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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 INTERIM RESULTS FOR 2017

The board (the "**Board**") of directors (the "**Directors**") of Dalian Port (PDA) Company Limited (the "**Company**") is pleased to announce the unaudited financial results of the Company and its subsidiaries (the Company and its subsidiaries, collectively, the "**Group**") prepared pursuant to China Accounting Standards for Business Enterprises for the six months ended 30 June 2017.

OPERATING RESULTS

The results for the six months ended 30 June 2017, which have been reviewed by the Group's auditors and the Company's audit committee, are as follows:

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017 (UNAUDITED)
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	30 June 2017 Consolidated	31 December 2016 Consolidated
Current assets		
Cash at bank and in hand	6,380,860,572.15	6,741,279,123.84
Financial assets at fair value through profit or loss	5,475,926.50	7,304,407.50
Notes receivable	144,592,220.10	158,645,593.12
Accounts receivable	703,337,454.04	658,558,980.91
Advances to suppliers	76,175,023.05	256,592,966.84
Interest receivable	29,393,767.31	26,268,705.14
Dividends receivable	36,420,615.14	38,245,401.40
Other receivables	933,374,996.73	315,286,763.19
Inventories	395,687,255.07	451,326,094.61
Other current assets	1,669,302,730.15	508,815,328.87
Total current assets	10,374,620,560.24	9,162,323,365.42

ASSETS	30 June 2017 Consolidated	31 December 2016 Consolidated
Non-current assets		
Available-for-sale financial assets	159,865,657.39	155,844,671.60
Long-term receivables	11,500,000.00	11,500,000.00
Long-term equity investments	5,035,114,034.68	4,902,156,720.70
Investment properties	636,378,271.78	645,455,657.62
Fixed assets	13,643,357,463.25	13,974,066,537.95
Construction in progress	1,731,005,768.44	1,616,008,035.15
Disposal of fixed assets	3,497,210.07	2,682,824.71
Intangible assets	1,011,269,450.55	1,090,143,242.15
Goodwill	16,035,288.74	16,035,288.74
Long-term prepayments	91,286,308.34	53,726,901.82
Deferred tax assets	70,708,008.20	74,929,025.62
Other non-current assets	201,655,345.42	197,192,688.51
Total non-current assets	22,611,672,806.86	22,739,741,594.57
TOTAL ASSETS	32,986,293,367.10	31,902,064,959.99

LIABILITIES AND OWNERS' EQUITY	30 June 2017 Consolidated	31 December 2016 Consolidated
Current liabilities		
Short-term borrowings	3,908,797,189.08	499,427,798.80
Notes payable	–	1,250,000.00
Accounts payable	244,315,862.36	235,701,773.17
Advances from customers	192,904,549.39	224,121,958.94
Employee benefits payable	119,063,769.55	228,430,661.29
Taxes payable	44,783,646.82	114,922,450.93
Interest payable	164,820,511.49	164,961,241.06
Dividends payable	268,571,266.94	76,661,039.64
Other payables	505,351,967.77	516,421,553.09
Non-current liabilities due within one year	844,484,353.64	1,047,523,521.42
Other current liabilities	–	3,038,041,251.61
Total current liabilities	6,293,093,117.04	6,147,463,249.95
Non-current liabilities		
Long-term borrowings	732,010,023.77	147,010,023.77
Bond payable	6,052,573,923.27	5,779,081,112.06
Long-term payables	37,212,242.60	43,138,081.48
Deferred income	572,424,280.76	565,971,998.11
Deferred tax liabilities	14,164,948.76	13,843,600.37
Other non-current liabilities	96,552,097.00	99,241,941.00
Total non-current liabilities	7,504,937,516.16	6,648,286,756.79

LIABILITIES AND OWNERS' EQUITY	30 June 2017 Consolidated	31 December 2016 Consolidated
Total liabilities	13,798,030,633.20	12,795,750,006.74
Owners' equity		
Issued capital	12,894,535,999.00	12,894,535,999.00
Capital reserve	2,933,142,514.17	2,930,944,685.96
Other consolidated income	41,154,411.69	47,375,566.99
Surplus reserve	676,643,140.78	676,643,140.78
Special reserve	37,434,233.40	29,604,575.28
Unappropriated profit	1,239,250,191.06	1,194,212,957.96
Equity attribute to equity holders of the Company	17,822,160,490.10	17,773,316,925.97
Minority interest	1,366,102,243.80	1,332,998,027.28
Total equity	19,188,262,733.90	19,106,314,953.25
TOTAL LIABILITIES AND EQUITY	32,986,293,367.10	31,902,064,959.99

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (UNAUDITED)
(All amounts in RMB Yuan unless otherwise stated)

Item		For the six months ended 30 June 2017	For the six months ended 30 June 2016
		Consolidated	Consolidated
1. Revenue		4,318,003,378.42	6,480,216,397.27
Less:	Cost of sales	3,676,178,953.94	5,768,556,814.06
	Taxes and surcharges	24,720,606.43	14,150,603.39
	Selling and distribution expenses	285,811.00	722,609.09
	General and administrative expenses	298,075,478.70	299,623,883.73
	Financial expenses-net	277,267,676.02	202,873,286.85
	Asset impairment losses	-10,000.00	–
Add:	(Loss)/profit arising from changes in fair value	-1,695,366.00	17,862,135.09
	Investment income	170,592,661.04	55,648,126.15
Including: Investment income from joint ventures and associates		157,280,007.84	47,176,370.19
	Other income	88,472,117.35	–
2. Operating profit		298,854,264.72	267,799,461.39
Add:	Non-operating income	26,890,110.83	63,906,343.40
	Including: Gains on disposal of non-current assets	6,862,358.12	99,742.51
Less:	Non-operating expenses	887,893.83	98,097.32
Including: Losses on disposal of non-current assets		136,229.45	31,747.48
3. Total profit		324,856,481.72	331,607,707.47
Less:	Income tax expenses	49,052,758.87	78,480,730.47
4. Net profit		275,803,722.85	253,126,977.00
Attributable to equity holders of the Company		238,539,731.50	221,088,963.04
Minority interest		37,263,991.35	32,038,013.96

