .                       | 330 |
| Stakeholder Engagement . . . . .                         | 330 |
| Green Operation. . . . .                                 | 333 |
| Reduction in Emission. . . . .                           | 333 |
| Improvement in Environmental Protection System . . . . . | 333 |
| Resources Saving . . . . .                               | 338 |
| Key Performances. . . . .                                | 341 |
| Health and Safety Protection . . . . .                   | 342 |
| Work Safety Management . . . . .                         | 342 |
| Occupational Health Protection . . . . .                 | 348 |
| Mutual Development with Employees . . . . .              | 350 |
| Legal Employment. . . . .                                | 351 |
| Remuneration and Benefits . . . . .                      | 352 |
| Development and Training . . . . .                       | 353 |
| Employee Care . . . . .                                  | 354 |
| Employee Activities . . . . .                            | 356 |
| Operation Responsibility Management . . . . .            | 357 |
| Product Responsibility . . . . .                         | 357 |
| Supply Chain Management . . . . .                        | 362 |
| Anti-Corruption . . . . .                                | 362 |
| Community Investment . . . . .                           | 363 |

# Environmental, Social and Governance Report

## About This Report

Dalian Port (PDA) Company Limited (“Dalian Port”, “the Company” or “We”) 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. Dalian Port adheres to scientific development, breakthrough and innovation, and pursues excellence with a vision of building a “happy, innovative, ecological, highly-efficient and smart enterprise”. Meanwhile, the Company makes unremitting efforts to create a better future for the harmonious development of the Company, society and nature by resolutely assuming corporate social responsibility, continuously optimising and innovating in the fields of environmental protection, social security and corporate governance.

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 2019* (“the Report”). Dalian Port aims to disclose to stakeholders in the Report our achievements in terms of environmental, social and governance practices in 2019. 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 of 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 Management System

### ESG Concept and Goals

In adherence to the ESG concept of “green and sustainable development”, Dalian Port proactively assumes social responsibilities for environment, society and governance while doing business. We constantly operate in an honest, value-producing, safe and environment-friendly fashion, and uphold 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, pays attention to community needs and actively contributes to community development, so as 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 continuously improves ESG management system, establishing an ESG management structure under the leadership of the Board and with the involvement of various functional departments and subsidiaries based on the current management structure. Under such organisation structure, the Board is responsible for formulating the overall ESG strategy and making decisions on major ESG management issues; each functional department is responsible for mapping working plan, managing ESG-related issues and supervising the implementation and each subsidiary is committed to implementing each assignment in the plan during the operation. In 2019, the ESG management was comprehensively and effectively enforced and the ESG management concept was further implemented.

### 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 long-term and effective communication system with stakeholders and diversified and targeted communication channels.

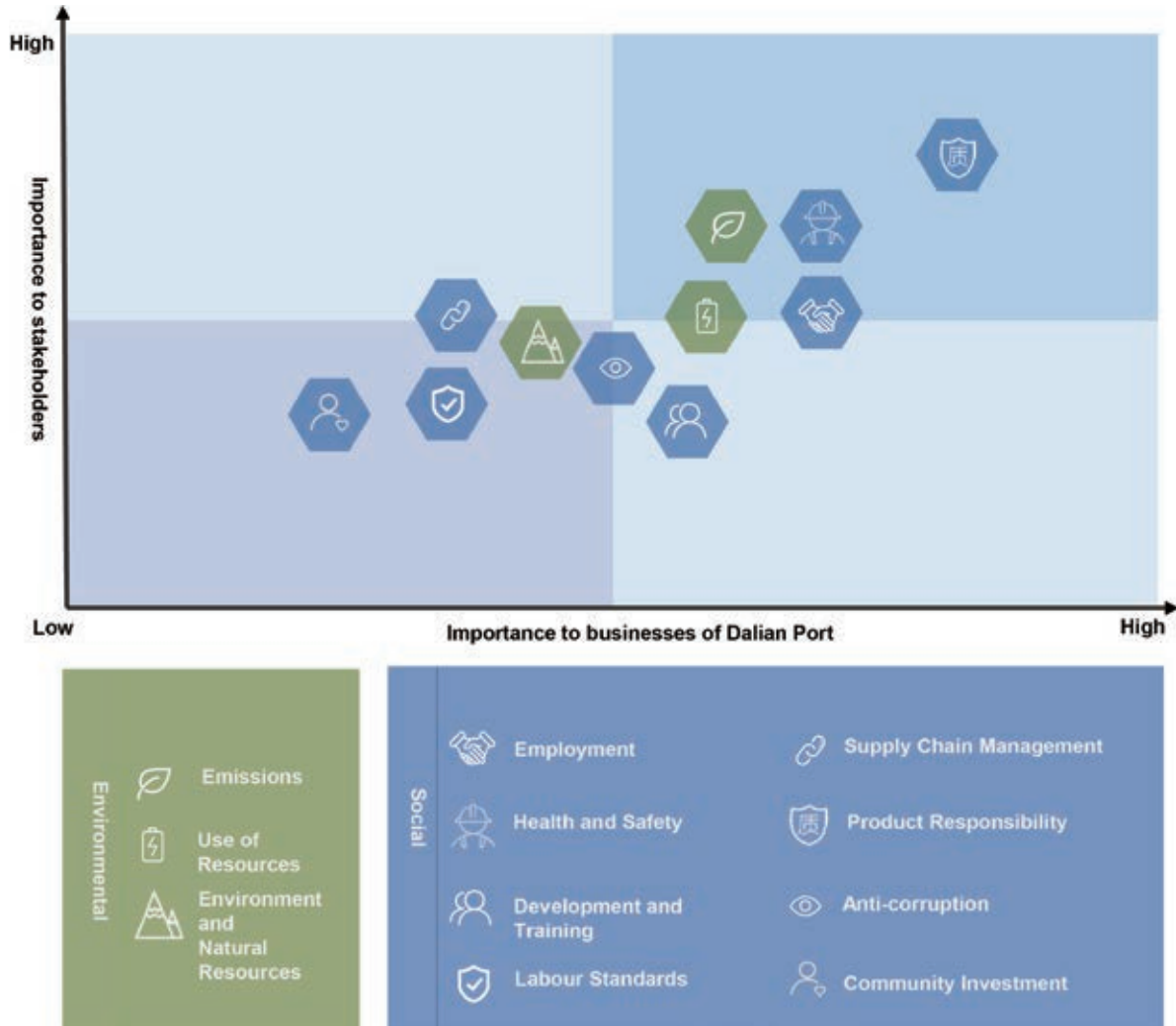
# Environmental, Social and Governance Report

| Major Stakeholders                              | Major Topics Concerned   | Major Communication Channels  |
|---|--|---|
| <b>Government &amp; regulators</b>              | <ul style="list-style-type: none"> <li>Emissions</li> <li>Environment and natural resources</li> <li>Employment</li> <li>Health and Safety</li> <li>Labour standards</li> <li>Product responsibility</li> <li>Anti-corruption</li> <li>Community investment</li> </ul> | <ul style="list-style-type: none"> <li>Policy consultation</li> <li>Issue reporting</li> <li>Information disclosure</li> </ul>                            |
| <b>Shareholders &amp; investors</b>             | <ul style="list-style-type: none"> <li>Product responsibility</li> <li>Anti-corruption</li> </ul>  | <ul style="list-style-type: none"> <li>Shareholders' meeting</li> <li>Annual reports</li> <li>Regular announcements</li> <li>Official websites</li> </ul> |
| <b>Employees</b>                                | <ul style="list-style-type: none"> <li>Employment</li> <li>Health and safety</li> <li>Development and training</li> <li>Labour standards</li> </ul>  | <ul style="list-style-type: none"> <li>Communication conferences</li> <li>Face-to-face communications</li> <li>Social media</li> </ul>                    |
| <b>Clients</b>                                  | <ul style="list-style-type: none"> <li>Product responsibility</li> </ul>   | <ul style="list-style-type: none"> <li>Information disclosure</li> <li>Social media</li> </ul>  |
| <b>Suppliers</b>                                | <ul style="list-style-type: none"> <li>Supply chain management</li> <li>Product responsibility</li> <li>Anti-corruption</li> </ul>   | <ul style="list-style-type: none"> <li>Supplier assessment</li> <li>Telephones and emails</li> </ul>  |
| <b>Media and non-governmental organisations</b> | <ul style="list-style-type: none"> <li>Emissions</li> <li>Environment and natural resources</li> <li>Employment</li> <li>Health and safety</li> <li>Labour standards</li> <li>Product responsibility</li> </ul>  | <ul style="list-style-type: none"> <li>Press conferences and exchanges</li> <li>Social media</li> <li>Official websites</li> </ul>                        |
| <b>Community</b>                                | <ul style="list-style-type: none"> <li>Emissions</li> <li>Community investment</li> </ul>  | <ul style="list-style-type: none"> <li>Community interaction</li> <li>Public welfare activities</li> <li>Social media</li> </ul>                          |

# Environmental, Social and Governance Report

Based on the identification of and communication with our major stakeholders, we, combining the Company’s operating characteristics, have conducted substantive analysis on ESG topics from 11 perspectives listed in the *ESG Reporting Guide*, as an important reference for the Company’s ESG management and information disclosure.

