大連港股份

Dalian Port (PDA) Company Limited*
大連港股份有限公司

(a sino-foreign joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 2880)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Board of Directors (the "**Board**") of Dalian Port (PDA) Company Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (the Company and its subsidiaries, collectively referred to as the "**Group**") prepared pursuant to China Accounting Standards for Business Enterprises for the year ended 31 December 2017. The Group's financial results for the reporting period have been audited by PricewaterhouseCoopers ZhongTian LLP.

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	**31 December 2017 Consolidated**	31 December 2016 Consolidated
Current Assets:		
Cash and bank balances	**7,507,917,166.59**	6,741,279,123.84
Financial assets at fair value through profit or loss	**5,050,497.50**	7,304,407.50
Notes receivable	**175,462,684.29**	158,645,593.12
Accounts receivable	**1,026,421,198.51**	658,558,980.91
Advances to suppliers	**159,435,191.83**	256,592,966.84
Interest receivable	**43,642,176.75**	26,268,705.14
Dividends receivable	**87,229,387.64**	38,245,401.40
Other receivables	**475,402,690.71**	315,286,763.19
Inventories	**702,685,534.58**	451,326,094.61
Non-current assets due within one year	**–**	–
Other current assets	**255,836,964.53**	508,815,328.87
Total current assets	**10,439,083,492.93**	9,162,323,365.42

ASSETS	**31 December 2017 Consolidated**	31 December 2016 Consolidated
Non-current Assets:		
Available-for-sale financial assets	**159,423,791.18**	155,844,671.60
Long-term receivables	**–**	11,500,000.00
Long-term equity investments	**4,181,438,137.97**	4,902,156,720.70
Investment property	**710,512,216.76**	645,455,657.62
Fixed assets	**16,857,245,435.83**	13,974,066,537.95
Construction in progress	**2,260,609,738.57**	1,616,008,035.15
Disposal of fixed assets	**3,680,222.04**	2,682,824.71
Intangible assets	**1,637,141,745.38**	1,090,143,242.15
Goodwill	**20,433,690.59**	16,035,288.74
Long-term prepayments	**106,783,619.90**	53,726,901.82
Deferred tax assets	**66,000,514.39**	74,929,025.62
Other non-current assets	**142,923,200.38**	197,192,688.51
Total non-current assets	**26,146,192,312.99**	22,739,741,594.57
TOTAL ASSETS	**36,585,275,805.92**	31,902,064,959.99

LIABILITIES AND SHAREHOLDERS' EQUITY	**31 December 2017 Consolidated**	31 December 2016 Consolidated
Current Liabilities:		
Short-term borrowings	**3,271,234,002.74**	499,427,798.80
Financial liabilities at fair value through profit or loss	**3,810,902.00**	–
Notes payable	**–**	1,250,000.00
Accounts payable	**380,389,360.83**	235,701,773.17
Advances from customers	**192,230,201.10**	224,121,958.94
Employee benefits payable	**250,668,300.78**	228,430,661.29
Tax payable	**127,314,759.93**	114,922,450.93
Interest payable	**182,382,996.32**	164,961,241.06
Dividends payable	**93,770,654.70**	76,661,039.64
Other payables	**533,050,100.81**	516,421,553.09
Non-current liabilities due within one year	**4,158,328,072.94**	1,047,523,521.42
Other current liabilities	**–**	3,038,041,251.61
Total current liabilities	**9,193,179,352.15**	6,147,463,249.95

LIABILITIES AND SHAREHOLDERS' EQUITY	**31 December 2017 Consolidated**	31 December 2016 Consolidated
Non-current liabilities:		
Long-term borrowings	**2,581,543,935.59**	147,010,023.77
Bond payable	**3,404,498,647.79**	5,779,081,112.06
Long-term payables	**–**	43,138,081.48
Deferred income	**570,082,092.47**	565,971,998.11
Deferred tax liabilities	**117,258,611.27**	13,843,600.37
Other non-current liabilities	**98,915,093.00**	99,241,941.00
Total non-current liabilities	**6,772,298,380.12**	6,648,286,756.79
TOTAL LIABILITIES	**15,965,477,732.27**	12,795,750,006.74
Shareholders' Equity:		
Issued capital	**12,894,535,999.00**	12,894,535,999.00
Capital reserve	**2,928,604,715.37**	2,930,944,685.96
Other consolidated income	**29,398,184.15**	47,375,566.99
Special reserve	**32,603,491.61**	29,604,575.28
Surplus reserve	**758,715,434.54**	676,643,140.78
Unappropriated profit	**1,416,071,539.76**	1,194,212,957.96
Equity attributable to equity holders of the Company	**18,059,929,364.43**	17,773,316,925.97
Minority interests	**2,559,868,709.22**	1,332,998,027.28
TOTAL SHAREHOLDERS' EQUITY	**20,619,798,073.65**	19,106,314,953.25
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**36,585,275,805.92**	31,902,064,959.99

CONSOLIDATED INCOME STATEMENT FOR 2017
(All amounts in RMB Yuan unless otherwise stated)

Item		2017 Consolidated	2016 Consolidated
I.	**Total Operating income**	**9,031,643,350.22**	12,814,483,861.14
	Including: Operating income	**9,031,643,350.22**	12,814,483,861.14
II.	**Total operating costs**	**8,976,144,046.47**	12,398,372,120.52
	Including: Operating costs	**7,568,202,507.68**	11,427,061,819.61
	Business taxes and levies	**45,412,616.54**	44,221,171.59
	Sales expenses	**412,560.91**	895,738.53
	Administrative expenses	**662,345,386.50**	663,365,001.90
	Financial expenses	**639,853,262.11**	256,884,038.08
	Impairment losses	**59,917,712.73**	5,944,350.81
	Add: Gains on changes in fair values (losses are expressed in "-")	**-5,946,927.00**	769,834.97
	Investment income	**542,552,490.64**	181,161,310.22
	Including: investment income from joint ventures and associates	**360,116,642.88**	162,831,714.95
	Income from disposal of assets	**15,747,601.32**	12,709,515.62
	Other income	**103,431,845.50**	–
III.	**Operating profit**	**711,284,314.21**	610,752,401.43
	Add: Non-operating income	**22,260,846.11**	170,574,867.12
	Less: Non-operating expenses	**6,386,975.66**	3,314,317.59
IV.	**Total profit**	**727,158,184.66**	778,012,950.96
	Less: Income tax expenses	**152,866,274.32**	165,330,007.50

Item		2017 Consolidated	2016 Consolidated
V.	**Net profit**	**574,291,910.34**	612,682,943.46
	Including: Net profit of the enterprise being merged in relation to business combination involving enterprises under common control	**–**	–
	Net profit attributable to equity holders of the Company	**500,779,944.29**	531,012,717.43
	Minority interests	**73,511,966.05**	81,670,226.03
VI.	**Other comprehensive income, net of tax**	**-17,977,382.84**	20,351,989.71
	Other comprehensive income attributable to equity holders of the Company, net of tax	**-17,977,382.84**	20,351,989.71
	Other comprehensive income to be reclassified to profit or loss in subsequent periods	**-17,977,382.84**	20,351,989.71
	Share of investee's other comprehensive income that will be reclassified subsequently to profit or loss under equity method	**755,666.78**	–
	Gain or loss from fair value changes in available-for-sale financial assets	**4,679,843.22**	-1,005,613.48
	Exchange differences on foreign currency translations	**-23,412,892.84**	21,357,603.19
	Other comprehensive income attributable to minority interests, net of tax	**–**	–
VII.	**Total comprehensive income**	**556,314,527.50**	633,034,933.17
	Total comprehensive income attributable to equity holders of the Company	**482,802,561.45**	551,364,707.14
	Total comprehensive income attributable to minority interests	**73,511,966.05**	81,670,226.03
VIII.	**Earnings per share**		
	(1) Basic earnings per share (RMB/share)	**0.04**	0.04
	(2) Diluted earnings per share (RMB/share)	**0.04**	0.04