Item		For the six months ended 30 June 2017	For the six months ended 30 June 2016
		Consolidated	Consolidated
5.	Earnings per share		
	Basic earnings per share (RMB/share)	0.02	0.02
	Diluted earnings per share (RMB/share)	0.02	0.02
6.	Other comprehensive income after tax – Net		
	Attributable to equity holders of the Company	-6,221,155.30	4,988,311.91
	Items that will be reclassified subsequently to profit or loss	-6,221,155.30	4,988,311.91
	Share of investee's other comprehensive income that will be reclassified subsequently to profit or loss using the equity method	–	–
	Gain or loss from fair value change of available-for-sale financial assets	–	–
	Translation differences on foreign financial statements	4,520,443.83	-2,515,639.28
	Attributable to minority interest	-10,741,599.13	7,503,951.19
7.	Total comprehensive income	269,582,567.55	258,115,288.91
Attributable to equity holders of the Company		232,318,576.20	226,077,274.95
Attributable to minority interest		37,263,991.35	32,038,013.96

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

1. GENERAL INFORMATION

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. PDA Group is the parent company and the ultimate parent company of the Company. At the time of establishment, the Company's share capital totalled RMB1,960,000,000, with a par value of RMB1.00 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 after the issuance. On 23 November 2010, the Company issued 761,820,0000 RMB ordinary shares (A shares) to the public, and issued 738,180,000 RMB 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 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 30 June 2017, the Company's share capital totalled RMB12,894,535,999, with a par value of RMB1.00 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, etc.; provision of facilities and services for passengers awaiting, boarding and disembarking vessels; 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 can only be conducted after being licensed).

These financial statements were approved and authorised for issue by the Company's Board of Directors on 24 August 2017.

These financial statements are unaudited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Basis of preparation

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

The financial statements have been prepared on a going concern basis.

As the new Companies Ordinance of Hong Kong came into effect in 2015, certain disclosures contained in the financial statements were adjusted pursuant to the relevant requirements of the Companies Ordinance of Hong Kong.

3. ACCOUNTS RECEIVABLE

	30 June 2017	31 December 2016
	(Unaudited)	
Accounts receivable	703,485,454.04	658,706,980.91
Less: Provision for bad debts	148,000.00	148,000.00
	703,337,454.04	658,558,980.91

Major sales of the Group are dealt in cash, advances from customers and bank acceptance. The remaining is dealt with a credit term of 90 days.

The aging of accounts receivable based on their recording dates is analysed as follows:

	30 June 2017	31 December 2016
	(Unaudited)	
Within 1 year	614,692,405.40	573,541,242.90
1 to 2 years	16,449,777.00	12,436,875.66
2 to 3 years	13,111,889.42	13,832,071.12
Over 3 years	59,231,382.22	58,896,791.23
	703,485,454.04	658,706,980.91

Accounts receivable are analysed by category as follows:

	30 June 2017 (Unaudited)				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Percentage	Amount	% of total balance	Amount	Percentage
With amounts that were individually significant and that the related provision for bad debts was provided on the individual basis	–	–	–	–	–	–	–	–
With amounts for that the related provision for bad debts was provided on the grouping basis	703,337,454.04	99.98%	–	–	658,558,980.91	99.98%	–	–
Whereby Group 1	–	–	–	–	–	–	–	–
Group 2	703,337,454.04	99.98%	–	–	658,558,980.91	99.98%	–	–
With amounts that were not individually significant but that the related provision for bad debts was provided on the individual basis	148,000.00	0.02%	148,000.00	100.00%	148,000.00	0.02%	148,000.00	100.00%
	703,485,454.04	100.00%	148,000.00	0.02%	658,706,980.91	100.00%	148,000.00	0.02%

For the six months ended 30 June 2017, the Group did not make any provision for bad debts of accounts receivable.

	Amount	Provision for bad debts	% of total balance
Total balance of top five accounts receivable	229,372,353.86	–	32.61%

4. OTHER RECEIVABLES

	30 June 2017	31 December 2016
	(Unaudited)	
Bills of exchange	709,007,328.40	129,697,598.73
Receivables from project payment and guarantee deposit	66,444,645.32	62,922,321.14
Government subsidies receivable	61,507,692.00	1,507,692.00
Receivables from freight charges, deposit and security deposit	28,684,155.89	23,084,303.32
Public infrastructure maintenance expenses	15,540,059.20	1,246,024.98
Port construction and miscellaneous expenses	8,631,996.28	5,186,696.39
Entrusted loans	4,600,000.00	53,600,000.00
Berth and housing rentals receivable	4,173,448.67	1,355,644.85
Others	35,846,863.94	37,747,674.75
Less: Provision for bad debts	1,061,192.97	1,061,192.97
	933,374,996.73	315,286,763.19

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

	30 June 2017	31 December 2016
	(Unaudited)	
Within 1 year	898,254,759.81	275,702,811.45
1 to 2 years	21,267,624.74	26,000,345.60
2 to 3 years	6,641,835.89	5,711,684.99
Over 3 years	8,271,969.26	8,933,114.12
	934,436,189.70	316,347,956.16

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

	30 June 2017 (Unaudited)				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	%
With amounts that were individually significant and that the related provision for bad debts was provided on the individual basis	–	–	–	–	–	–	–	–
With amounts for that the related provision for bad debts was provided on the grouping basis	931,710,592.93	99.71%	–	–	313,622,359.39	99.14%	–	–
Whereby Group 1	–	–	–	–	–	–	–	–
Group 2	931,710,592.93	99.71%	–	–	313,622,359.39	99.14%	–	–
With amounts that were not individually significant but that the related provision for bad debts was provided on the individual basis	2,725,596.77	0.29%	1,061,192.97	38.93%	2,725,596.77	0.86%	1,061,192.97	38.93%
	934,436,189.70	100.00%	1,061,192.97	0.11%	316,347,956.16	100.00%	1,061,192.97	0.34%

5. ADVANCES TO SUPPLIERS

The aging of advances to suppliers is analysed below:

	30 June 2017 (Unaudited)		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	63,162,332.43	82.92%	170,988,642.43	66.64%
1 to 2 years	5,896,720.00	7.74%	85,432,130.62	33.29%
2 to 3 years	6,980,988.57	9.16%	36,777.64	0.02%
Over 3 years	134,982.05	0.18%	135,416.15	0.05%
	76,175,023.05	100.00%	256,592,966.84	100.00%

6. INVENTORIES

(a) Inventories are summarised by category as follows:

	30 June 2017 (Unaudited)			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	65,917,912.57	-7,803,889.80	58,114,022.77	70,653,011.68	-7,803,889.80	62,849,121.88
Work in progress	–	–	–	–	–	–
Finished goods	331,141,372.53	–	331,141,372.53	382,785,952.13	–	382,785,952.13
Turnover materials	6,431,859.77	–	6,431,859.77	5,691,020.60	–	5,691,020.60
	403,491,144.87	-7,803,889.80	395,687,255.07	459,129,984.41	-7,803,889.80	451,326,094.61

As at 30 June 2017, inventories and relevant documents of import business with carrying amount of RMB263,284,812.16 (31 December 2016: RMB317,241,729.72) were pledged as collateral for the bank borrowings of RMB141,609,678.36 (31 December 2016: RMB226,487,016.66).

(b) Provision for decline in the value of inventories is analysed as follows:

		Increase in current period		Decrease in current period		
	31 December 2016	Charged	Others	Reversal/ Write-off	Others	30 June 2017 (Unaudited)
Raw materials	7,803,889.80	–	–	–	–	7,803,889.80

(c) Provision for decline in the value of inventories is as follows:

	Specific basis to determine net realisable value	Reasons for provision for decline in the value of inventories reversal or write-off in current period
Raw materials	Estimated selling price	N/A

7. NOTES PAYABLE

	30 June 2017	31 December 2016
	(Unaudited)	
Bank acceptance notes	–	1,250,000.00

8. ACCOUNTS PAYABLE

	30 June 2017	31 December 2016
	(Unaudited)	
Purchase of auxiliary materials and guarantee deposit	145,861,022.91	178,738,447.65
Vessel leasing and ocean freight	90,826,268.48	52,453,087.11
Purchase of goods	7,628,570.97	4,510,238.41
	244,315,862.36	235,701,773.17

(a) As at 30 June 2017, accounts payable with ageing over one year amounted to RMB9,085,258.70 (31 December 2016: RMB15,755,861.28) and mainly comprised payables for subcontracting, materials and quality guarantee deposit which had not be cleared finally for the overall project had not been completed and finally settled.

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

	30 June 2017	31 December 2016
	(Unaudited)	
Within 1 year	235,230,603.66	219,945,911.89
1 to 2 years	5,642,606.09	11,994,623.06
2 to 3 years	2,301,150.58	2,768,046.73
Over 3 years	1,141,502.03	993,191.49
	244,315,862.36	235,701,773.17

9. REVENUE AND COST OF SALES

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Revenue from main operations	4,123,371,592.47	6,324,438,817.21
Revenue from other operations	194,631,785.95	155,777,580.06
	4,318,003,378.42	6,480,216,397.27

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Cost of sales from main operations	3,534,080,532.70	5,646,642,014.91
Cost of sales from other operations	142,098,421.24	121,914,799.15
	3,676,178,953.94	5,768,556,814.06

(a) Analysis by industry is as follows:

	For the six months ended 30 June 2017 (Unaudited)		For the six months ended 30 June 2016 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Oil and liquefied chemicals terminal and related logistics and trading services	1,629,561,166.13	1,371,646,151.88	2,852,423,517.82	2,452,895,202.62
Container terminal and related logistics services	892,731,692.17	726,499,398.47	704,417,713.80	553,561,499.00
General cargo terminal and related logistics and trading services	168,968,738.72	179,896,491.59	246,975,713.35	254,855,811.29
Ore terminal and related logistics services	157,593,780.49	137,350,174.34	107,805,008.45	115,633,658.68
Bulk grains terminal and related logistics and trading services	226,577,150.82	201,768,393.84	491,736,600.24	478,224,037.77
Passenger, roll-on, roll-off terminal and related logistics services	71,804,606.87	53,854,556.19	55,162,878.67	47,635,054.76
Port value-added and ancillary services	430,710,929.73	286,455,684.22	392,960,626.54	272,220,402.12
Automobile terminal and related logistics and trading services	696,382,273.57	681,784,573.14	1,589,415,004.15	1,562,603,735.38
Others	43,673,039.92	36,923,530.27	39,319,334.25	30,927,412.44
	4,318,003,378.42	3,676,178,953.94	6,480,216,397.27	5,768,556,814.06

(b) The revenue is categorised as follows:

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Commodity trading	1,846,255,008.97	4,174,342,451.47
Loading services	974,840,738.03	825,930,807.42
Agency services	459,475,163.90	325,838,853.86
Storage services	263,976,191.40	418,339,886.08
Logistics services	243,513,585.09	236,897,759.25
Leasing services	134,533,695.91	101,443,497.06
Port management services	120,168,723.95	112,891,297.85
Electric supply services	47,702,654.24	48,079,148.80
Information services	33,873,421.26	27,098,552.10
Project construction and supervision services	31,523,431.75	56,063,227.08
Tallying services	30,714,531.72	32,176,907.95
Sales of goods	15,353,718.84	20,970,408.39
Others	116,072,513.36	100,143,599.96
	4,318,003,378.42	6,480,216,397.27

10. TAXES AND SURCHARGES

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)	Tax base
Land use tax	9,893,578.34	–	Unit taxable amount stated in tax law based on actual land area used
Property tax	6,168,607.97	–	1.2% of residual value of property or 12% of lease income for property tax
City maintenance and construction tax and educational surcharges	6,521,073.93	6,057,177.55	7% of business tax and VAT effectively paid for city maintenance and construction tax, 3% of business tax and VAT effectively paid for educational surcharges, and 2% of business tax and VAT effectively paid for local educational surcharges
Stamp tax	1,894,137.66	–	Proportional tax rate stated in tax law or calculating taxable amount by number of vouchers, based on nature of taxable vouchers
Vehicle and vessel use tax	152,551.00	–	Based on categories of vehicle and vessel used and applicable tax rate
Business tax	90,657.53	8,093,425.84	5% of taxable income for business tax
	24,720,606.43	14,150,603.39	