In 2019, the most important topics identified by the Company include “Product responsibility”, “Employment”, “Health and safety”, “Emissions” and “Resource use”; other important topics include “Anti-corruption”, “Development and training”, “Supply chain management”, “Environment and natural resources”, “Labour standards” and “Community investment”.



# Environmental, Social and Governance Report

## Green Operation

The logo of Dalian Port starts with the colour of Chinese green, representing that the Company regards green operation as a prerequisite for development and that it gives high priority to ecological environmental protection.



The year 2019 is not only the key year for fighting against pollution and building of a well-off society in an all-round way, but also the first year for Liaoning Port's integration. Dalian Port strictly complies with relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China* and comprehensively implements national decisions and arrangements with respect to ecological civilisation construction and environmental protection. While adhering to the concept of "green, low-carbon and sustainable development" and following the keynote of keeping our skies blue, our waters clean, and our land pollution-free, the Company intensifies pollution source control and pollution management to prevent various environmental emergencies and continuously improve the environment quality and resource-saving level of each port area, all of which have contributed to remarkable achievements in green operation.

## Reduction in Emission

In 2019, according to the *Action Plan Concerning Comprehensive Governance on Bohai* and the *Three-Year Action Plan to Fight Air Pollution*, the Company took the *Ecological Environmental Protection Management Measures* of Liaoning Port Group as guidance, improved the environmental protection management system and reinforced pollution source control with a combination of special rectification in key areas to steadily promote pollution prevention and ecological protection regarding air, water, noise and solid waste. With the continuous efforts of the Company throughout 2019, the emission of pollutant shows an overall downward trend, and there are no major violations or environmental pollution accidents.

## Improvement in Environmental Protection System

During the year, the ISO 14001 environmental management system of the Company was in stable operation. On this basis, taking the reform of the ecological civilisation system as driving force, the Company further fulfilled our responsibilities in environmental protection. We adhere to the requirements of "undertook responsibility for both of the Party and the government", "one position, dual responsibilities", "comprehensive management, all staff involvement". Above all, the Company constantly intensified organisational leadership and system construction, enhanced the responsibility for ecological environment protection and required all levels to implement management responsibilities.

In terms of regulations improvement, the Company further revised the *Ecological Environmental Protection Management Measures of Dalian Port Group*, improved the operating regulations of pollution prevention and control equipment, optimised the evaluation system and formulated an annual monitoring and training plan, and provided guidance on solving outstanding problems. As a result, we continuously improved our capabilities on scientific decision making and management of environmental protection. At the same time, all terminal companies fully implemented the regulations requirements of the Company. Based on their own operation, these terminal companies improved the internal environmental management system to effectively enhance environmental management.

# Environmental, Social and Governance Report

## ***Implementation of Prevention and Control Measures***

During 2019, under the guidance of relevant pollution prevention and control policies of air, water, soil and solid waste, the Company comprehensively deepens the management of pollution prevention and control from the aspects of regulations improvement, facility upgrading, monitoring implementation and compliance management. At the same time, the Company comprehensively promotes the update of emergency plans and further improves the emergency handling capacity of environmental emergencies.

- Air pollutant prevention and control: the Company and frontline units continue to increase investment to further improve the wharf, yard, bulk stevedoring, construction site enclosure, covering, cleaning and other dust pollution control measures;
- Water pollution prevention and control: the Company promotes the updating of the sewerage system in Dayao Bay to further solve the problems of water pipe leakage and water quality not meeting relevant standard. At the same time, the Company strengthens the operation and management of sewage disposal facilities, implements the sewage emission permit system, ensures the stable operation of the facilities, and discharges pollutants in accordance with relevant laws.
- Prevention and control of soil and underground water pollution: the Company continues with the previous year's soil environment survey work and carries out the soil environment survey of purchased and reserved land in Donggang business area and Ganjingzi. At the same time, the Oil Terminal Company has compiled a Soil Self-monitoring Scheme, which aims to provide scientific guidance for the environmental monitoring of soils. At present, this scheme has been filed with the Department of Ecology and Environment of Liaoning Province.
- Solid waste management: the Company strengthens the management of solid waste and hazardous waste, implements the standardised management requirements of the whole process of hazardous waste collection, storage and transportation, reasonably arranges warning signs, and strictly implements the duplicate forms for transfer of hazardous waste, to dispose hazardous waste in 100% compliance with regulations this year;
- Environmental emergency management: during the year, the Company revised the *Environmental Emergency Plan of Dalian Port (PDA) Company Limited* and deepened the implementation of frontline units emergency plan update work, to provide effective guidance for the potential risks of environmental pollution emergencies. At the same time, the Company and frontline units actively carried out emergency environmental protection drills to effectively improve the ability to deal with environmental pollution emergencies.

# Environmental, Social and Governance Report



In 2019, the Bulk Grocers Terminal Company invested more than RMB2 million to add and upgrade dustproof net of more than 400,000 square metres to further improve the capability of dust management.



In 2019, the Bulk Grain Terminal Company invested in the upgrade of dust collector equipment to further improve the management capability of organised dust emission in granaries.



In 2019, the Railway Company organised the emergency drill on environmental protection.



# Environmental, Social and Governance Report

## *Key Special Rectification*

In accordance with the requirements of the CPC Central Committee's fight to protect the Bohai Sea and to keep our skies blue, our waters clear, and our land pollution-free, the Company focused on advancing special research and statistical analysis in key areas during 2019. Specific measures included transformation of sewer network in Dayao Bay, upgrading and transformation of sewage treatment plant, soil environment survey of purchased and reserved land in Donggang business area and Ganjingzi, assessment of pollution prevention capability of ships, development of oil and gas recycling plan, formulation of environmental emergency plan and implementation of the "one plant, one policy" scheme. At the same time, we reported cases under the supervision of Environmental Working Group of the Central Government and the results achieved in the comprehensive governance of the Circum-Bohai Sea region. We also completed the ecological environment audit as to this region, checked the outfalls for pollution discharges into the sea, and conducted statistical analysis on water pollution receiving facilities of ships.

## *Targeted Research into Oil and Gas Recycling*

During this year, the Company actively promoted the research on the construction plan of oil and gas recycling at the Oil Terminal Company, which laid a foundation for its further arrangement of oil and gas recycling in a scientific and planned manner.



Oil and gas recycling: It is an effective measure to prevent air pollution by reducing oil and gas emissions through the collection and reuse of oil and gas at the terminal.

## *Assessment of Shipboard Pollution Emergency Capability*

With the development of the petrochemical industry and the increase in throughput of the port, more and more accidents are happening such as oil spills from ships and leakage of hazardous chemicals, which cause increasingly apparent impact on the normal production within the port and the surrounding marine ecological environment.

During the year, the Company took the initiative to evaluate ships' capability to prevent and control pollution, and prepared the report on *Assessment of Pollution Prevention Capability of Ships from Liaoning Port Group in Dayao Bay Area*, which identified and analysed pollution hazards and important risk sources, evaluated ships' anti-pollution emergency capability, and put forward measures and plans to reduce risks, thus protecting the environmental quality of waters, ensuring a better ecological environment and better serving the economic development of the port.

# Environmental, Social and Governance Report

## *Trainings on Environmental Protection*

In order to thoroughly study and implement the requirements of laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Environmental Protection Tax Law of the People's Republic of China and deepen employees' understanding of the Management Measures on Ecological and Environmental Protection of Liaoning Port Group Co., Ltd. and other policies, the Company organised management and staff level trainings on ecological and environmental protection that allow the participants to conduct in-depth study and exchange on the spirit of the regulations and the essence of the policies, so as to comprehensively improve employees' awareness of ecological and environmental protection, and improve the Company's overall environmental management level.



In 2019, managers from the frontline units are participating in trainings that are conducive to further enhancing supervision responsibilities and effectively raising the awareness of environmental protection of all employees.

## *Annual Work Recognition*

In 2019, the Group's achievements on the construction of the green port abstained positive feedback from all sectors of the society in domestic and abroad. We have received visits and research activities from the Sino-Japan Friendship Centre for Environmental Protection of the Environmental Department of the Ministry of Ecology and Environment, Institute for Global Environmental Strategy, and Dalian MPC Resources Committee which launched the campaign of Centurial Trip of Chinese Environmental Protection.