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in RMB Yuan unless otherwise stated)

1. GENERAL INFORMATION

Dalian Port (PDA) Company Limited (the "Company") is a limited liability company jointly established by Port of Dalian Group Co., Ltd. ("PDA Group"), Dalian Rongda Investment Co., Ltd., Dalian Haitai Holding Co., Ltd., Dalian Detai Holding Co., Ltd. and Dalian Bonded Zhengtong Co., Ltd. on 16 November 2005, with its registered address and head office in Dalian, Liaoning Province of the People's Republic of China ("PRC"). PDA Group is the parent company and the ultimate parent company of the Company. At the time of establishment, the Company's total share capital was RMB1,960,000,000.00, with a par value of RMB1 each. On 21 March 2006, the Company issued 966,000,000 shares (H shares) to the public, and the Company was listed on the Stock Exchange of Hong Kong on 28 April 2006, total share capital was increased to RMB2,926,000,000.00 after the issuance. On 23 November 2010, the Company issued 761,820,000 ordinary shares (A shares) to the public, and issued 738,180,000 ordinary shares (A shares) to PDA Group by way of private placement. The Company was listed on the Shanghai Stock Exchange on 6 December 2010, total share capital was increased to RMB4,426,000,000.00 after the issuance. On 1 February 2016, the Company issued 1,180,320,000 shares (H shares) to China Merchants Port Holdings Company Limited by way of private placement. The "Scheme for profit distribution and capitalisation issue by way of conversion of capital reserve in 2015" was passed at the 2015 annual general meeting of the Company and was implemented in August 2016. After the implementation, 7,288,215,999 shares were added (of which, A shares: 4,372,420,000 shares; H shares: 2,915,795,999 shares). As at 31 December 2017, the Company's total share capital was RMB12,894,535,999.00, with a par value of RMB1 each.

The principal activities of the Company and its subsidiaries (hereinafter collectively, "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.; tallying and tugging services for vessels sailing on international and domestic lines; port logistics and port information technology consultation services; petroleum storage (restricted to those applying for bonded qualification and those at port storage facilities); refined oil products storage (restricted to those applying for bonded qualification and those at port storage facilities); import and export of goods and technology (excluding articles prohibited by relevant laws and regulations; import and export of articles restricted by laws and regulations may only be conducted with the grant of license).

The subsidiary newly included in the scope of consolidation in the current year is Liaoning Con-Rail International Logistics Co., Ltd. The subsidiaries no longer included in the scope of consolidation in the current year are Dalian Port Xinshengshi Trade Co., Ltd., Dalian Jifa Technology Co., Ltd., Huanan Dalian Gangzheng Cereals and Oil Trading Co., Ltd. and Dalian Shunda Logistic Services Co., Ltd.

The financial statements were approved and authorised for issue by the Board of Company on 26 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Basis of preparation

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

The financial statements are prepared on a going concern basis.

Certain disclosures in these financial statements have been adjusted according to the requirements under the new Hong Kong Companies Ordinance effective in 2016.

3. CHANGES OF CONSOLIDATION SCOPE

(1) Business combinations involving enterprises not under common control

The Group previously held 50% of the equity interests of Liaoning Con-Rail International Logistics Co., Ltd. ("Liaoning Con-Rail"), which was accounted for as a joint venture under equity method. On 26 August 2017, the Group entered into an equity transfer agreement with Liaoning International Forwarding Co., Ltd. to acquire the remaining 50% equity interests of Liaoning Con-Rail owned by it at a consideration of RMB6,996,850.00. Upon the date of the equity transfer agreement, the Group enjoyed 100% equity interests and 100% voting rights of Liaoning Con-Rail. Therefore, the acquisition date of the transaction was 26 August 2017.

The Group previously held 51% equity interests in Dalian Container Terminal Co., Ltd. ("DCT"), which was accounted for as a subsidiary under the cost method, and previously held 35% equity interests in Dalian Port Container Terminal Co., Ltd. ("DPCM") and 40% equity interests in Dalian International Container Terminal Co., Ltd. ("DICT"), which were accounted for as joint ventures under the equity method.

On 3 August 2017 and 4 August 2017, the Group entered into an equity transfer agreement with APM Terminals Dalian Company Limited to acquire the 20% equity interests in DPCM owned by it at a consideration of USD18,000,000.00. DCT, being a holding subsidiary of the Group, and DPCM and DICT, being joint ventures of the Group, entered into the Merger Agreement with all of their investors, namely Dalian Port Container Development Co., Ltd. (大連港集裝箱發展有限公司) ("Dalian Port Container"), being a wholly-owned subsidiary of the Group, COSCO Ports (Dalian) Limited (中遠碼頭(大連)有限公司) ("COSCO Ports"), China Shipping Terminal Development Co., Ltd. (中海碼頭發展有限公司) ("China Shipping Terminal"), China Shipping Ports Development Co., Ltd. (中海港口發展有限公司) ("China Shipping Ports"), Singapore Dalian Port Investment Pte Ltd. (新加坡大連港口投資私人有限公司) ("Singapore Dalian Port"), PSA China Pte. Ltd. ("PSA") and Nippon Yusen Kabushiki Kaisha (日本郵船株式會社) ("NYK"), pursuant to which DCT merged with and acquired DPCM and DICT. Upon completion of the merger and acquisition, DCT was owned as to 48.15% by Dalian Port Container, as to 4.35% by COSCO Ports, as to 10.99% by China Shipping Terminal, as to 3.66% by China Shipping Ports, as to 20.75% by Singapore Dalian Port, as to by 5.25% PSA and as to 6.85% by NYK, respectively. On 31 October 2017, DCT took over the assets, liabilities, businesses and personnel of DPCM and DICT, and began to carry out operations pursuant to the Merger Agreement and in accordance with the new articles of association, while shareholders shall enjoy the relevant rights and assume the relevant obligations as shareholders under the Merger Agreement and the new articles of association.

On 4 August 2017, Dalian Port Container entered into the Acting-in-concert Agreement in Relation to Dalian Container Terminal Co., Ltd. with NYK, pursuant to which it is agreed that NYK shall act in concert with Dalian Port Container on the voting of DCT's business decision-making matters.

(2) Other consolidation scope changes

Due to optimisation of internal resource allocation of the Group, Dalian Jifa Technology Co., Ltd., a controlling subsidiary of the Company, was de-registered by the Group with the approval of the Board on 15 July 2016. As at 31 December 2017, all de-registration procedures were completed.