11. OTHER INCOME

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)	Related to assets/ income
Relocation compensation	16,573,332.42	–	Related to assets
Vessel acquisition subsidies	395,608.78	–	Related to assets
Special fund for energy conservation and emission reduction	326,643.99	–	Related to assets
Equipment reconstruction subsidies	94,544.40	–	Related to assets
Others	188,032.86	–	Related to assets
Shipping centre construction subsidies	42,000,000.00	–	Related to income
International logistics corridor subsidies	18,000,000.00	–	Related to income
Operation subsidies	5,348,500.00	–	Related to income
Subsidies for stabilizing employment	4,001,054.90	–	Related to income
Others	1,544,400.00	–	Related to income
	88,472,117.35	–	

12. NON-OPERATING INCOME

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2017 (Unaudited)
Gains on disposal of non-current assets	6,862,358.12	99,742.51	6,862,358.12
Including: gains on disposal of fixed assets	6,862,358.12	99,742.51	6,862,358.12
gains on disposal of intangible assets	–	–	–
Government grants (a)	15,813,100.00	60,254,231.52	15,813,100.00
Negative goodwill from equity acquisition	–	–	–
Others	4,214,652.71	3,552,369.37	4,214,652.71
	26,890,110.83	63,906,343.40	26,890,110.83

(a) Details of government grants

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)	Related to assets/income
Production safety fund	15,580,000.00	–	Related to assets
Special fund for energy conservation and emission reduction(i)	–	300,511.79	Related to assets
Relocation compensation(i)	–	16,810,556.88	Related to assets
Vessel acquisition subsidies(i)	–	395,608.78	Related to assets
Equipment reconstruction subsidies(i)	–	7,563.00	Related to assets
Others(i)	–	87,650.28	Related to assets
Container subsidies(i)	–	37,482,400.00	Related to income
Operation subsidies(i)	–	5,164,000.00	Related to income
Refund of turnover taxes	–	3,640.79	Related to income
Others(i)	233,100.00	2,300.00	Related to income
	15,813,100.00	60,254,231.52	

(i) According to Accounting Standards for Business Enterprises No. 16 – Government Grants (Cai Kuai [2017] No. 15) issued by the Ministry of Finance on 10 May 2017, the government grants relating to daily operations should be included in other income or be accounted as write-off of related costs and expenses. The government grants that are not related to the daily operation should be included in non-operating revenue and expenses. Therefore, the government grants relating to daily operation received during the current period was accounted for as "other income".

13. NON-OPERATING EXPENSES

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2017 (Unaudited)
Losses on disposal of non-current assets	136,229.45	31,747.48	136,229.45
Including: losses on disposal of fixed assets	136,229.45	31,747.48	136,229.45
Others	751,664.38	66,349.84	751,664.38
	887,893.83	98,097.32	887,893.83

14. INCOME TAX EXPENSES

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Current income tax calculated based on tax law and related regulations	44,510,393.06	78,683,542.82
Deferred income tax	4,542,365.81	-202,812.35
	49,052,758.87	78,480,730.47

The adjustment for income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is as follows:

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Total profit	324,856,481.72	331,607,707.47
Income tax expenses calculated at applicable tax rates	81,214,120.43	82,901,926.87
Effect of different tax rates applicable to subsidiaries in Mainland China	-372,324.01	-274,980.82
Effect of different tax rates applicable to subsidiaries outside Mainland China	3,682,789.52	2,777,154.05
Adjustments for current income tax of prior period	-3,192,389.91	-3,238,748.36
Income not subject to tax	-43,611,241.92	-16,937,619.62
Costs, expenses and losses not deductible for tax purpose	2,975,931.43	1,175,225.26
Utilisation of deductible tax losses of previously unrecognised deferred income tax assets and temporary difference	-2,051,584.88	-1,852,754.76
Deductible losses for which no deferred income tax asset was recognised and temporary difference	10,407,458.21	13,930,527.85
Income tax expenses	49,052,758.87	78,480,730.47

15. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	238,539,731.50	221,088,963.04
Weighted average number of ordinary shares outstanding	12,894,535,999.00	12,697,816,000.00
Basic earnings per share	0.02	0.02
Including:		
– Basic earnings per share from continuing operations:	0.02	0.02

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. For the six months ended 30 June 2017, there were no dilutive potential ordinary shares (for the six months ended 30 June 2016: Nil), hence diluted earnings per share is equal to basic earnings per share.

16. SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or service, 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 eight reportable segments as follows:

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

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

– 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

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

– 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

– Passenger, 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

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

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 headquarters. Segment assets and liabilities exclude certain assets and liabilities attributable to headquarters as these assets and liabilities are managed by the Group.

The above reporting segments are the basis on which the Group reports its segment information and no operating segments have been aggregated to form the above reportable segments.