# Environmental, Social and Governance Report

## Resources Saving

In adherence to the goal of building a “green low-carbon port”, in 2019, the Company clarified its annual work goals and tasks with the integration of energy management as starting point and the energy saving and consumption reduction as key point, further strengthened energy management, established and improved multiple management rules, so as to continuously improve the level of resource management by upgrading the energy data informatization system and implementing key energy management and control projects.

### Energy Data Informatization System Upgrading

In 2019, the Company upgraded its energy management system to cover all major energy consumption units within the port. While systematically managing various energy data, we also detected issues related to energy consumption by analysing relevant monthly and quarterly data, and took measures in a timely manner to further intensify supervision over energy consumption.



### Implementation of Key Energy Management and Control Projects

#### Construction of High-voltage Distributed Ship Power Supply Equipment

During this year, the Company benefited from the scientific and technological innovation achievement of the previous year and continued to promote the “construction of 14 # berth high-voltage distributed ship power supply equipment” project, which enhances the shore-to-ship high-voltage power capacity of the berth, and further improves the environment conservation level within the port.



# Environmental, Social and Governance Report

## *Transformation Project of Hybrid Energy Savings for Gantry Crane*

In 2019, the Company continued to promote the gantry crane hybrid energy transformation projects with two of them completed during the year. It is expected to save 60% of energy consumption on a year-on-year basis.



## *Thermal Insulation Renovation of the Floating Roof of Storage Tank*

In 2019, the Company renovated the thermal insulation of the floating roof of storage tank in the Oil Terminal Company. According to the calculation, the floating ship with thermal insulation coating is able to reduce the consumption of steam at the rate of 76.9%, about 130 tonnes of coal equivalent (tce) each year.



tce: tonne of coal equivalent

# Environmental, Social and Governance Report

## *Photovoltaic Power Supply Project*

In order to accelerate the application of clean energy, the Company has actively implemented the distributed photovoltaic power supply project within the port for many years. 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. During the year, we actively maintained the photovoltaic power generation equipment to ensure its stable operation.



## *Promotion of Intelligent Leak Detection Equipment*

Through the energy monitoring system, the Oil Terminal Company is able to track the flow rate of water resources consumption every day to ensure that water leakage is detected as soon as possible. More than 100 inspections for water leakage were achieved in 2019, reducing water leakage by more than 150,000 tonnes in the whole year.

During this year, the Company's resource-saving measures have been carried out effectively, and the overall energy-saving work has been well completed.

# Environmental, Social and Governance Report

## Key Performances

Dalian Port's environmental Key Performance Indicators (KPI) statistics of 2019 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 in future when considered appropriate.

### Environmental KPI

#### 1. EMISSIONS<sup>(1)</sup>

|  |               |
|--|---------------|
| TOTAL GREENHOUSE <sup>(2)</sup> GAS (GHG) EMISSIONS (SCOPE 1 AND 2) <sup>(3)</sup> (TONNES)    | 27,852,700.38 |
| – Direct GHG emissions (SCOPE 1) :   | 14,266,976.98 |
| – Indirect GHG emissions (SCOPE 2) :   | 13,585,723.40 |
| GHG EMISSIONS PER 10,000 TONNE THROUGHPUTS (SCOPE 1 AND 2)<br>(TONNES/10,000 TONNE THROUGHPUT) | 11.3501       |
| TOTAL SO <sub>2</sub> EMISSIONS (TONNES)   | 57.20         |
| TOTAL NO <sub>x</sub> EMISSIONS (TONNES)   | 180.03        |
| TOTAL HAZARDOUS WASTE (TONNES)   | 374.03        |
| HAZARDOUS WASTE PER 10,000 TONNE THROUGHPUTS<br>(TONNES/10,000 TONNE THROUGHPUT)               | 0.0152        |
| COMPLIANCE RATE OF HAZARDOUS WASTE DISPOSAL (%)  | 100%          |
| TOTAL NON-HAZARDOUS WASTE (TONNES)   | 16.16         |
| NON-HAZARDOUS WASTE PER 10,000 TONNE THROUGHPUTS<br>(TONNES/10,000 TONNE THROUGHPUT)           | 0.6586        |

#### 2. ENERGY CONSUMPTION

|  |               |
|--|---------------|
| TOTAL COMPREHENSIVE ENERGY CONSUMPTION <sup>(4)</sup> (MWH)                                    | 66,677,068.51 |
| COMPREHENSIVE ENERGY CONSUMPTION PER 10,000 TONNE THROUGHPUTS<br>(MWH/10,000 TONNE THROUGHPUT) | 27.17         |

#### 3. WATER CONSUMPTION

|   |              |
|---|--------------|
| TOTAL WATER CONSUMPTION <sup>(5)</sup> (M <sup>3</sup> )  | 1,668,744.00 |
| COMPREHENSIVE WATER CONSUMPTION PER 10,000 TONNE THROUGHPUTS<br>(M <sup>3</sup> /10,000 TONNE THROUGHPUT) | 68.00        |

- (1) Owing to the nature of business, Dalian Port's major gas emissions are greenhouse gases, sulphur dioxide and nitrogen oxides 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 *2017 china regional grid baseline emission factors* published by the Ministry of Ecology and Environment of the PRC and the *2006 ipcc guidelines for national greenhouse gas inventories 2019 Edition* published by the intergovernmental panel on climate change (ipcc).
- (3) Category 1 greenhouse gas emissions refer to those from operations of the company, while category 2 are those arising from internal consumption of indirect energy (purchased or acquired) – electricity, thermal energy and steam.
- (4) The comprehensive energy consumption figures are based on the direct and indirect energy consumption as well as the conversion factors in the *general principles for calculation of the comprehensive energy consumption (gb/t 2589-2008)* issued by the general administration of quality supervision, inspection and quarantine of the people's republic of china and the standardisation administration of the people's republic of china.
- (5) In view of the nature of operations, Dalian Port's major water consumption results from production and employees' activities during work.

# Environmental, Social and Governance Report

## Health and Safety Protection

Dalian Port adheres to the management concept of “safety first”, and always regards employees’ health and safety as prerequisites in sustainable development.

The Company complies with relevant laws and regulations on health and safety such as the *Work Safety Law of the People’s Republic of China* and the *Law of the People’s Republic of China on Prevention and Control of Occupational Diseases*. According to the requirements of laws and regulations, the Company is required to establish and improve relevant rules, operating instructions and emergency plans for work safety, carry out education, training, supervision and inspection for work safety to avoid relevant accidents. Meanwhile, safe and healthy working sites for employees shall be created, relevant systems for prevention and control of occupational diseases shall be set up and improved by the Company to enhance the management and the level of the prevention and control of occupational diseases.

Dalian Port comprehensively promotes “four mechanisms”<sup>1</sup> for work safety, intensifies the development of a long-term mechanism for safety management and continuously improves the health and safety management system according to health and safety management policies such as the Responsibility System for Work Safety of Dalian Port, the *Regulations of Dalian Port on Safety Management of Labour Service Outsourcing Teams* and the “Three Simultaneity” Management System of Occupational Disease Protection Facilities for Construction Projects of Dalian Port. In 2019, the Company achieved its management goals of zero incidence in terms of work safety and occupational diseases.

## Work Safety Management

In 2019, Dalian Port focused on the main task of “putting a curb on major and extra serious accidents and eliminating general accidents” and adhered to the basic principles of “no safety, no production”. We optimise management methods, innovate inspection methods, achieve source prevention, systematic management and comprehensive policy implementation, thereby continuously improving the overall enterprise safety management level and achieving sustainability and stability of corporate work safety.

## Safety Commitment Announcement System

Dalian Port issued and implemented Implementation of the Safety Commitment Announcement (Interim) Rule of Dalian Port Group Co., Ltd, requiring that the judgement escalation system and reporting system concerning security risks shall be set up by all production and operation units in the Company. Therefore, according to the requirements stipulated in such rules, all production and operation units shall assess the risk, and report any risks identified, which shall be published on the security information platform of Dalian Port. Besides, they also made a commitment announcement to the public by setting up LED bulletin screens at conspicuous locations and reported the announcement through emergency management website of Dalian on a daily basis. We ensure “safety first, no production in the absence of a safety announcement”. In order to further put the responsibility for safety commitment announcement management into practise, the Company implemented the level-by-level division of safety responsibility areas based on the combination of professional division of labour and regional management 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. Highly recognised by the government and the industry, the safety commitment announcement system of Dalian Port has been promoted in multiple ports.

<sup>1</sup> Four mechanisms: 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”.