Due to optimisation of internal resource allocation of the Group, the subsidiary Dalian Shunda Logistic Services Co., Ltd., was merged into the Group with the approval of the Board on 30 November 2016. As at 31 December 2017, all de-registration procedures were completed.

Due to optimisation of internal resource allocation of the Company, Dalian Port Xinshengshi Trade Co., Ltd., a controlling subsidiary of the Company, was de-registered with the approval of the general meeting in the year. As at 31 December 2017, all de-registration procedures were completed.

Due to optimisation of internal resource allocation of the Company, Huanan Dalian Gangzheng Cereals and Oil Trading Co., Ltd., a wholly-owned subsidiary of the Group, was de-registered with the approval of the Board. As at 31 December 2017, all de-registration procedures were completed.

4. ACCOUNTS RECEIVABLE

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

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

(a) The ageing of accounts receivable based on their recording dates is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	**952,498,692.75**	573,541,242.90
1 to 2 years	**22,827,091.48**	12,436,875.66
2 to 3 years	**6,028,305.62**	13,832,071.12
Over 3 years	**70,516,349.01**	58,896,791.23
	1,051,870,438.86	658,706,980.91

As at 31 December 2017, accounts receivable overdue amounted to RMB149,565,715.69 (31 December 2016: RMB91,414,149.82). The Group considered this receivable recoverable with no impairment based on the analysis of the financial position and credit record of the customers, and therefore no impairment provision was made on an individual basis. The ageing of the receivable is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	**67,421,092.87**	9,645,714.17
1 to 2 years	**9,521,088.97**	9,657,604.38
2 to 3 years	**3,217,069.44**	13,398,704.86
Over 3 years	**69,406,464.41**	58,712,126.41
	149,565,715.69	91,414,149.82

(b) Accounts receivable are analysed by categories as follows:

	31 December 2017				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	%	Amount	% of total balance	Amount	%
Amounts that are individually significant with provision for bad debts made on an individual basis	**60,602,480.71**	**5.76%**	**25,301,240.35**	**41.75%**	–	–	–	–
Amounts with provision for bad debts provided on the group basis	**991,119,958.15**	**94.23%**	**–**	**–**	658,558,980.91	99.98%	–	–
Of which Group 1:	**–**	**–**	**–**	**–**	–	–	–	–
Group 2:	**991,119,958.15**	**94.23%**	**–**	**–**	658,558,980.91	99.98%	–	–
Amounts that are individually insignificant but with provision for bad debts made on an individual basis	**148,000.00**	**0.01%**	**148,000.00**	**100.00%**	148,000.00	0.02%	148,000.00	100.00%
	1,051,870,438.86	**100.00%**	**25,449,240.35**	**2.42%**	658,706,980.91	100.00%	148,000.00	0.02%

(c) The analysis of individually significant receivables as at 31 December 2017 for which provision for bad debts was made on an individual basis is presented as follows:

	Balance of carrying amount	Provision for bad debts	Proportion of provision	Reason
Dalian Bohui International Trade Co., Ltd.	40,440,207.80	20,220,103.90	50.00%	(i)
Dalian Jiuru Automobile Sales and Services Co., Ltd.	20,162,272.91	5,081,136.45	25.20%	(ii)
	60,602,480.71	25,301,240.35		

(i) As at 31 December 2017, the accounts receivable from Dalian Bohui International Trade Co., Ltd. (大連博輝國際貿易有限公司) ("Dalian Bohui") amounted to RMB40,440,207.80. Considering that there will be uncertainty in recovering these accounts receivable, the Group has made a provision for bad debts for these accounts receivable at a proportion of 50% based on the principle of prudence.

(ii) As at 31 December 2017, the accounts receivable from Dalian Jiuru Automobile Sales and Services Co., Ltd. amounted to RMB20,162,272.91. As the legal person of the company passed away and the company has suspended its operations, the Group considers that there will be uncertainty in recovering the remaining receivables after instituting an action for property preservation of the company's property worth RMB10,000,000.00 at the Intermediate People's Court of Dalian Municipality. Therefore, the Group has made a provision for bad debts for the remainder at a proportion of 50%.

(d) During the year, provision for bad debts amounted to RMB25,301,240.35, recovery of bad debts provision amounted to RMB10,000.00. No write-off of receivables was made.

(e) As at 31 December 2017, the top five balances of accounts receivable from debtors are summarised for analysis as follows:

	Amount	Provision for bad debts	% of total balance
Total balance of top five accounts receivable	386,460,381.90	20,220,103.90	36.74%

5. OTHER RECEIVABLES

	31 December 2017	31 December 2016
Receivables from advances for vehicles and bills of exchange	**187,319,005.31**	129,697,598.73
Income receivables from entrusted management services	**64,077,000.00**	–
Receivables from project payment and guarantee deposit	**57,299,576.97**	62,922,321.14
Asset transfer payment	**49,549,600.00**	–
Entrusted loans (i)	**38,000,000.00**	53,600,000.00
Receivables from freight charges, deposit and security deposit	**21,288,065.48**	23,084,303.32
Port construction and miscellaneous expenses	**25,681,188.92**	5,186,696.39
Government subsidies receivable	**15,633,642.00**	1,507,692.00
Berth and housing rentals receivable	**857,070.41**	1,355,644.85
Public infrastructure maintenance expenses	**6,784,970.63**	1,246,024.98
Others	**37,545,746.78**	37,747,674.75
	504,035,866.50	316,347,956.16
Less: Provision for bad debts	**28,633,175.79**	1,061,192.97
	475,402,690.71	315,286,763.19

(i) Entrusted loans.

– Loans to joint ventures

As at 31 December 2017, loans to joint ventures included:

The Group entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans of RMB29,000,000.00 to its joint venture, Dalian Changxing Island Port Co., Ltd., at the rate of 5.655% annually and due on 18 August 2018 (31 December 2016: loans of RMB0.00).

The Group entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans of RMB9,000,000.00 to its joint venture, Dalian Vanguard International Logistics Co., Ltd. at the rate of 4.35% annually and due on 29 December 2018 (31 December 2016: loans of RMB0.00).

As at 31 December 2016, the Group entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans of RMB4,600,000.00 to its joint venture, Liaoning Con-Rail International Logistics Co., Ltd., at the rate of 4.35% annually and due on 11 February 2017. On 31 December 2017, Liaoning Con-Rail International Logistics Co., Ltd. was included in the scope of consolidation.

The Group entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans of RMB0.00 to its joint venture, Dalian Port Yidu Cold Chain Co., Ltd. (31 December 2016: loans of RMB33,000,000.00 at the rate of 4.785% annually and due on 22 March 2017).

– Loans to associates

As at 31 December 2017, loans to associates included:

The Group entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans of RMB0.00 to its associate, Dalian Puji Storage Facility Co., Ltd., (31 December 2016: RMB16,000,000.00, at the rate of 4.35% annually and due on 28 January 2017).