Inter-segment revenue is eliminated on consolidation. Inter-segment sales and 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 the six months ended 30 June 2017 and as at 30 June 2017 (unaudited) is as follows (unit: RMB'000):

	Oil and liquefied chemicals terminal and related logistics services	Container terminal and related logistics services	General cargo terminal and related logistics and trading services	Ore terminal and related logistics services	Bulk grains terminal and related logistics and trading services	Passenger, roll-on, roll-off terminal and related logistics services	Port value-added and ancillary services	Automobile terminal and related logistics and trading services	Others	Elimination	Total
Revenue from external customers	1,629,561	892,732	168,969	157,594	226,577	71,805	430,711	696,382	43,672	–	4,318,003
Inter-segment revenue	616	1,565	185	–	–	338	56,469	–	17,166	-76,339	-
Cost of sales from main operations	1,358,906	701,891	167,618	137,350	186,566	51,155	236,548	679,873	14,174	–	3,534,081
Interest income	9,494	1,785	-14	73	1,337	106	538	1,348	34,950	–	49,617
Investment income from associates and joint ventures	54,707	21,967	36,178	2,629	–	2,827	31,654	7,317	1	–	157,280
Asset impairment losses	–	–	-10	–	–	–	–	–	–	–	-10
Depreciation and amortisation	110,445	97,826	41,500	52,471	33,151	16,346	35,450	-145	13,600	–	400,644
Total profit	283,497	157,461	5,356	4,805	9,663	6,209	107,217	14,895	-264,247	–	324,856
Income tax expenses	56,556	33,238	-6,715	540	2,374	737	10,546	1,752	-49,975	–	49,053
Net profit	226,941	124,223	12,071	4,265	7,289	5,472	96,671	13,143	-214,271	–	275,804
Total assets	7,385,556	7,403,484	2,361,858	1,931,947	1,344,016	1,322,937	2,887,340	2,035,982	7,272,720	-959,547	32,986,293
Total liabilities	1,714,405	1,950,964	62,705	72,083	36,439	66,983	199,298	1,145,735	9,508,966	-959,547	13,798,031
Non-cash expenses other than depreciation and amortisation	–	6,098	11	–	–	8	236	–	20,575	–	26,928
Long-term equity Investments in associates and joint ventures	1,523,097	1,611,961	155,187	12,193	–	338,164	1,060,332	334,180	–	–	5,035,114
Additions of non-current assets other than long-term equity investments	26,300	55,919	3,579	375	8,381	4,246	4,071	15,736	98,200	–	216,807

(b) Segment information for the six months ended 30 June 2016 and as at 30 June 2016 (unaudited) is as follows (unit: RMB'000):

	Oil and liquefied chemicals terminal and related logistics services	Container terminal and related logistics services	General cargo terminal and related logistics and trading services	Ore terminal and related logistics services	Bulk grains terminal and related logistics and trading services	Passenger, roll-on, roll-off terminal and related logistics services	Port value-added and ancillary services	Automobile terminal and related logistics and trading services	Others	Elimination	Total
Revenue from external customers	2,852,423	704,418	246,976	107,805	491,736	55,163	392,961	1,589,415	39,319	–	6,480,216
Inter-segment revenue	551	856	172	–	–	338	43,172	–	25,270	-70,359	-
Cost of sales from main operations	2,443,332	530,643	244,974	115,634	467,275	45,033	223,073	1,562,604	14,074	–	5,646,642
Interest income	10,101	1,626	361	138	1,680	63	533	1,305	12,496	–	28,303
Investment income from associates and joint ventures	34,502	7,529	-17,418	-34	–	-7,493	34,756	-4,666	–	–	47,176
Asset impairment losses	–	–	–	–	–	–	–	–	–	–	-
Depreciation and amortisation	109,593	91,963	42,752	52,934	34,017	15,462	30,662	1,796	21,912	–	401,091
Total profit	400,761	112,676	-43,081	-23,205	-236	-13,237	85,674	2,713	-190,457	–	331,608
Income tax expenses	95,344	34,637	-5,750	-5,756	1	-407	9,406	1,297	-50,291	–	78,481
Net profit	305,417	78,039	-37,331	-17,449	-237	-12,830	76,268	1,416	-140,166	–	253,127
Total assets	7,663,123	6,868,922	2,524,752	1,914,113	1,392,118	1,302,353	2,688,217	1,800,176	9,683,008	-3,499,399	32,337,383
Total liabilities	-1,507,226	-642,197	-138,063	-52,867	-99,505	-59,401	-135,394	-917,441	-13,475,808	3,499,399	-13,528,503
Non-cash expenses other than depreciation and amortisation	–	5,775	11	–	–	18	148	–	16,811	–	22,763
Long-term equity investments in associates and joint ventures	1,462,917	1,599,050	135,716	4,411	–	328,823	992,938	310,244	–	–	4,834,099
Additions of non-current assets other than long-term equity investments	3,770	9,073	3,724	3,411	136	1,807	2,462	25,525	101,632	–	151,540

Geographical information:

All operations of the Group are located in Mainland China. Accordingly, revenues of segments are 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 and trading services segment of RMB486,271,159.63 is derived from a single customer, accounting for 11.26% of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

Profound adjustments in the global economy and slackened growth of the port and shipping industries across the globe continued in the first half of 2017, and the BDI index, which reflects shipping freight costs, rebounded year-on-year. Regarding the domestic environment, the economy has begun to revive, the growth in investment, consumption and import and export trade shown signs of recovery. In the first half of the year, China's GDP grew by 6.9% year-on-year, whereas the total value of import and export increased by 19.6% year-on-year.

In the first half of the year, cargo throughput handled by China's large-scale ports amounted to 6.25 billion tonnes, representing a year-on-year increase of 7.5%. In particular, cargo throughput handled at coastal ports in China was 4.3 billion tonnes, representing a year-on-year increase of 7.3%. Cargo throughput handled by river ports was 1.94 billion tonnes, representing a year-on-year increase of 8.1%.

The Group is principally engaged in the provision of oil/liquefied chemical terminal and the related logistics services (Oil Segment), container terminal and related logistics services (Container Segment), automobile terminal and related logistics services (Automobile Terminal 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 the first half of 2017, details of the general information on the macro-economy and industries relevant to the Group's principal business are set out as follows:

Oil Segment: In the first half of 2017, international crude oil price remained at low levels. China further liberalised the importation of crude oil from local oil refineries, leading to faster growth in the import volume of crude oil. In the first half of the year, China imported 210 million tonnes of crude oil, an increase of 16.7% as compared to the same period last year.

Container Segment: Affected by the macro-economy, port production has shown signs of stable growth. In the first half of 2017, containers throughput handled by China's largescale ports amounted to 115 million TEU, representing a year-on-year increase of 8.8%, which was the greatest growth since 2012.