# Environmental, Social and Governance Report

## *Development of a “Dual Prevention Mechanism”*

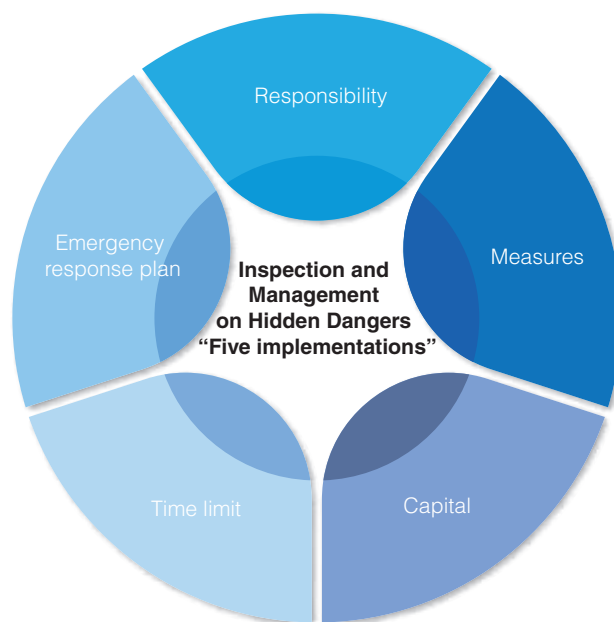
In 2019, Dalian Port improved the ability of accident prevention and resolution to ensure work safety and operation stability by further intensifying hierarchical control of safety risks and the development of a dual prevention mechanism for hidden danger inspection and management.

### *Hierarchical Control of Safety Risks*

Dalian Port attaches great importance to safety risks control. In 2019, pursuant to the Guidelines for Identification and Control of Port Security Risks issued by Ministry of Transport of the People’s Republic of China, the Company re-identified and re-evaluated security risks by conducting a series of measures including the establishment of an internal expert database, organisation of work promotion meeting, intensive seminar review, field research and pilot schemes, and further improved hierarchical management and control measures based on the results of security risk identification and evaluation. Meanwhile, the Company effectively applied risk identification, evaluation and grading to the determination of work safety through specific measures such as “morning meeting and pre-shipment meeting at all levels before the operation” and performed the hierarchical control of safety risks with “standards, measures and implementation”.

### *Inspection and Management on Hidden Dangers*

In 2019, the Company further improved inspection and management on hidden dangers. We advanced the building of “four levels” hidden danger inspection and management system featuring daily inspection of teams, weekly inspection of workshops, a monthly inspection of units and occasional inspection of the Group. Particularly, personnel were arranged for in-depth front-line inspection on a daily basis and for on-site supervision and inspection of key units every month, and supervision and rectification on various issues and hidden dangers were also strengthened. Apart from the supervision and inspection of the Company, subsidiaries at each level were urged to conduct self-inspection, self-checking and self-rectification of daily hidden safety hazards, and were required to adhere to “five implementations” for hidden danger management to ensure closed-loop management on hidden dangers. The Company has formed a new pattern featuring all-round hidden danger inspection and management involving all employees by consistently carrying out the reporting system of hidden dangers and encouraging employees to participate in identifying and reporting hidden dangers actively.





# Environmental, Social and Governance Report

## **Division of Safety Responsibility Areas**

Following the principle of coordination and integration of goal orientation and problem orientation, Dalian Port further enhances areas safety management responsibility and improves grid-based safety responsibility system by adhering to the concept of “localised management and graded responsibility” to clarify regional management responsibilities and occupation safety responsibilities. Besides, we further clarify and revise the responsibility system of work safety and establish a list of occupation work safety responsibility at all levels with full coverage to ensure that responsibilities are individual-specific (“one position, one responsibility”) and “one position, dual responsibilities” are implemented effectively. Security commission at all levels organise regular assessment and the implementation of responsibility system are included in performance assessment to ensure that there are rules for determination of responsibility, reasons for accountability and traceability system for responsibility performance.

## **Emergency Management**

In accordance with several laws and regulations such as the *Work Safety Law of the People's Republic of China* and the *Emergency Response Law of the People's Republic of China*, the Company improves the emergency management system, implements the primary responsibility of emergency management and reinforces emergency plan management to continuously promote the standardisation of emergency procedures. In 2019, in order to further improve emergency practices, the Company promoted the comprehensive plan of “double-blind drills”<sup>2</sup> based on the former emergency drill mode, covering incident reporting, early resolution, the response of fire-fighting security centre, evacuation and escape, to comprehensively test the Company’s on-site disposal capability, collaborative operation capability, emergency command and decision-making capabilities and standardise the key processes including incident reporting, emergency response, emergency command and emergency rescue, so as to consistently promote the emergency response capability of the Company.



<sup>2</sup> Double-blind drills: Drills are carried out in the way of surprise attack without informing the time and place of the drill and the type of incident in advance, aiming at testing and evaluating the rapid response and emergency disposal capabilities of all emergency forces.

# Environmental, Social and Governance Report

## Work Safety Inspections

In 2019, following the main task of “controlling risks, eliminating hidden dangers, protecting safety and preventing accidents”, the Company strengthened work safety control in an all-round way. We organised various work safety inspections and special rectification actions. Focusing on “six inspections”, the Company conducted extensive special rectification actions 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” to ensure that all operations were conducted under the specifications of work safety. Meanwhile, it carried out special inspections on the compliance of operations of 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 to comprehensively standardise work safety management. All units were urged to rectify the issues identified during the inspection in a timely manner. As of the end of the reporting period, the rectification work of all units has been completed.

## Safety Education

The Company attaches great importance to the training of work safety capability and the cultivation of employees’ work safety awareness. In 2019, we consistently improved employees’ work safety skills by conducting safety training and promoted their safety awareness by safety publicity activities.

Aiming at advancing employees’ work safety skills, Dalian Port established a comprehensive training system for work safety of employees and held multiple training activities concerning work safety. In 2019, the Company further solidified the achievements of previous training, constantly innovated the form and content of training, and improved the quality of training to ensure that employees have mastered position-specific safety knowledge and operating skills and learned about relevant code of conduct. In 2019, the Company was devoted to strengthening safety training for personnel at key positions, personnel at high-risk positions, and safety management personnel on the operation site. We took the improvement of the safety capability of personnel at key positions as the assessment standard for occupation admission and performance capabilities. Besides, the Company reinforced the building of an internal trainer team to improve the training quality, enriched and improved the examination database and on-site operation tests to comprehensively test the employees’ acquisition and application of safety knowledge.

### Safety Training on Climbing and Erection



In order to intensify safety oversight on scaffolding operation, the Company held safety training courses on climbing and erection, which were actively participated by heads of the safety supervision departments from all relevant units and the full-time and part-time safety management personnel in charge of construction safety. The main content of the training involved the composition of scaffolding and the common safety risks, hidden dangers and rectification measures during the process of safety supervision, through which the safety management ability of participants was effectively enhanced.

# Environmental, Social and Governance Report

In order to further intensify cultural development of work safety within the Company, the subsidiaries actively responded and carried out multiple theme activities such as “Work Safety Month”, “Winter Protection Cup” safety competition, “Fire Control Publicity Month” in 2019. During the activities, each unit organised the presentation of fire protection skills and advanced emergency equipment and publicised activities by means of banners, display boards, brochures, intranet and Wechat platform, which greatly strengthened employees’ safety knowledge and advanced their awareness of workplace safety.

## ***Management of Labour Service Outsourcing Teams***

In the current year, Dalian Port further intensified the safety management on labour service outsourcing teams by requiring them to carry out operation under internal safe operation specifications and integrating the management of labour service outsourcing teams into the Company’s unified management and supervision scope, so as to effectively prevent and contain the occurrence of work safety accidents of labour service outsourcing teams and ensure the Company’s stable work safety situation.

The Company conducts strict inspection on the labour service outsourcing teams for their entry of the Dalian Port by strengthening the review of their safety management capabilities before entering the Dalian Port and enhancing the review on filing management. At the same time, the Company further clarifies the safety management responsibilities of each department to labour service outsourcing teams and ensures those responsibilities implemented in accordance with the safety management principles of “the department who introduces is held accountable” and “the department who employs is held accountable”. During production, the Company strengthens the special inspection on the safety management of labour service outsourcing teams, puts forward rectification requirements for the safety management weak processes found during the inspection, and carries out re-supervision and re-examinations to ensure that those weak processes are properly rectified in a timely manner. We also further increase the training of labour service outsourcing personnel to improve their work safety awareness and skills.

# Environmental, Social and Governance Report

## *Technologies for Strengthening Safety*

During the year 2019, the Company vigorously made innovation and conducted research on safety technology. We further reduced the level of safety risks and the probability of hidden dangers by strengthening the application of innovative technological achievements, thus improving the level of intrinsic safety management.

### *Active Protection System for Large Crude Oil Storage Tanks*

Taking an external floating roof storage tank as an example, the annular sealed space of such tank allows the existence of a mixture of oil gas and oxygen, which is prone to explosion accidents under the conditions of a lightning strike and static electricity. In order to prevent such accidents, the “active safety protection system for large crude oil storage tanks” is adopted in the oil terminal to conduct real-time monitoring on the concentrations of oil gas and oxygen in the annular space of such large oil storage tanks. This system can fill the space with retarder at the opportune time to control the amount of oxygen and flammable gas, thus avoiding fire and explosion accidents, which provides strong support for safe production. This technology won the third prize of National Invention Patent and Scientific and Technological Progress Award of Port Association. At present, the active safety protection system has been applied to all 49 crude oil storage tanks in the Oil Terminal Company.