(a) The ageing of other receivables is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	**417,381,488.44**	275,702,811.45
1 to 2 years	**51,965,016.14**	26,000,345.60
2 to 3 years	**21,783,069.85**	5,711,684.99
Over 3 years	**12,906,292.07**	8,933,114.12
	504,035,866.50	316,347,956.16

As at 31 December 2017, an amount of RMB22,056,564.28 (31 December 2016: RMB34,053,657.84) of other receivables was overdue. The Group considered this receivable recoverable with no impairment based on the analysis of the financial position and credit history of the debtors, and therefore no impairment provision was made on an individual basis. The ageing of other receivables is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	**14,900,462.54**	9,318,172.40
1 to 2 years	**2,251,173.75**	16,380,435.68
2 to 3 years	**1,867,965.00**	4,244,159.42
Over 3 years	**3,036,962.99**	4,110,890.34
	22,056,564.28	34,053,657.84

(b) Other receivables are analysed by categories as follows:

	31 December 2017				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	%	Amount	% of total balance	Amount	%
Amounts that are individually significant with provision for bad debts made on an individual basis	157,920,105.67	31.33%	27,571,982.82	17.46%	–	–	–	–
Amounts with provision for bad debts made on group basis	343,390,164.06	68.13%	–	–	313,622,359.39	99.14%	–	–
Of which: Group 1	–	–	–	–	–	–	–	–
Group 2	343,390,164.06	68.13%	–	–	313,622,359.39	99.14%	–	–
Amounts that are individually insignificant but with provision for bad debts made on an individual basis	2,725,596.77	0.54%	1,061,192.97	38.93%	2,725,596.77	0.86%	1,061,192.97	38.93%
	504,035,866.50	100.00%	28,633,175.79	5.68%	316,347,956.16	100.00%	1,061,192.97	0.34%

(c) The analysis of individually significant other receivables for which provision for bad debts was made on an individual basis as at 31 December 2017 is presented as follows:

	Balance of carrying amount	Provision for bad debts	Proportion of provision	Reason
Dalian Bohui International Trade Co., Ltd.	157,920,105.67	27,571,982.82	17.46%	(i)

(i) As at 31 December 2017, the other receivables from Dalian Bohui generated from automobile agency business amounted to RMB157,920,105.67, of which RMB102,776,140.03 was related to the vehicles held for sale by Dalian Bohui as an agent that are subject to litigation preservation orders as at the date of this announcement. Therefore, the Group was of the view that there was no need to make a provision for these vehicle related receivables as bad debts. However, considering that there will be uncertainty in recovering the remaining other receivables of RMB55,143,965.64, the Group has made a provision for bad debts at a proportion of 50%.

(d) Provision for bad debts for the year amounted to RMB27,571,982.82, no recovery or reversal of provision for bad debts was made and no write-off of other receivables was made.

(e) As at 31 December 2017, the top five balances of other receivables from debtors are summarised for analysis as follows:

	Nature	Balance	Ageing	% of total balance of other receivables	Provision for bad debts
Dalian Bohui International Trade Co., Ltd.	Bills of exchange	49,316,350.72	Within 1 year	9.78%	–
	Advances for vehicles	67,119,727.39	Within 1 year	13.32%	6,829,969.04
	Advances for vehicles	33,317,287.83	1 to 2 years	6.61%	16,658,643.92
	Advances for vehicles	5,639,327.25	2 to 3 years	1.12%	2,819,663.62
	Advances for vehicles	2,527,412.48	Over 3 years	0.50%	1,263,706.24
Changxing Island Port Investment and Development Co., Ltd.	Income from entrusted management services	64,077,000.00	Within 1 year	12.71%	–
Dalian Port Xiangyu Bulk Grains Logistics Co., Ltd.* (大連港象嶼糧食物流有限公司)	Asset transfer payment	49,549,600.00	Within 1 year	9.83%	–
Dalian Changxing Island Port Co., Ltd.	Entrusted loans, project payment and income from appointment of executives	31,296,442.40	Within 1 year	6.21%	–
	Project payment and income from appointment of executives	3,849,763.00	1 to 2 years	0.76%	–
	Project payment and income from appointment of executives	2,880,000.00	2 to 3 years	0.57%	–
	Project payment and income from appointment of executives	3,464,109.35	Over 3 years	0.69%	–
Guangdong Benshun Zhongcheng Automobile Supply Chain Management Co., Ltd.	Bills of exchange	19,494,828.71	Within 1 year	3.87%	–
		332,531,849.13		65.97%	27,571,982.82

(f) As at 31 December 2017, the Group's government grants recognised at amounts receivable are analysed as follows:

	Government grants	Balance	Ageing	Basis of estimated collection
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	Container transportation allowance	10,072,250.00	Within 1 year	Request for Support for Developing Container Transportation in Dongying Port
Dalian Port Group Zhuanghe Terminal Co., Ltd.	Container transportation allowance	3,000,000.00	Within 1 year	Report on Application for Allowance for Zhuanghe Port container business in 2017
Heilongjiang Suimu Dalian Port Logistics Co., Ltd.	Refund of tax	2,561,392.00	Within 1 year	Cooperation Agreement on Xiachengzi Logistics Centre of Muling Economic Development Zone
		15,633,642.00		

6. INVENTORIES

(a) Inventories are summarised by category is set out as follows:

	31 December 2017			31 December 2016		
	Ending balance	**Provision for decline in value of inventories**	**Carrying amount**	Ending balance	Provision for decline in value of inventories	Carrying amount
Raw materials	**79,681,233.82**	**-7,803,794.80**	**71,877,439.02**	70,653,011.68	-7,803,889.80	62,849,121.88
Finished goods	**630,000,477.62**	**-7,054,584.56**	**622,945,893.06**	382,785,952.13		382,785,952.13
Turnover materials	**7,862,202.50**		**7,862,202.50**	5,691,020.60		5,691,020.60
	717,543,913.94	**-14,858,379.36**	**702,685,534.58**	459,129,984.41	-7,803,889.80	451,326,094.61

As at 31 December 2017, inventories with carrying amount of RMB327,114,425.81 (31 December 2016: 317,241,729.72) and relevant documents of import business were pledged as collateral for the bank borrowings of RMB308,692,031.66 (31 December 2016: RMB226,487,016.66).

(b) An analysis of the provision for decline in the value of inventories is set out as follows:

		Increase in the current year		**Decrease in the current year**		
	31 December 2016	**Provision**	**Others**	**Reversal/ Write-off**	**Others**	**31 December 2017**
Raw materials	7,803,889.80	–	–	-95.00	–	**7,803,794.80**
Finished good	–	7,054,584.56	–	–	–	**7,054,584.56**
	7,803,889.80	7,054,584.56	–	-95.00	–	**14,858,379.36**

(c) The status of the provision for decline in the value of inventories is set out as follows:

	Specific basis to determine net realisable value	**Reasons for reversal of provision for decline in the value of inventories in the current year**
Raw materials	Estimated selling prices	Factors for write-down of the value of inventories no longer existed
Finished good	Recoverable amount in future	Not applicable

7. ACCOUNTS PAYABLE

	31 December 2017	31 December 2016
Vessel leasing and ocean freight	**136,760,560.21**	52,453,087.11
Purchase of goods	**128,393,067.08**	4,510,238.41
Purchase of auxiliary materials and quality guarantee deposit	**115,235,733.54**	178,738,447.65
	380,389,360.83	235,701,773.17

(a) As at 31 December 2017, accounts aged over 1 year amounted to RMB16,883,429.59 (31 December 2016: RMB15,755,861.28), mainly comprising payables for subcontracting, materials and quality guarantee deposit which are pending final settlement as the final accounts of completion are not available yet.