Automobile Terminal Segment: In the first half of 2017, the growth in the volume of automobile production and sales volume in China was higher than that of the same period last year. Automobiles output in the first half of the year was 13,526,000 vehicles, representing a year-on-year increase of 4.6%. Sales volume was 13,354,000 vehicles, representing a year-on-year increase of 3.8%.

Ore Segment: In the first half of 2017, supported by government policies and the capital market as well as other factors, the growth in overall iron ores import in China continued. During the first half of the year, accumulated iron ore imports in China amounted to 539 million tonnes, representing a year-on-year increase of 10%.

General Cargo Segment: In the first half of 2017, China's major ports handled a total of approximately 350 million tonnes of coal, increased 15.8% year-on-year. The output of crude steel across China in the first half of 2017 reached a total volume of approximately 400 million tonnes, basically unchanged year-on-year.

Bulk Grain Segment: In the first half of 2017, affected by factors such as recovery of market demand for corn and higher demand for bulk grain carriages, the volume of corn transshipment at Liaoning port totalled 21.867 million tonnes, representing a year-on-year increase of 134.2%.

Passenger and Ro-Ro Segment: In the first half of 2017, the Group implemented precision marketing to stimulate the development of ticket office network and online ticketing. The total number of passengers during the first half of the year was higher than that of the same period of the previous year.

In the first half of 2017, the Group's major business segments achieved stable performance. In terms of throughput, the Group handled a total of 31.893 million tonnes of oil and liquefied chemicals at oil terminal, representing a year-on-year increase of 9%, of which 15.769 million tonnes were imported crude oil, representing a year-on-year increase of 7%. In the Container Segment, the Group handled 5.289 million TEUs, representing an increase of 4.1% on a year-on-year basis, of which 4.737 million TEUs were handled by the Group at Dalian port, representing an increase of 1% on a year-on-year basis. In the Automobile Terminal Segment, the Group handled 310,614 vehicles, representing an increase of 35.8% on a year-on-year basis. In the Ore Segment, the Group handled 11.252 million tonnes, representing an increase of 63.3% on a year-on-year basis. In the General Cargo Segment, the Group handled 14.889 million tonnes of cargoes, representing an increase of 2.5% on a year-on-year basis. In the Bulk Grain Segment, the Group handled 3.267 million tonnes of bulk grain, representing an increase of 41.1% on a year-on-year basis. In the Passenger and Ro-Ro Segment, the Group transported 1.643 million passengers, representing a year-on-year increase of 13.8%, and 653,000 vehicles, representing a year-on-year decrease of 4%.

Overall Results Review

In the first half of 2017, the Group's profit attributable to owners of the Company amounted to RMB238,539,731.50, representing an increase of RMB17,450,768.46 or 7.9% as compared with RMB221,088,963.04 in the first half of 2016.

In the first half of 2017, except for the storage business with reduced gross profit due to termination of partnership with major customers, all other segments of the Company enjoyed growth in gross profit in varying degrees. The performance of joint ventures and associates was positive in general, and investment income for the first half of 2017 increased year-on-year by RMB114,944,534.89 or 206.6% due to non-operating income related to government grants; other income and net non-operating income increased year-on-year by RMB50,666,088.27 or 79.4%; exchange losses also increased as a result of exchange rate fluctuations in the capital market, which offset the increase in net profit to some extent. Under the combined effect of the above factors, the Group's net profit attributable to the Company for the first half of 2017 increased slightly overall.

In the first half of 2017, the Group's basic earnings per share was RMB1.85 cents, representing a year-on-year increase of 0.11 cents or 6.3% from RMB1.74 cents in the first half of 2016.

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

Items	For the six months ended 30 June 2017 (RMB)	For the six months ended 30 June 2016 (RMB)	+/-(%)
Net profit attributable to owners of the Company	238,539,731.50	221,088,963.04	7.9
Including:			
Revenue	4,318,003,378.42	6,480,216,397.27	-33.4
Cost of sales	3,676,178,953.94	5,768,556,814.06	-36.3
Gross profit (Note 1)	641,824,424.48	711,659,583.21	-9.8
Gross profit margin (Note 2)	14.9%	11.0%	up by 3.9 percentage points
General and administrative expenses	298,075,478.70	299,623,883.73	-0.5
Financial expenses	277,267,676.02	202,873,286.85	36.7
Investment income	170,592,661.04	55,648,126.15	206.6
Other revenue and net non-operating income (Note 3)	114,474,334.35	63,808,246.08	79.4
Income tax expense	49,052,758.87	78,480,730.47	-37.5

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) issued by the Ministry of Finance on 10 May 2017, the government grants relating to daily operations should be included in other income, whereas the government grants that are not related to the daily operation should be included in non-operating revenue. The item represents the net non-operating income including all the government grants received.

In the first half of 2017, the Group's revenue decreased year-on-year by RMB2,162,213,018.85 or 33.4%, mainly due to the year-on-year decrease of 55.8% in income from trading business, and the decrease in income from the trading business of the Company 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 7.2%, mainly due to the growth in oil, bulk grain, tugboat and barge, and cross-border container business lines and the increase in berth rentals, while revenue from oil storage business decreased by RMB153,460,234.97.

In the first half of 2017, the Group's cost of sales decreased year-on-year by RMB2,092,377,860.12 or 36.3%, mainly due to the year-on-year decrease of 55.6% in costs of trading business. Excluding the effect of trading business, cost of sales increased year-on-year by 12.8%, mainly due to the increase in labour and service costs and agency costs of cross-border container business as well as the growth in fuel and other operational costs resulting from business expansion, while the costs of oil tank leasing were down.

In the first half of 2017, the Group's gross profit decreased year-on-year by RMB69,835,158.73 or 9.8%. Excluding the effect of the port trading business, gross profit decreased by 6.4% and gross profit margin decreased by 3.7 percentage points, mainly due to the drop in gross profit margin resulting from decreased storage business revenue due to the termination of partnership with major customers of the Oil Segment. But such drop was partly offset by the increase in berth rentals and the growth of ore mixing business as well as the business expansion of the General Cargo Segment, Bulk Grain Segment and Passenger and Ro-Ro Segment.