### *Automatic Monitoring and Protection System of the Brake Contactor of Gantry Cranes*

After being used for a period of time, the brake contactor of gantry cranes and other equipment commonly used in the general cargo terminal would become sticking due to poor contact, which would lead to the malfunction of brake and equipment that in turn would cause hidden dangers such as casualties. In order to eliminate this safety hazard, the Bulk Grocers Company sets up a special team to make breakthroughs in researching and developing the transformation of equipment, who redesigns and rewrites control codes and carries out the design and transformation of power distribution lines of gantry cranes. Once the brake of transformed gantry cranes fails to work, the new system will immediately identify and trigger the emergency braking system of the equipment to avoid safety accidents. At present, this system has been put into use in several gantry cranes and works well in terms of prevention. At the same time, this project won a utility model patent certificate issued by the State Intellectual Property Office of the PRC.



# Environmental, Social and Governance Report

## Occupational Health Protection

The Company attaches great importance to the occupational health of employees while ensuring employee safety. We formulate 2019 Occupational Health Management Essentials of Dalian Port (PDA) Company Limited in accordance with the requirements of the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and other relevant laws and regulations, based on which the Company continuously improves the occupational health management system to effectively protect the occupational health of employees.

### Occupational Disease Hazard Management

In order to further implement the requirements of laws, regulations and the Company's system, subsidiaries of Dalian Port improve the occupational disease-related management system in accordance with the actual conditions of the business and formulate the specific annual implementation plan, which is carefully implemented. In 2019, the Company mainly carried out the following work related to occupational disease management:

|                                     |  |
|-------------------------------------|--|
| Supervision of occupational hazards | The Company entrusted a qualified third-party occupational health technical service organisation to carry out supervision on occupational hazards, so as to ensure the compliance of occupational safety and health. In 2019, both of the coverage rate and pass rate for hazard assessment on occupational environment were 100%. |
| Occupational hazards warning        | The Company installed various warning signs, bulletin boards, and Chinese warning instructions and other signs concerning occupational hazards, and conducted regular self-inspection and maintenance management.  |
| Labour protection equipment         | Employees exposed to the risk of occupational hazards were equipped with occupational health labour protection equipment such as gas masks, noise-proof earmuffs, and goggles. The Company also intensified inspection and supervision, and standardised on-site usage and management.   |
| Emergency facilities                | The Company provided first-aid kits and emergency storage cabinets at the workplaces where occupational hazards might occur, and established check list inspection record for emergency supplies and usage records.  |
| Occupational health examination     | The Company organised the occupational health examination for employees exposed to occupational hazards in 2019 as planned, and tracked and monitored the results of the examination.  |

# Environmental, Social and Governance Report

## Publicity and Training on Occupational Disease Prevention

In 2019, subsidiaries of Dalian Port were organised to vigorously carry out activities for the publicity week of *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, conduct training on occupational health, study laws and regulations pertaining to occupational disease prevention, analyse accident cases and exchange work experience, so as to make employees become more aware and more competent of occupational hazard protection.

### Targeted Training on Occupational Disease Prevention



The Railway Company, based on the actual production conditions, launched the targeted training on occupational disease prevention in 2019. Employees at the posts that are exposed to safety hazards were mainly trained about how to prevent occupational diseases, how to respond to emergency accidents, how to safely conduct operation procedures and how to properly use labour protection equipment, etc. While management training focused on common occupational disease hazards, management standards for occupational disease hazard notification and warning signs, occupational health management and accident cases. This

targeted training effectively enabled employees at all levels to become more professional as to occupational disease prevention.

### Publicity Week of the Law of the People's Republic of China on Prevention and Control of Occupational Diseases



During the publicity week of the Law of the People's Republic of China on Prevention and Control of Occupational Diseases from April 25 to May 1 in 2019, Passenger Transport Company spread the knowledge of occupational disease protection and the protection of employees' health rights in the forms of banner and display boards.

At the same time, employees were organised to study related laws and regulations, and learn how to prevent occupational diseases, as well as how to respond to emergency accidents, etc.

in a systematic way and we took exam to evaluate what they have learned, which effectively improved employees' awareness and skills in occupational disease prevention.

During the event, the Company also strengthened the training of management staff on occupational disease prevention, who are required to communicate with employees about the management methods and practical experience learned, so as to further fulfil their responsibilities of occupational disease prevention and popularise occupational health knowledge, thus effectively protecting employees' rights and interests of occupational health.

# Environmental, Social and Governance Report

## *Epidemic Prevention*

Since the outbreak of the COVID-19 in January 2020, Dalian Port has actively cooperated with governments at all levels to fight the epidemic with the protection of employees' health and safety which is as the first priority of the Company. We established an epidemic prevention and control team promptly to formulate and issue relevant regulations with regard to epidemic prevention and control based on the actual situation, and then the team formulated a corresponding working system, and comprehensively deployed and implemented epidemic prevention and control work, so as to effectively safeguard the health and safety of employees.

In order to carry out epidemic prevention and control work efficiently, we established a workgroup on Wechat for epidemic prevention to keep all employees informed of our epidemic prevention and control measures and requirements, as well as individual health protection guidelines, etc. for different stages in a timely manner, and guide them to cooperate with us to keep themselves away from being infected during the epidemic. We provided the supply of protective equipment for employees in an all-round manner, and regularly disinfected and sterilised public areas to ensure a healthy and safe work environment.

At the same time, we reasonably arranged staff's return to work as required by local governments. During the resumption of work, we reduced the potential risk of infection by strengthening the monitoring of employees' personal health, strictly implementing dynamic monitoring of staff movements, and avoiding unnecessary gathering. We also carried out comprehensive inspections on epidemic prevention and control to promptly detect and rectify problems, thus ensuring that prevention and control measures were effectively implemented. As of mid-February, all departments of the Company have resumed work in a safe and orderly manner, providing strong support for the stable operation.

## **Mutual Development with Employees**

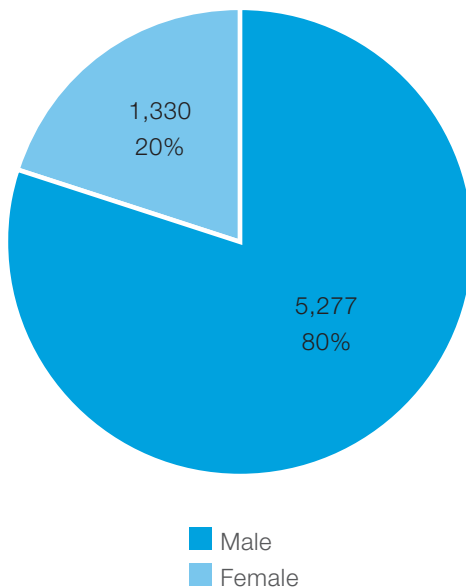
Based on the corporate values of "being people, customer and responsibility-oriented", Dalian Port respects and protects the legitimate rights and interests of employees, actively builds a harmonious labour relationship, cares for employees' work and life, and establishes talent mechanism where talents are selected, cultivated and employed. This mechanism is committed to developing the potential of each employee and promoting the sustainable development of the Company and its employees.

# Environmental, Social and Governance Report

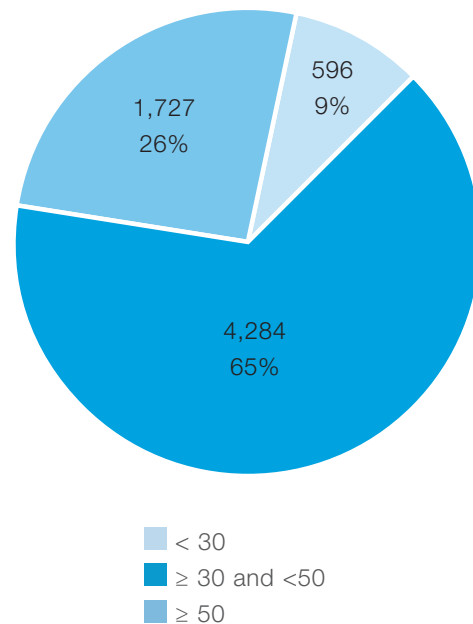
## Legal Employment

Dalian Port abides by relevant laws and regulations such as the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, which stipulate that labourers shall have the right to equal employment and choice of occupation, the right to receive remuneration, the right to rest and vacations, the right to vocational skills training, and the right to social insurance and benefits. We have established and revised internal employment management policies per relevant laws to standardise the Company's management on recruitment, employment, dismissal, wages and working hours, as well as remuneration and benefits to protect all legitimate rights and interests of our employees. As of the end of 31 December, 2019, the Company had 6607 employees.