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

	31 December 2017	31 December 2016
Within 1 year	**363,505,931.24**	219,945,911.89
1 to 2 years	**10,213,922.34**	11,994,623.06
2 to 3 years	**5,347,996.82**	2,768,046.73
Over 3 years	**1,321,510.43**	993,191.49
	380,389,360.83	235,701,773.17

8. REVENUE AND COST OF SALES

	2017	2016
Revenue from main operations	**8,584,027,116.26**	12,499,813,840.14
Revenue from other operations	**447,616,233.96**	314,670,021.00
	9,031,643,350.22	12,814,483,861.14
Cost of sales from main operations	**7,290,497,966.48**	11,160,474,912.91
Cost of sales from other operations	**277,704,541.20**	266,586,906.70
	7,568,202,507.68	11,427,061,819.61

(a) Analysis by industry is set out as follows:

	2017		2016	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Oil and liquefied chemicals terminal and related logistics and trading services	**2,568,149,091.77**	**2,065,151,976.02**	6,151,513,314.80	5,422,277,469.82
Container terminal and related logistics services	**2,324,693,840.07**	**1,883,558,475.63**	1,548,058,061.14	1,234,368,793.86
General cargo terminal and related logistics and trading services	**315,435,489.60**	**346,459,606.16**	469,721,885.04	506,723,225.05
Ore terminal and related logistics services	**385,757,321.36**	**272,347,131.83**	314,027,495.35	281,266,698.49
Bulk grains terminal and related logistics and trading services	**493,134,073.32**	**457,563,149.43**	681,657,589.01	706,392,865.74
Passenger and roll-on, roll-off terminal and related logistics roll-on, roll-off services	**163,083,222.14**	**115,887,863.81**	138,607,950.47	103,806,463.56
Port value-added and ancillary services	**955,244,743.21**	**658,172,982.58**	937,338,809.20	669,425,613.68
Automobile terminal and related logistics and trading services	**1,728,744,110.94**	**1,691,946,365.67**	2,490,667,323.32	2,426,317,672.29
Others	**97,401,457.81**	**77,114,956.55**	82,891,432.81	76,483,017.12
	9,031,643,350.22	**7,568,202,507.68**	12,814,483,861.14	11,427,061,819.61

(b) The revenue is categorised as follows:

	2017	2016
Commodity trading	**3,618,506,281.08**	7,861,426,905.58
Loading services	**2,171,700,608.62**	1,775,105,873.33
Storage services	**553,401,478.56**	839,822,024.71
Agency services	**949,113,027.69**	754,258,103.15
Logistics services	**535,836,818.43**	463,520,474.70
Leasing services	**263,320,406.76**	222,996,028.23
Port management services	**246,769,760.49**	234,748,363.71
Project construction and supervision services	**123,838,092.30**	170,447,389.25
Electricity supply services	**94,089,108.03**	90,736,174.73
Information services	**80,683,188.91**	83,421,409.76
Tallying services	**65,361,589.04**	66,378,611.19
Sales of goods	**32,609,559.33**	31,233,405.71
Others	**296,413,430.98**	220,389,097.09
	9,031,643,350.22	12,814,483,861.14

9. TAXES AND SURCHARGES

	2017	2016	**Tax base**
City maintenance and construction tax	**8,637,534.75**	9,094,953.92	7% of business tax and VAT actually paid for city maintenance and construction tax
Property tax	**12,569,732.06**	8,087,389.63	1.2% of the residual value of the property or 12% of the rental income of the property for property tax
Business tax	**370,562.42**	8,050,951.69	5% of taxable income for business tax
Educational surcharge	**6,179,672.15**	6,518,325.44	3% of business tax and VAT actually paid for educational surcharge, and 2% for local educational surcharge
Land use tax	**11,808,910.04**	6,270,616.50	Unit taxable amount stated in tax law based on actual land area used
Stamp duty	**4,378,341.51**	5,599,136.47	Proportional tax rate stated in tax law or calculating taxable amount by number of vouchers, based on the nature of the taxable vouchers
Vehicle and vessel use tax	**1,467,863.61**	599,797.94	Based on categories of vehicle and vessel used and applicable tax amount stated in tax law
	45,412,616.54	44,221,171.59	

10. NON-OPERATING INCOME

	2017	2016	**Amount recognised in non-recurring profit or loss for the year 2017**
Government grants (a)	**15,888,145.62**	161,059,020.47	**15,888,145.62**
Gains on write-off of fixed assets	**351,275.17**	1,097,061.67	**351,275.17**
Others	**6,021,425.32**	8,418,784.98	**6,021,425.32**
	22,260,846.11	170,574,867.12	**22,260,846.11**

(a) Details of government grants

	2017	2016	**Related to assets/ income**
Compensation for the loss of the original port	**15,580,000.00**	–	Related to assets
Safe production	**–**	952,500.00	Related to assets
Relocation compensation	**–**	33,621,113.74	Related to assets
Vessel acquisition subsidies	**–**	791,217.56	Related to assets
Special fund for energy conservation and emission reduction	**–**	646,659.70	Related to assets
Equipment reconstruction subsidies	**–**	264,423.68	Related to assets
Others	**–**	394,815.40	Related to assets
Container subsidies	**–**	108,258,234.20	Related to income
Operation subsidies	**–**	10,510,000.00	Related to income
Refund of turnover taxes	**–**	454,078.33	Related to income
Others	**308,145.62**	5,165,977.86	Related to income
	15,888,145.62	161,059,020.47	

11. INCOME TAX EXPENSES

	2017	2016
Current income tax calculated based on tax law and related regulations	**109,385,241.41**	176,307,091.42
Deferred income tax	**43,481,032.91**	-10,977,083.92
	152,866,274.32	165,330,007.50

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is set out as follows:

	2017	2016
Total profit	**727,158,184.66**	778,012,950.96
Income tax expenses calculated at applicable tax rates	**181,789,546.17**	194,503,237.74
Effect of different tax rates applicable to subsidiaries in Mainland China	**-899,868.40**	-1,397,506.41
Effect of different tax rates applicable to subsidiaries outside Mainland China	**8,502,687.09**	5,041,639.73
Adjustments for current income tax of prior periods	**-2,127,699.56**	-3,279,136.24
Income not subject to tax	**-94,206,253.05**	-49,998,502.25
Costs, expenses and losses not deductible for tax purposes	**13,518,727.96**	11,369,224.79
Utilisation of deductible tax losses and temporary differences of previously unrecognised deferred income tax assets	**-2,193,647.84**	-6,668,300.41
Deductible tax losses and temporary differences for which no deferred income tax assets were recognised	**48,482,781.95**	15,759,350.55
Income tax expenses	**152,866,274.32**	165,330,007.50

12. EARNINGS PER SHARE

(a) Basic earnings per share

The amount of basic earnings per share is calculated by dividing consolidated net profit attributable to holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding:

	2017	2016
Consolidated net profit attributable to shareholders of ordinary shares of the Company	**500,779,944.29**	531,012,717.43
Weighted average number of ordinary shares of the Company outstanding	**12,894,535,999.00**	12,664,599,344.26
Basic earnings per share	**0.04**	0.04
Including:		
– Basic earnings per share from continuing operations:	**0.04**	0.04
– Basic earnings per share from discontinued operations:	**–**	–

(b) Diluted earnings per share

The amount of diluted earnings per share is calculated by dividing net profit attributable to shareholders of ordinary shares of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares of the Company outstanding. In 2017, there were no dilutive potential ordinary shares (2016: nil), hence the amount of diluted earnings per share is equal to that of basic earnings per share.