In the first half of 2017, the Group's general and administrative expenses decreased year-on-year by RMB1,548,405.03 or 0.5%, mainly due to the decrease in business tax following the replacement of business tax with value-added tax in the whole industry, while labour costs were up.

In the first half of 2017, the Group's financial expenses increased year-on-year by RMB74,394,389.17 or 36.7%, mainly due to the increased 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 from existing capital.

In the first half of 2017, the Group's investment income increased year-on-year by RMB114,944,534.89 or 206.6%, mainly due to the outstanding performance of its joint ventures and associates and the increased wealth management income arising from the enhancement of capital management.

In the first half of 2017, the Group's other income and net non-operating revenue increased year-on-year by RMB50,666,088.27 or 79.4%, mainly due to the increase in container subsidies, receipt of emergency pool subsidies and the increased income from the disposal of non-current assets.

In the first half of 2017, the Group's income tax expenses decreased year-on-year by RMB29,427,971.60 or 37.5%, mainly due to the year-on-year decrease in taxable income after deducting the non-taxable items such as the investment income from joint ventures and associates.

ASSETS AND LIABILITIES

As at 30 June 2017, the Group's total assets and net assets amounted to RMB32,986,293,367.10 and RMB19,188,262,733.90, respectively. Net asset value per share was RMB1.38, basically unchanged compared with the net asset value per share as at 31 December 2016.

As at 30 June 2017, the Group's total liabilities amounted to RMB13,798,030,633.20, of which total outstanding borrowings amounted to RMB11,575,077,732.36. The gearing ratio was 41.83%, a slight increase as compared with 40.11% as at 31 December 2016, which was mainly affected by the net increase of liability resulting from financing activities such as bond issuance and unsecured borrowings in the current year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2017, the Group had a balance of cash and cash equivalents of RMB5,709,159,039.34, representing a decrease of RMB666,929,048.32 as compared to 31 December 2016.

In the first half of 2017, the Group's net cash inflows generated from operating activities amounted to RMB101,761,669.09; net cash outflows for investing activities amounted to RMB1,401,020,558.62; and net cash inflows generated from financing activities amounted to RMB721,578,100.22.

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 debt profile.

As at 30 June 2017, the Group's outstanding borrowings amounted to RMB11,575,077,732.36, in which RMB4,753,281,542.72 were borrowings repayable within one year, and RM6,821,796,189.64 were borrowings repayable after one year.

The Group's net gearing ratio was 19.2% as at 30 June 2017 (20.0% as at 31 December 2016). The Group has a sound financial structure with low insolvency risk.

As at 30 June 2017, the Group's unused banking facilities amounted to RMB20,167,990,000.00.

As an A-share and H-share dual-listed company, we enjoy valuable 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 30 June 2017, the Group has not entered into any foreign exchange hedging contracts.

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 30 June 2017, the Company had used RMB2,397,600,400.00 of the proceeds and RMB374,491,100.00 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 RMB58,253,000.00 (including an interest income of RMB2,761,900.00).

Unit: Yuan Currency: RMB

Projects	Total proceeds	Use of proceeds as at 30 June 2017	Balance
Construction of oil storage tanks with a total capacity of 1,000,000 m3 in Xingang	760,000,000.00	524,390,500.00	235,609,500.00
Construction of oil storage tanks with a total capacity of 600,000 m3 in the Xingang resort area	550,000,000.00	550,000,000.00	0.00
Construction of phase II of the Shatuozi oil storage tanks project in the Xingang Shatuozi area	29,600,000.00	29,600,000.00	0.00
LNG project	320,000,000.00	320,000,000.00	0.00
No.4 stacking yard for ore terminal	520,000,000.00	399,117,000.00	120,883,000.00
Purchase of gantry for ore terminal	37,200,000.00	37,200,000.00	0.00
Purchase of 300 bulk grain carriages	150,000,000.00	150,000,000.00	0.00
Ro-ro ships for carrying cars	230,000,000.00	212,001,400.00	17,998,600.00
Construction of railway siding in Muling	41,250,000.00	41,250,000.00	0.00
Construction of information systems	50,000,000.00	50,000,000.00	0.00
Investment in phase III of Dayao Bay Terminal	84,041,500.00	84,041,500.00	0.00
Total	2,772,091,500.00	2,397,600,400.00	374,491,100.00

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 non-executive directors, supervisors, and sponsors expressed their respective opinions on the board resolution, and the Company issued a relevant announcement on 23 March 2017.

CAPITAL EXPENDITURE

In the first half of 2017, the Group's capital expenditure amounted to RMB216,806,679.15, 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 of the Group in the first half of 2017 is as follows:

Oil Segment

The following table sets out the oil/liquefied chemicals throughput handled by the Group in the first half of 2017 with comparative figures for the first half of 2016:

	For the six months ended 30 June 2017 ('0000 tonnes)	For the six months ended 30 June 2016 ('0000 tonnes)	Increase/(Decrease)
Crude oil	2,439.6	2,240.3	8.9%
– Foreign trade imported crude oil	1,576.9	1,473.5	7.0%
Refined oil	507.2	468.1	8.4%
Liquefied Chemicals	70.3	63.2	11.2%
LNG	172.2	154.8	11.2%
Total	3,189.3	2,926.4	9.0%

In the first half of 2017, in terms of throughput of oil/liquefied chemicals, the Group handled a total of approximately 31.893 million tonnes, an increase of 9% on a year-on-year basis.

In the first half of 2017, the Group's crude oil throughput increased by 8.9% year-on-year to approximately 24.396 million tonnes, of which approximately 15.769 million tonnes were imported crude oil, a year-on-year increase of 7%. The Group further cooperated with customers, kept up with customer's warehousing demand, provided more capacity to regional refineries and expanded our bonded crude oil international transshipment business, resulting in higher crude oil and imported crude oil throughput for the first half of the year.

In the first half of 2017, the Group's refined oil throughput amounted to approximately 5.072 million tonnes, a year-on-year increase of 8.4%, mainly attributable to higher demand from surrounding refineries, resulting in a larger growth as compared with the same period last year.