Total Workforce by Gender



Total Workforce by Age



The Company abides by the requirements of laws and regulations such as the *Labour Law of the People's Republic of China* and *Law of the People's Republic of China on the Protection of Minors* and strictly prohibits the use of child labour and forced labour. There were no incidents of child and forced labours in Dalian Port in 2019.

Following the principle of “legality, fairness, equality and voluntarism, consensus, honesty and credibility”, the Company signs labour contracts with all employees in accordance with the provisions of the *Dalian Port (PDA) Company Limited Labour Contract Management Regulations* and the *Dalian Port (PDA) Company Limited Collective Contract*, and earnestly fulfils relevant obligations.

The Company is committed to creating a fair working environment where discriminations on the basis of race, gender, age, religion, sexual orientation, nationality or marital status are prohibited in daily behaviours or employment including in recruitment, remuneration determination and promotion.



# Environmental, Social and Governance Report

In 2019, according to the requirements of the *Measures on Approval of Flexible Working Hours System and Comprehensively Calculated Working Hours System in Dalian*, the Company applied and obtained approval for non-regular working hour system to further standardise the work post management system. Under the consensus with employees, we formulated scientific and reasonable measures for labour quotas, working hours, attendance, rest and vacation, as well as remuneration payment management to protect employees' legitimate rights and interests.

As of 2019, Dalian Port has been awarded as A-level organisation for corporate labour protection, law-biding and integrity for 5 consecutive years. With such qualification, we applied for A-level demonstration organisation for corporate labour protection and law-biding and integrity in 2019 according to the relevant regulations of Dalian.

## Remuneration and Benefits

Focusing on the distribution principle of being value-and-performance-oriented and the distribution philosophy of "putting strives first", the Company has formulated and improved remuneration management policies such as *Dalian Port (PDA) Company Limited's Detailed Regulations for Remuneration Management* and *Dalian Port (PDA) Company Limited's Detailed Regulations for Position Performance Management* and developed employee performance assessment system to promote the implementation of performance assessment management. For key posts of management, professional technicians and operators, salary level, salary standard and performance portion are scientifically set with both competitiveness and fairness taken into account to motivate employees.

The Company conducts leave management in accordance with relevant laws and regulations. We have formulated internal policies such as the *Dalian Port (PDA) Company Limited Attendance and Leave Management Regulations* and the *Dalian Port (PDA) Company Limited Paid Annual Leave Regulations*, which stipulates that employees are entitled to statutory paid holidays such as legal holidays, annual leave, marriage leave, home leave, bereavement leave, maternity leave, sick leave, work injury leave.

Dalian Port is committed to providing diversified benefits for employees. In addition to the five social insurances and the housing provident fund as required by the law, we also provide supplementary medical insurance, free medical examinations, birthday allowance, wedding allowance, holiday benefits, and rental subsidy. In 2019, in accordance with laws and regulations such as the *Measures for Enterprise Annuity*, the Company revised the *Enterprise Annuity Programme of Dalian Port (PDA) Company Limited* to further standardise annuity payment, account management, equity vesting, fund allocation, and other operations. Meanwhile, the Company formulated the *Dalian Port's Measures for Adjusting the Living Benefits of Retirees in 2019* to raise the minimum living allowance standards for retirees.

# Environmental, Social and Governance Report

## Development and Training

Dalian Port always upholds the idea of “People Oriented and Talents Foremost” and further improves the training management system in 2019 to ensure that training funds are used in a compliant way, thus promoting the effective implementation of employee training. The Company attaches great importance to the two-way training of management talents and professional talents. The training covers corporate system learning, management ability improvement, professional skills development, corporate culture promotion, and risk compliance management and other fields. With a proper combination of centralised and decentralised trainings, it meets the needs of employees at different levels.

### Improving the Training System

Aiming at improving the core competence of employees, Dalian Port Container Company has formulated a curriculum system and supporting training programs that consist of management, professional and general courses. Such curriculum system includes courses for managers at all levels, professional trainings on marketing, finance and technology, a series of enhancement trainings on general workplace skills, orientation trainings and annual reading activities for employees, etc., thus forming a comprehensive training system that provides support for the Company to conduct various business and ensure the goals of our development strategy are achieved.

Dalian Port not only pays attention to the diversity of training content, but also keeps pace with the latest training methods. We built and improved the “Online Vocational Skills Learning Platform for Dalian Port Employees” and the Employees’ E-library by increasing professional courses, training material and expanding examination database in the platform, and enriching the contents of the E-library. Employees can use mobile apps for online learning.

The Company implements the job rotation system for new employees and regularly organises young employees in job rotation to take centralised training, and an initial training course system for young employees is developed and improved to quickly empower new employees with relevant skills and help them integrate into the corporate culture.

### Promoting the Training of Technical Secondary Graduates

Adhering to working idea of “One plan, two directions and four forms”, following the principles of aligning personal planning with enterprise development strategy, equal opportunity, and timely adjustment, and focusing on two cultivation directions including expert talents and management talents, Dalian Port Railway Company provides 3-year or 5-year programs with four-level cultivation forms, namely internship, rotation training, probation, and on-the-job practice for students entering the Company at different time, aiming at expanding students’ professional skills while promoting their comprehensive ability.

# Environmental, Social and Governance Report

## Conducting Versatile Training

The Bulk Grain Terminal Company proactively optimised the training for the cultivation of versatile talents and initiated the cultivation mode of “fluid and solid machinery integration”, to reserve talents with excellent operating skills to ensure the stable development of the Company. In 2019, Bulk Grain started a pilot training for new trainees. After over half a year’s training, they gradually involved in the production front line to operate driving machines independently, and complete relevant production tasks on the shift. Therefore, they were spoken highly of by employees working together. The utilisation rate of drivers reached 84%, and Bulk Grain will intensify the training to cover more employees in the future.

Guided by the concept of “carrying forward the spirit of craftsmen, improving skills, and facilitating port transformation and upgrading”, in 2019, Dalian Port continued to organise skilled talent to participate in technical and skill competitions, and actively selected outstanding skilled talent to participate in national and industrial skill competitions with excellent results achieved, thus providing a platform for employees to demonstrate their skills and improving the quality of the talent. In order to further stimulate the enthusiasm, initiative, and creativity of employees, Dalian Port actively selected and recommended candidates competing in the selection of “100 Outstanding Craftsmen from Enterprises under the Central Government”, “National Transportation Technical Experts”, “High-level Talents with Outstanding Contributions of China Merchants Group” and “2019 Highly-skilled Talents in Dalian” where Guo Xueqiang from Dalian Port Railway Company was selected as the “100 Outstanding Craftsmen from Enterprises under the Central Government” on behalf of China Merchants Group.

## Employee Care

Based on the philosophy of “development for employees and development benefiting the employee”, Dalian Port adheres to the combination of targeted poverty alleviation and inclusive services, continuing to improve the poverty alleviation mechanisms for employees’ basic living guarantee, children’s education subsidies, holiday salutation and visits, temporary assistance and poor employee assistance as well as inclusive service mechanisms such as medical mutual-aid funds, major emergency support funds and labour assistance funds, which form the multi-angle, multi-level, and multi-carrier assistance measures that truly reflect the Company’s care for employees.

# Environmental, Social and Governance Report

Dalian Port attaches great importance to the physical and mental health of employees, therefore we actively organise psychological counsels and trainings, organise free medical examinations, and continue to carry out the activities of “offering care in summer and winter”. Meanwhile, the Company attaches great importance to the care for female employees that “Special Care Rooms for Female Employees” are being built. Besides, we also purchase health insurance and organise special medical examinations for female employees.

## Building the “Home of Employees”



In 2019, the Dalian Port Railway Company renovated the original Library of Employees into the Home of Employees with supporting hardware and software facilities. It is equipped with an activity room, the reading room, and the care room for female employees, in which employees can do fitness exercise and carry out various cultural and sports activities; besides, there are small orchards and vegetable gardens in the outdoor space built by employees, which can provide seasonal vegetables and after-meal fruits for employees’ canteen. The cosy employee home has enhanced employees’ happiness and sense of belonging.

## Holding Health Lectures



In 2019, Dalian Port Passenger Transport Co., Ltd. held health lectures on “Popularising Health Knowledge and Pursuing Healthy Life” with Dr. Yi Honghua, the chief of Neurology Department of Dalian Port Hospital, as the special guest to give health lectures for employees and interpret their medical examination reports. At the same time, CPR training was conducted to enhance employees’ health awareness and first-aid knowledge.