13. EVENTS AFTER THE BALANCE SHEET DATE

(1) Description of profit distribution after the balance sheet date

	Amount
Proposed cash dividends (a)	RMB296,574,327.98
Proposed scrip dividends (a)	–
Reviewed and approved dividends declared to be issued	RMB296,574,327.98

As resolved at the Board meeting of the Company held on 26 March 2018, the proposed distribution under the profit distribution plan for 2017 is to pay a cash dividend of RMB0.23 (tax included) per 10 shares to all shareholders on the basis of 12,894,535,999 shares, representing total cash dividends of RMB296,574,327.98. The proposed distribution is subject to approval at the general meeting.

14. SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or services, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 8 reportable segments as follows:

- Oil and liquefied chemicals terminal and related logistics and trading services, responsible for loading and discharging, storage and transhipment of oil products and liquefied chemicals, port management and oil trading operation

- Container terminal and related logistics services, responsible for loading and discharging, storage and transshipment of containers, leasing of terminals and related facilities and various container logistics services and sale of properties

- Automobile terminal and related logistics and trading services, responsible for loading and discharging of automobile and related logistics services and automobile trading operation

- General cargo terminal and related logistics and trading services, responsible for loading and unloading of general cargo and provision of related logistics services, steel trading operation

- Bulk grains terminal and related logistics and trading services, responsible for loading and unloading of grains and provision of related logistics services, bulk grains trading operation

- Ore terminal and related logistics services, responsible for loading and unloading of ore and provision of related logistics services

- Passenger and roll-on, roll-off terminal and related logistics services, responsible for passenger transportation and general cargo roll-on and roll-off and provision of related logistics services

- Port value-added and ancillary services, responsible for tallying, tugging, transportation, power supply, information technology and construction services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment.

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit. The adjusted total profit is measured consistently with the Group's total profit except for certain revenue and expenses attributable to the headquarters. Segment assets and liabilities exclude certain assets and liabilities attributable to the 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 transactions are conducted in accordance with the terms mutually agreed between the parties.

Inter-segment transfer prices are measured by reference to selling prices to third parties

The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

(a) Segment information for 2017 and as at 31 December 2017 is set out as follows (unit: RMB'000):

	Oil/liquefied chemicals terminal and related logistics and trading services	Container terminal and related logistics services	General cargo terminal and related logistics and trading services	Ore terminal and related logistics services	Bulk grains terminal and related logistics and trading services	Passenger and roll-on, roll-off terminal and related logistics services	Port value added and ancillary port services	Automobile terminal and related logistics and trading services	Others	Elimination	Total
Revenue from external customers	2,568,149	2,324,694	315,435	385,758	493,134	163,083	955,245	1,728,744	97,401	–	9,031,643
Inter-segment revenue	2,833	5,374	334	233	1,324	1,025	132,922	–	39,642	-183,687	–
Operating cost	2,043,345	1,826,870	320,885	272,347	433,654	110,659	564,850	1,688,457	29,431	–	7,290,498
Interest income	24,506	6,268	1,136	313	2,900	605	2,298	3,282	76,960	–	118,268
Investment income/(loss) from associates and joint ventures	140,720	80,393	24,410	9,065	-376	10,579	70,437	24,889	–	–	360,117
Asset impairment losses	–	-0	-10	–	–	–	–	59,928	–	–	59,918
Depreciation and amortisation expenses	219,883	244,600	82,669	103,949	65,912	32,634	70,188	272	30,382	–	850,489
Total profit/(loss)	598,665	466,987	-45,387	88,059	12,473	25,788	215,079	-31,020	-603,486	–	727,158
Income tax expenses	113,062	125,860	-15,882	19,745	5,830	2,813	23,507	2,109	-124,178	–	152,866
Net profit/(loss)	485,603	341,127	-29,505	68,314	6,643	22,975	191,572	-33,129	-479,308	–	574,292
Total assets	7,668,008	11,385,210	2,317,232	1,972,700	1,418,002	1,494,717	2,712,976	1,909,937	7,506,518	-1,800,024	36,585,276
Total liabilities	1,884,354	5,411,929	77,703	79,725	215,692	63,293	262,138	930,667	8,840,001	-1,800,024	15,965,478
Non-cash expenses other than depreciation and amortisation	1,423	11,833	22	–	–	15	474	–	62,243	–	76,010
Long-term equity investments in associates and joint ventures	1,560,907	783,781	143,335	13,712	39,844	345,634	951,356	342,869	–	–	4,181,438
Additions of non-current assets	114,292	4,866,955	18,313	20,424	34,407	100,144	22,214	26,808	22,032	–	5,225,589

(b) Segment information for 2016 and as at 31 December 2016 is set out as follows (unit: RMB'000):

	Oil/liquefied chemicals terminal and related logistics and trading services	Container terminal and related logistics services	General cargo terminal and related logistics and trading services	Ore terminal and related logistics services	Bulk grains terminal and related logistics and trading services	Passenger and roll-on, roll-off terminal and related logistics services	Port value-added and ancillary port services	Automobile terminal and related logistics and trading services	Others	Elimination	Total
Revenue from external customers	6,151,513	1,548,058	469,722	314,028	681,658	138,608	937,339	2,490,667	82,891	–	12,814,484
Inter-segment revenue	1,101	3,959	241	233	691	914	104,901	–	47,255	-159,295	–
Cost of principal operation	5,405,841	1,181,209	484,968	281,267	683,657	98,281	569,093	2,426,318	29,841	–	11,160,475
Interest income	18,717	4,458	1,145	257	3,125	258	2,244	2,765	42,870	–	75,839
Investment income/(loss) from associates and joint ventures	72,825	33,103	-34,191	5,027	–	-990	75,757	11,301	–	–	162,832
Asset impairment losses	–	5,944	–	–	–	–	–	–	–	–	5,944
Depreciation and amortisation expenses	219,694	193,530	85,684	106,097	67,941	31,324	69,190	148	27,487	–	801,095
Total profit/(loss)	737,493	271,287	-109,044	5,949	-56,330	4,613	189,310	25,884	-291,149	–	778,013
Income tax expenses	185,103	62,901	-20,636	114	-15,453	1,136	25,949	2,830	-76,614	–	165,330
Net profit/(loss)	552,390	208,386	-88,408	5,835	-40,877	3,477	163,361	23,054	-214,535	–	612,683
Total assets	7,611,956	7,545,201	2,363,230	1,941,560	1,358,248	1,325,679	2,845,978	1,558,615	7,053,211	-1,701,613	31,902,065
Total liabilities	1,660,690	2,215,015	74,596	68,432	148,145	54,661	248,854	683,933	9,343,037	-1,701,613	12,795,750
Non-cash expenses other than depreciation and amortisation	1,105	11,899	22	25	–	36	473	–	33,621	–	47,181
Long-term equity investments in associates and joint ventures	1,488,877	1,590,379	118,902	9,554	–	335,055	1,031,396	327,994	–	–	4,902,157
Additions of non-current assets (i)	66,272	88,747	27,205	31,114	24,011	27,301	96,513	45,838	27,480	–	434,481

(i) Non-current assets exclude financial assets, long-term equity investments and deferred tax assets.

Other information

Geographical information

The entire Group's operations are located in Mainland China. Therefore, all revenue of segments is generated from Mainland China and the major non-current assets are also located in Mainland China.

INFORMATION ABOUT MAJOR CUSTOMERS

The revenue from the oil/liquefied chemicals terminal and related logistics services segment of RMB486,271,159.63 is derived from a single customer, accounting for 5.38% of the Group's total revenue.

SUMMARY OF THE INDEPENDENT AUDITORS' REPORT

The Summary of the Independent Auditors' Report of PricewaterhouseCoopers Zhong Tian LLP, the external auditors of the Company, is presented below:

We have audited the accompanying financial statements of Dalian Port (PDA) Company Limited (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2017; the consolidated and company income statements for 2017; the consolidated and company cash flow statements for 2017; the consolidated and company statements of changes in shareholders' equity for the year then ended 2017 and the notes to the financial statements.

OUR QUALIFIED OPINION

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

BASIS FOR QUALIFIED OPINION

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

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

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

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

KEY AUDIT MATTERS

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

Note: For the above-mentioned notes to the financial statements, please refer to the 2017 Audit Report issued by the external auditors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

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

During the reporting period, the Group was principally engaged in the following business segments: the provision of oil/liquefied chemical terminal and related logistics and trading services ("Oil Segment"); container terminal and related logistics services ("Container Segment"); automobile terminal and related logistics services ("Automobile Segment"); ore terminal and related logistics services ("Ore Segment"); general cargo terminal and related logistics services ("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").

In 2017, the macro economy and industries relevant to the Group's principal business performed as follows:

THE MACRO ECONOMY AND DEVELOPMENT OF THE INDUSTRY

In 2017, the world economy gradually picked up, and the developed economies showed a positive growth momentum, with the growth of emerging markets and developing economies rebounding stably. The BDI index, which reflects shipping freight costs, significantly rebounded year-on-year. Regarding the domestic environment, China proactively aligned its economy with the new normal backdrop, adhered to the overall direction of making progress while maintaining stability, placed emphasis on pushing forward supply side structural reforms, and promoted and furthered the continual transformation and upgrading of the port industry. Regarding the economy of the hinterland, the rates of growth of imports and exports of the three provinces Liaoning, Jilin and Heilongjiang in 2017 were 18.0%, 3% and 16.3% respectively, indicating a gradual improvement in the economic growth of the hinterland and foreign imports and exports.

At present, the Group's development is at a leading position in the industry. In 2017, the Group ranked seventh in terms of coastal port cargo throughput nationwide.

OVERALL ANALYSIS OF RESULTS

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

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

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

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

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

Note 1: Gross profit = Revenue – Cost of sales

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

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

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

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

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

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

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

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

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

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

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

ASSETS AND LIABILITIES

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

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

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

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

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

The Group continued to closely monitor its interest rate risk and exchange rate risk. As at 31 December 2017, the Group has not entered into any foreign exchange hedging contracts.

CONTINGENT LIABILITIES

1. The Group's associate, Dalian North Petroleum Logistics Co., Ltd., launched lease financing business with Zhong Bing Financial Leasing Co., Ltd. (中兵融資租賃有限公司) (the "Lessor"), with a financing amount of RMB116 million and a lease term of 5 years, and the lease commenced on 25 July 2016. China Zhenhua Oil Co., Ltd., which is the shareholder of Dalian North Petroleum Logistics Co., Ltd. with the highest shareholding (29% equity interests), provided joint and several liability guarantee in respect of the full amount of the rental payment.

   Pursuant to the relevant resolution of the fifth meeting of the fourth session of the Board held in 2016, the Company provided unconditional, irrevocable, joint and several counter guarantee suretyship, in the capacity as a surety of the counter guarantee, in respect of 20% of the suretyship liability actually assumed by China Zhenhua Oil Co., Ltd. towards the Lessor for Dalian North Petroleum Logistics Co., Ltd., as well as other necessary expenses and loss. The relevant contract for the counter guarantee suretyship was signed on 11 November 2016. The term of the suretyship is two years from the date when China Zhenhua Oil Co., Ltd. assumed its guarantee liability towards the Lessor according to the guarantee contract. If China Zhenhua Oil Co., Ltd. undertakes guarantee liability towards the Lessor according to the guarantee contract for more than once, the term of the suretyship of the Company under the counter guarantee suretyship would have to be calculated separately. As at 31 December 2017, Dalian North Petroleum Logistics Co., Ltd. had repaid RMB30 million of the principal of the lease financing.

2. China Development Fund Co., Ltd. ("China Development Fund") plans to make capital contribution of RMB35 million to Dalian Port Yidu Cold Chain Co., Ltd. ("Dalian Port Yidu"), a joint venture of the Group. The investment is mainly for the second phase of the cold storage project of Dalian Port Yidu. After the completion of the capital increase, China Development Fund would account for 6.7% of the shareholding. When the investment term expires, China Development Fund has the right to require Dalian Port Jifa Logistics Co., Ltd. ("Jifa Logistics"), a wholly-owned subsidiary of the Group, to repurchase the equity interest in respect of the capital increase, or require Dalian Port Yidu to reduce its registered capital so that China Development Fund would recover its investment principal, or require Jifa Logistics and Dalian Port Yidu to act in line with China Development Fund's attempt to bow out of Dalian Port Yidu through marketisation, and require Dalian Port Container Development Co., Ltd. ("Dalian Port Container"), the parent company of Jifa Logistics, to provide joint and several liability guarantee in respect of the repurchase by Jifa Logistics. Dalian Port Container is a wholly-owned subsidiary of the Company.

   Pursuant to the relevant resolution of the first meeting of the fourth session of the Board held in 2016, the Company agreed that Dalian Port Container could provide joint and several liability guarantee in respect of the repurchase between Jifa Logistics and China Development Fund, with the amount guaranteed not exceeding RMB42.14 million, including repurchase fund, investment income of China Development Fund, other fund shortfall obligations and compensation, liquidated damages, damages and realised debts. The term of the suretyship is two years from the expiration date of debt performance under the master contract. The guarantee contract was signed on 25 February 2016.

3. On 7 November 2017, Dalian Bohui International Trade Co., Ltd. (大連博輝國際貿易有限公司) ("Dalian Bohui", an independent third party) filed a lawsuit against Dalian Jin Gang United Auto Trade Co., Ltd. (大連金港聯合汽車國際貿易有限公司) ("Jin Gang", a 60% owned subsidiary of the Company) and the Company at the Intermediate People's Court of Dalian Municipality, Liaoning Province, claiming that Jin Gang shall repay the excessive amount of RMB240,000,000 overpaid by Dalian Bohui during 1 June 2013 and 31 December 2016 (the "Relevant Period") and the Company shall take supplementary compensation liabilities. As advised by the external legal counsel of the Group, Dalian Bohui's claims are likely to be rejected by the court due to lack of substantial evidence. Therefore, the Group considers that the chance of repaying RMB240,000,000 to Dalian Bohui is very slim and hence has not made any provisions for the lawsuit.