# Environmental, Social and Governance Report

## Employee Activities

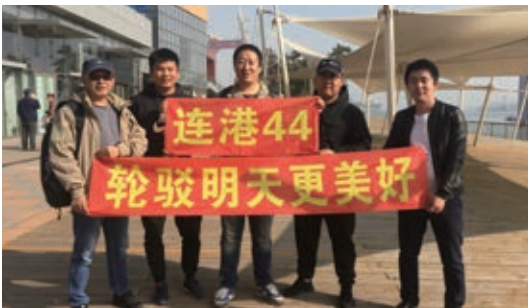
In order to further enrich employees' spare time, Dalian Port carries out a variety of cultural and sports activities, establishes and equips the Dalian Port activity centre for the employee sports association. In 2019, we organised various activities including the Employee Culture and Arts Festival and capacity-building activities.

### Carrying out the Capacity-building Activity Themed “Fighting Together and Conquering Together”



Dalian Port Container Terminal organised a four-day capacity-building activity themed “Fighting Together and Conquering Together” in October 2019 with more than 800 employees participating in the event. It integrated the Company’s management requirements, the “home” culture of the Company, safety concepts and terminal business on the basis of ensuring the health and safety of employees, allowing employees to deeply understand the Company’s business and culture while enhancing cohesiveness.

### Organisation of the 2019 Employee Culture and Arts Festival



Dalian Port Barge Co., Ltd. organised a variety of activities for its 2019 Employee Culture and Arts Festival, including employee trekking and hiking in golden autumn, exhibition and appraisal of employees’ works such as photography, calligraphy, engraving, painting. The Company also selected employees to participate in the outstanding cultural performances, which greatly enriched employees’ spare time.

# Environmental, Social and Governance Report

## Operation Responsibility Management

Operating in an honest, value-added, safe and environment-friendly fashion, Dalian Port fulfils responsible operation by upholding integrity and compliance in operations, optimising products and services, and actively giving back to society.



## Product Responsibility

At Dalian Port, we always uphold that it is our responsibility to increase value for customers and our standards to provide high-quality service. Through continuously innovating customised service model, focusing on expansion of supply chain service features, gathering resources to provide high-quality services and building up soft brand power, we commit ourselves to the construction of a leading and comprehensive port logistics operator in Northeast Asia with regional development strength and international competitiveness.

# Environmental, Social and Governance Report

## Compliance Operations Management

### Construction of Systems

In the process of providing services, Dalian Port attaches great importance to service standardisation and safety, and strives to identify risks and follow relevant laws and regulations for product liability, in an attempt to become a leader in legal compliance in the industry. In accordance with relevant laws and regulations, we have established a series of management policies on service quality, publicity and information protection. At the same time, we have established a management mechanism under which the production department takes charge of the overall coordination and the business department of each subordinate unit is responsible for specific operations to ensure the effective implementation of business systems at all levels. In 2019, all subordinate units of the Company obtained ISO9001 (quality) management system certification.

The main laws and regulations that Dalian Port (PDA) Company Limited complies with for service quality management

| Internal Systems  | External Laws and Regulations  |
|---|--|
| ✓ Dalian Port (PDA) Company Limited Regulations for Special Materials Transportation Management | ✓ Law of the People's Republic of China on Protection of Consumer Rights and Interests |
| ✓ Dalian Port (PDA) Company Limited Regulations for Freight Service Quality                     | ✓ Advertisement Law of the People's Republic of China                                  |
| ✓ Dalian Port (PDA) Company Limited Regulations for Customer Satisfaction Evaluation Management | ✓ Railway Law of the People's Republic of China  |
| ✓ Dalian Port (PDA) Company Limited Regulations for Informationalised Safety Management         | ✓ Road Transport Regulations of the People's Republic of China                         |
| ✓ ISO9001 Management System   | ✓ Patent Law of the People's Republic of China   |
|   | ✓ Trademark Law of the People's Republic of China                                      |
|   | ✓ .....  |

### Intellectual Property Management

The Company complies with relevant laws and regulations such as the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China. These laws and regulations stipulate rules on patent applications, grant and transfer of patent rights, prohibition of infringement of patent rights, exclusive right attached to registered trademarks or copyright of copyright holders. While practising our own intellectual property protection, we also respect the intellectual property rights of other parties. The Company's legal department is mainly responsible for intellectual property management. At the same time, the Company enhances employees' awareness of intellectual property protection through publicity and training. In cooperation with other parties, we make specific provision on the ownership of intellectual property rights and strengthen supervision and management to avoid potential disputes related to intellectual property rights or the disclosure of technical secrets and business secrets.

# Environmental, Social and Governance Report

## *Advertising Management*

Dalian Port complies with relevant laws and regulations such as the Advertising Law of the People's Republic of China, which stipulate that advertisements shall be truthful and legal, and shall not contain any false or misleading information that may deceive or mislead consumers. According to requirements of relevant laws and regulations, the Company strictly reviews the advertising materials before publicising any product or service to ensure the truthfulness of the advertising content and avoid the release of information that may mislead customers or with serious misrepresentation.

## *Information Security*

Dalian port attaches great importance to the protection of customer privacy. Business segments that are identified with higher privacy risks such as the passenger business are required to strictly abide by the Provisions on the Real-Name System Administration of Waterway Passenger Transport (No. 77) promulgated by the Ministry of Transport in 2016 to protect confidential information including passenger's identity and their boarding information acquired through the real-name system administration.

### **Strengthening Privacy Protection for Clients**

Dalian Port Passenger Transport Company deals with customer privacy information in the course of business operation. This year, it further strengthened the privacy policies in protecting passengers' personal information and business data, including replacing the 11th to 16th digits of a customer's identity number with \*. The Company's business data is stored on the disk array of its Intranet, which is isolated from external network by a multi-layer firewall, so as to avoid the risk of information leakage.

## **Improvement of Service Quality**

### *Optimisation of Business Mode*

Upholding the business principle of "providing quality service", Dalian Port cooperates with its subsidiaries to actively adjust its business model, improve operational efficiency and provide customers with better and convenient products and services.

- In terms of land transportation, under the background of stringent punishment against overloading vehicles on highways and the enforcement of the national strategy of "promoting railway transportation to replace road transportation", Dalian Port strengthens cooperation in railway businesses, promotes "block train service" and maximises the collecting and distributing capacities of existing railways.
- In terms of sea transportation, Dalian Port deepens the construction of liner systems and builds a south-north logistics channel. Also, to ease the concentrated freight flow, Dalian Port improves the liner route system and expands the logistics network.
- Dalian Port improves the connection between vehicles, ports and ships, further optimises the allocation of production resources such as labour force and machinery, and strengthens communication and coordination with cargo owners, maritime affairs, border control, railways and other departments to ensure a smooth operational workflow.



# Environmental, Social and Governance Report

## Introducing the “Small High Container”

In 2019, the Bulk Grain Company upgraded its existing transshipment facilities, and for the first time used “small high container” for cargo loading and unloading. The use of “small high container” greatly improves the loading and unloading efficiency and reduces the damage rate of bulk cargo, receiving unanimous compliments from cargo owners. In order to promote the integration of railway and port transportation organisation, Dalian Port Railway Company actively optimises inbound marshalling plan at Jinzhou Station, reduces the in-port shunting operations, and optimises the train operation ratio to create conditions for the increase of port traffic volume. Meanwhile, Jinzhou Station arranges the stationing personal to notify the port of the heavy vehicles dispatch plan three hours ahead of time in order to effectively reduce the time of in-port lingering in an effective manner.

While actively adjusting the business mode, we maintain and improve good communication with customers by providing customer call service systems, mobile apps, Micro-port service and other information service platforms and carrying out customer satisfaction surveys on a regular basis. Meanwhile, we further enhance the awareness of customer service responsibility of all employees and require employees from the responsible units to supervising departments to respond to customer requests within the shortest time, strictly implement the customer service management system and enforce time limits of business processing and combine real-time handover of work orders with quarterly summary reports, so as to reflect and rectify the management loopholes to the maximum extent. On the other hand, we step up publicity and guidance by opening service exchange and education channels and online customer service columns, publishing customer compliment letters and promoting the Company’s excellent customer service cases and experiences in an aim to improve service quality and boost service enthusiasm of all employees.

## Facilitation of the Informatisation Progress

Dalian Port and its subsidiaries continue to facilitate the production informatisation process and strengthen production scheduling and information management. Firstly, we have improved the construction of market information management system and promote the application of big data throughout the port; secondly, we use the big data platform to promote the online operation of scattered cargo business and provide customers with better service experience that features higher efficiency; thirdly, we have upgraded scheduling system and have used information technology to ensure the safety operation of large and major ships and to achieve efficient arrival and departure; lastly, we have completed the transformation of declaration system for dangerous cargo. Meanwhile, by promoting the application of scientific research achievements such as mist and night sailing, Dalian Port shortens the non-productive idle time and improves the operation efficiency of vehicles.