   On the other hand, according to the financial records kept by the Group, as at 31 December 2017, the balance of the Group's accounts receivable and other receivables from Dalian Bohui was RMB40,440,207.80 and RMB157,920,105.67, respectively. After taking into account the legal opinions from its external legal counsel, the Group is of the view that the Group's right to collect the payment of aforementioned amounts will not be impaired by the lawsuit. Furthermore, the Group will reserve the right to claim back such receivables through legal proceedings. Given that the lawsuit between the Group and Dalian Bohui is underway and the Group has not received any repayment relating to the receivables incurred during the Relevant Period since December 2016, the Group considers that there will be uncertainty in recovering such receivables.

USE OF PROCEEDS

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

Unit: Yuan Currency: RMB

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

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

CAPITAL EXPENDITURE

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

THE PERFORMANCE ANALYSIS OF EACH BUSINESS SEGMENT IN 2017 IS SET OUT AS FOLLOWS:

Oil Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTAINER SEGMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Automobile Segment

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

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

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

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

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

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

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

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

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

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

Ore Segment

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

	2017 **(*'0,000 tonnes*)**	2016 (*'0,000 tonnes*)	**+/-**
Ore	2,778.3	1834.9	51.4%

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

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

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

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

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

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

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

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

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

General Cargo Segment

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

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

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

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

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

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

In 2017, the steel throughput and coal throughput handled by the Group's General Cargo Segment accounted for 15.5% (2016: 15.3%) and 21.1% (2016: 21.6%) of the total market share in the ports of Northeast China, respectively.

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

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

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

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

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

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

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

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

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

Bulk Grain Segment

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

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

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

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

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

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

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

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

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

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

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

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

Passenger and Ro-Ro Segment

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

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

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

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

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

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

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

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

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

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

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

Value-added Services Segment

Tugging

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

Tallying

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

Railway

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

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

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

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

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

ANALYSIS OF CORE COMPETITIVENESS

In 2017, the Group's priorities were to transform the business, improve the quality, place emphasis on innovation and seek collaboration for extending the scope of service and expanding service functionality, allowing the Group to achieve stable growth in production and business operations as well as to maintain strong competitiveness in the port industry.

1. Advantages in terms of logistics system

In 2017, the Group established the full logistics system further by making use of the advantages in terms of strategic locations and ports. In particular, the scale of the transshipment of crude oil in Bohai Rim continued to expand, the number of foreign and domestic trading routes for containers continued to increase, transit trains and the construction of the Bohai Rim feeder showed improvement and the ore mixing business kept expanding.

2. Advantages in terms of value-added services

The Group placed emphasis on growing the value-added services for the port and shipping industries such as supply chain finance, commodity trade, port information services, bonded warehousing, distribution processing as well as inspection and testing to push the logistics industry chain forward to the high value-added areas.

3. Advantages in terms of logistics and trade

The Group placed emphasis on the development of commodity trade by providing trading customers with a supply chain solution consisting of the integration of capital flow, information flow and technology flow as well as various high value-added service projects to facilitate the joint development of logistics and trade.

4 Port Finance Advantages

With the approval of the Liaoning Free Trade Zone, the Group focused on the development of businesses such as warehouse receipt finance, credit finance and trade financing. We deepened cooperation with financial institutions, broadened and innovated financing channels, increased credit support for customers and created a special service model using "logistics operations as the base and financing services as the assurance".

5. Advantages in terms of e-commerce

The Group established a logistics e-commerce service platform with "Internet +" and other information technology to expand "one-stop" service functionality such as goods transactions, information transmission, logistics services and port services to draw on the supply of goods and customers. By making use of the advantages in terms of data exchange with customs, inspection and quarantine systems, the Group integrated its comprehensive advantages in terms of logistics, resources and information in import and export trade activities to facilitate the establishment of a cross-border e-commerce service platform and to deliver online services such as cross-border transaction payment, customs clearance, logistics, tax rebates, exchange conversion, insurance and financing for integrating resources and businesses as well as increasing trade and logistics efficiency.

DISCUSSION AND ANALYSIS BY THE BOARD OF DIRECTORS ON THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Competitive landscape and development trend in the industry

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

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

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

(II) Possible risk exposures

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

(III) Company's development strategy

Moving towards the direction of enhancing its services and aligning itself with China's "One Belt, One 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 2018, the Group's major initiatives for market development in its business segments are set out as follows:

Oil Segment

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

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

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

Container Segment

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

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

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

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

Automobile Terminal Segment

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

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

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

Ore Segment

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

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

General Cargo Segment

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

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

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

Bulk Grain Segment

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

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

Passenger and Ro-Ro Segment

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

Value-added Services Segment

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct governing director's dealing in the Company's securities transactions (the "Code of Securities Dealings") on terms no less exacting than the standards required under the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules. Upon specific enquiries, all directors and supervisors confirmed that they had complied with the provision of the Code of Securities Dealings during the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2017, save for the following transactions in relation to the Company's securities, or securities of its subsidiaries, the Company did not redeem any of its listed shares, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares.

1. Issuance of Corporate Bonds

On 26 April 2017, the Company issued corporate bonds in an aggregate principal amount of RMB1.07 billion for a term of five years at a fixed annual simple rate of 4.80% with interest paid once a year. The joint lead underwriters and trustees of the corporate bond issuance were JZ Securities Co. Ltd. (九州證券股份有限公司) and Ping An Securities Co., Ltd. (平安證券股份有限公司).

The summary of bonds due in 2017 is set out below:

1. On 8 July 2016, the Company issued short-term commercial papers in an aggregate principal amount of RMB3,000,000,000.00 for a term of 270 days, with a fixed coupon of 2.78% payable together with the principal on maturity. The relevant costs of the issuance amounted to RMB6,126,415.09.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's audit committee has reviewed the accounting standards and practices adopted by the Group and the annual results for the year ended 31 December 2017.

FINAL DIVIDEND

The Board proposed to distribute a final dividend of RMB2.3 cents per share for the year ended 31 December 2017 (PRC withholding tax included), aggregating to a total dividend of RMB296,574,327.98. The proposal is subject to approval at the forthcoming annual general meeting of the Company and the dividend is expected to be distributed before 1 September 2018. The record date and closure of books for determining entitlement to the final dividend and attending the forthcoming annual general meeting will be announced in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements on the reporting period under the Listing Rules, the 2017 annual report containing all information of the Company in this announcement of annual results for the year ended 31 December 2017 will be published on the Company's website at www.dlport.cn and the website of the Stock Exchange at www.hkex.com.hk in due course.

By Order of the Board of Directors
Dalian Port (PDA) Company Limited
WANG Jilu, LEE, Kin Yu Arthur
Joint Company Secretaries

Dalian City, Liaoning Province, the PRC
26 March 2018

As at the date of this announcement, the Directors of the Company are:

Executive Directors: ZHANG Yiming, WEI Minghui

Non-executive Directors: BAI Jingtao, XU Song, ZHENG Shaoping and YIN Shihui

Independent non-executive Directors: WAN Kam To, Peter, WANG Zhifeng and SUN Xiyun

The Company is registered as a non-Hong Kong company under Part XI of the previous Companies Ordinance (equivalent to Part 16 of the Companies Ordinance with effect from 3 March 2014) under the English name "Dalian Port (PDA) Company Limited".