## Deepening the Cooperation for Mutual Benefit

### *Deepening Customs-Port Cooperation and Promoting Construction of Shipping Centre*

With a view to promote the construction of Dalian Northeast Asia International Shipping Centre, Dalian Port further deepens customs-port cooperation, accelerates the transformation of the Dalian Dayao Harbour Free Trade Zone to a comprehensive bonded area, expands the applicable scope of “declare in advance, discharge on arrival” project, further reduces customs clearance time to realise the inbound and outbound container operating at the same site and increase the operational convenience and efficiency of site utilisation.

# Environmental, Social and Governance Report

## *Strengthening Multi-lateral Cooperation to Facilitate the Construction of Logistic Hubs*

- Entered into a three-year port service agreement with Vale S.A. from Brasil, to give full play to the advantages of “large ship + mixed ore” and built a mixed ore distribution centre in Northeast Asian.
- Competed for international container shipping routes and optimised route network layout with 4 newly expanded international container shipping routes.
- Deepened cooperation with customers like Panjin North and China Oil to strengthen the construction of a crude oil transfer and distribution system. Domestic sea shipment of crude oil amounted to 14.24 million tonnes in 2019, up 24% on a year-on-year basis.
- Strengthened cooperation with China Railway Special Cargo and main engine factories in the hinterland to vigorously develop the road-sea-rail multi-modal transport for goods, completing 474,000 sea-rail transports in 2019, a year-on-year increase of 10%.
- Successfully launched the overall logistic outsourcing business of Brilliance Auto in East China, and expanded its outbound land transport business.

## *Deepening Cooperation with Key Customers to Promote Business Expansion*

This year, the Company aligned strategic cooperation intentions with various customers, successfully expanded the railway crude oil transfer and distribution business to inland in Northeast China with local oil refining enterprise, accelerated the capacity upgrading process partnered with China Cosco Shipping Corporation Limited and Weihai Haida Passenger Transport Co., Ltd, opened a bulk grain freight trains between Heilongjiang and Dalian in cooperation with the railway.

## **Combating COVID-19**

The outbreak of COVID-19 brings challenges and risks to the stable operation of the Company’s businesses. Dalian Port focuses on scientific prevention and control of the epidemic and has taken effective epidemic control and inspection measures with ship-owners, agents and other parties, and conducted scientific re-deployment and re-organisation of resources in all operating processes to ensure efficient and orderly operation of the port.

The Company pays special attention to the prevention and control of diseases spreading through crowded places, such as the waiting hall. Dalian Port Passenger Transport Co., Ltd. strictly implements the information registration and health declaration measures for passengers arriving in Dalian, establishes a joint prevention and control mechanism with the shipping companies, sets up temperature check points and detention points on passenger ships, and assigns personnel to check temperature and collect Tourists Health Declaration Form for incoming passengers and drivers. At the same time, the Company makes full use of electronic screens, bulletin boards and leaflets etc. to improve passengers’ diseases prevention awareness and abilities, boost the confidence to overcome the epidemic and firmly hold the defence line in response to the epidemic.

# Environmental, Social and Governance Report

## Supply Chain Management

In order to further regulate supplier management, the Company establishes a standardised and effective supplier management system. The Company formulates the Guidelines of Dalian Port on the Authorisation and Approval of Financial Activities and requires all departments and subordinate units to strictly implement the supplier review and approval process in accordance with the Guidelines. At the beginning of each month, the material supply centre publishes the list of newly-introduced suppliers. Meanwhile, complaint hotline was set up, through which employees can report non-compliance behaviour in procurement process. At the same time, Dalian Port takes its environmental and social risk management competencies into consideration in the process of selecting product and service suppliers, and excludes suppliers that do not meet the Company's ESG management requirements. In daily supplier management, the Company also pays attention to their performance in the field of environmental and social risk management, actively publicises and enhances the concept of environmental and risk management among suppliers, in an aim to promote suppliers in improving the CSR performance of the industrial chain.

## Anti-Corruption

Abiding by the policy of zero tolerance for corruption, Dalian Port adheres to the cooperate culture featuring self-improvement, virtue and honesty. According to the Rules on Accountability of the Communist Party of China, leaders must effectively implement anti-corruption work and should be held accountable for any adverse effect of poor performance. The Company complies with the requirements of the Rules on Accountability of the Communist Party of China and other relevant laws and regulations and continuously improves the Party's anti-corruption work and upholding integrity. During the year, Dalian Port further strengthens its relevant regulations, and insists that every case must be investigated and any corruption must be penalised. It incessantly 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 comprehensive way purify and create a favourable political ecosystem throughout the Company. In 2019, the Company did not have any corruption-related cases.

## Enhancing Supervision and Inspections

In 2019, Dalian Port further strengthened the supervision and inspection of anti-corruption related policies in various departments and units. We set up a supervision and inspection team to check financial accounts and records, review and approval of business entertainment expenses to ensure effective supervision, and we report and conclude the inspections by analysing the major problems, putting forward rectification recommendations, identifying the responsible person and specifying time limit of rectification and following up accordingly.

In order to ensure the effective implementation of the supervision and inspection, Dalian Port focuses on improving the professional abilities of the supervision team, especially of the frontline supervision team. In 2019, we provided the frontline team with opportunities to investigate and handle cases by means of a voluntary transfer of case clues. We also re-supervised and re-inspected the work of the frontline units, and urged them to further rectify non-compliance in the inspection procedures, so as to continuously improve the capability of the teams.

# Environmental, Social and Governance Report

## *Integrity Education*

During the reporting period, in combination with the education themed “Remain true to our original aspiration and keep our mission firmly in mind” required by Political Bureau of the CPC Central Committee and the Company’s practical situation, Dalian Port conducts talks on anti-corruption management with newly appointed cadres, and puts out the requirement that Party cadres exercise their power prudently, impartially, honestly and justifiably. We also conduct supervision and inspection to ensure that these requirements are implemented.

Meanwhile, the Company carries out education on the Party disciplines and rules and on anti-corruption warnings for all the Party members and cadres as well as employees in major posts, with 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 further enhancing employee’s awareness of corruption issues and preventing their desire of “corruption”.

## **Community Investment**

Dalian Port always upholds the principle of serving the society, giving back to the society and taking the initiative to assume social responsibilities. In 2019, the Company actively responded to the national policy of targeted poverty alleviation, promoting local public construction, economic development and improving people’s livelihood through industrial assistance projects and rural infrastructure construction. At the same time, with the outbreak of the epidemic, Dalian Port demonstrated its commitment as an outstanding corporate citizen in fulfilling social responsibility and taking practical actions to support the frontline epidemic prevention personnel.

## *Fuelling the Development of Rural Areas*

In response to the national call of targeted poverty alleviation, and 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. By visiting poor villages from door to door and conducting thorough investigations to understand their economic development status, the channels to increase peasants’ income, their advantages in resources and potentials for development, we 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 facilitating the strategy of rural vitalisation.

During the reporting period, the Company pushed forward the poverty alleviation work in Heishan County of Jinzhou City. In order to truly accomplish the long-term development in Heishan County, we conducted in-depth investigation and analysis for natural environment as well as economic and industrial development, actively implementing poverty alleviation work and promoting the industrial construction in the village. To further improve people’s livelihood, we also help local infrastructure construction. In 2019, the Company built clinics in local poor villages to improve the medical and health conditions.

# Environmental, Social and Governance Report

Lejia Township of Pulandian District in Dalian City, the targeted township for Dalian Port's assistance, has been concerned by the Company over the years for its development and construction. Setting up a target of comprehensive poverty alleviation by 2020, Dalian Port continues to assist in infrastructure development in poor villages. In addition, we carry on such initiatives as visiting the underprivileged families and providing them with such daily necessities as rice and noodles before the Spring Festival to continuously improve the life quality of villagers.



In order to further implement poverty alleviation work in Shangyuan Village of Beipiao City in Chaoyang, Dalian Port appointed a cadre stationed in the village to further understand the resource advantages of Shangyuan Village in order to actively drive the industrial poverty alleviation project. This year, after research and evaluation, the Company helped the village to build a garment processing factory and an orchard, to facilitate the development of related industries in the village.

## ***Support the Frontline Personnel in Fighting against the Epidemic***

Since the outbreak of COVID-19, Dalian Port took the initiative in combating against the epidemic. We actively responded to the call of the Party and launched a voluntary fund-raising campaign, calling on party members to battle the epidemic. As of March 9, 2020, a fund of RMB327 thousand was donated, demonstrating our support for the anti-epidemic work with concrete actions. At the same time, Dalian Port, making full use of its advantages in the industry, opened a special fast delivery channel for emergency prevention and control supplies. Through handling measures such as free access to ship discharge, direct lifting and direct loading of epidemic prevention and control supplies, it ensures fast and smooth clearance of epidemic prevention and control supplies at the port and thus a timely delivery to its destination.



Loading of epidemic prevention and control supplies



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)

(Stock Code : 2880)