In the first half of 2017, the Group's liquefied chemicals throughput was approximately 703,000 tonnes, a year-on-year increase of 11.2%, mainly attributable to the Group's effort in expanding the inland liquefied chemicals market and expanding the breadth and width of cooperation with customers, resulting in a year-on-year increase in the transshipment of liquefied chemicals in the first half of the year.

In the first half of 2017, the Group's LNG throughput amounted to 1.722 million tonnes, a year-on-year increase of 11.2%, mainly attributable to the increase in LNG consumption in Northeast and North China, resulting in a larger increase in LNG throughput as compared with the same period last year.

In the first half of 2017, the total imported crude oil throughput handled by the Group's ports accounted for 100% (100% in the first half of 2016) of the total amount of crude oil imported into Dalian port and 63.3% (63.1% in the first half of 2016) of the total amount of crude oil imported through the ports in Northeast China. The Group's oil products throughput accounted for 79.9% (72.5% in the first half of 2016) of the total market share of the Dalian port and 45.7% (43.8% in the first half of 2016) of the total market share of the ports in Northeast China.

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

Items	For the six months ended 30 June 2017 (RMB)	For the six months ended 30 June 2016 (RMB)	Change(%)
Revenue	1,629,561,166.13	2,852,423,517.82	-42.9
Share of the Group's revenue	37.7%	44.0%	Down by 6.3 percentage points
Gross profit	257,915,014.25	399,528,315.20	-35.4
Share of the Group's gross profit	40.2%	56.1%	Down by 15.9 percentage points
Gross profit margin	15.8%	14.0%	Up by 1.8 percentage points

In the first half of 2017, the revenue from the Oil Segment decreased year-on-year by 42.9%, mainly due to the contraction of oil trading business and the termination of partnership with major strategic customers. Excluding the effect of trading business, the revenue decreased year-on-year by 21.2%, mainly due to the drop in the revenue from storage business following the termination of partnership with major strategic customers.

The gross profit margin of the segment increased year-on-year by 1.8 percentage points. Excluding the effect of trading business, the gross profit margin decreased year-on-year by 9.1 percentage points, mainly due to the decrease in storage income caused by the termination of partnership with major strategic customers and the undiminished fixed costs of storage business.

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

- Deepened cooperation with transshipment customers to jointly build up an integrated logistics system for crude oil transshipment.

- Deepened cooperation with domestic and foreign oil traders to develop international crude oil transshipment business in Japan, South Korea and other regions.

- Enhanced the allocation of storage tanks and improved quality of operations and services to meet the storage needs of regional refinery customers and further promote throughput growth.

- Coordinated the port-related production units to enable Berth 22# to accommodate 450,000-tonne supertankers through careful arrangement and close collaboration.

Container Segment

The following table sets out the container throughput handled by the Group in the first half of 2017, with comparative figures for the first half of 2016:

		For the six months ended 30 June 2017 ('0000 TEUs)	For the six months ended 30 June 2016 ('0000 TEUs)	Increase/ (Decrease)
Foreign trade	Dalian port	260.7	253.6	2.8%
	Other ports (Note 1)	13.7	12.0	14.2%
	Sub-total	274.4	265.6	3.3%
Domestic trade	Dalian port	213.0	215.5	(1.2%)
	Other ports (Note 1)	42.5	28.1	51.3%
	Sub-total	255.5	243.6	4.9%
Total	Dalian port	473.7	469.1	1%
	Other ports (Note 1)	56.2	40.1	40.2%
	Total	529.9	509.2	4.1%

Note 1: Throughput at other ports handled by the Group 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 the first half of 2017, in terms of container throughput, the Group maintained steady growth and handled a total of approximately 5.299 million TEUs, representing a year-on-year increase of 4.1%. At Dalian port, the Group handled approximately 4.737 million TEUs, representing a year-on-year increase of 1%, of which container throughput for foreign trade increased by 2.8% year-on-year, and container throughput for domestic trade decreased by 1.2% year-on-year.

In the first half of 2017, the Group's container terminal business accounted for 98.7% (98.6% in the first half of 2016) of the total market share of Dalian port and 50.4% (51.8% in the first half of 2016) of the ports in Northeast China. The Group's container throughput for foreign trade accounted for 100% (100% in the first half of 2016) of the total market share of Dalian port and 97.3% (96.6% in the first half of 2016) of the ports in Northeast China.

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

Items	For the six months ended 30 June 2017 (RMB)	For the six months ended 30 June 2016 (RMB)	Change (%)
Revenue	892,731,692.17	704,417,713.80	26.7
Share of the Group's revenue	20.7%	10.9%	Up by 9.8 percentage points
Gross profit	166,232,293.70	150,856,214.80	10.2
Share of the Group's gross profit	25.9%	21.2%	Up by 4.7 percentage points
Gross profit margin	18.6%	21.4%	Down by 2.8 percentage points

In the first half of 2017, the revenue from the Container Segment increased year-on-year by 26.7%. Excluding the effect of trading business, the revenue increased by 23.4% on a year-on-year basis, mainly attributable to the combined effects of the increase in container loading and discharging charges, growth in berth rentals and expansion of cross-border container business.

The gross profit margin of the segment decreased year-on-year by 2.8 percentage points. Excluding the effect of trading business, the gross profit margin decreased by 2.3 percentage points on a year-on-year basis, mainly due to the growth in cross-border business with relatively low gross profit margin.

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

- In term of opening new routes, the Group deepened collaboration with major shipping alliances and shipping companies and successfully opened three ocean-going main routes and two domestic trade routes which all enjoyed smooth operation.

- The Group continued to implement its Bohai Rim strategy by strengthening business development in the foreign trade market and improving the network layout in Bohai Rim.

- In terms of land logistics, the Group continued to intensify communication with the railway authority to seek policy support; and entered into a strategic cooperation agreement with Russian Railways to jointly promote the construction of an international logistics corridor connecting China to Europe.

- In terms of special logistics, the Group vigorously advanced diversified its operations by developing high-end services and accelerating the transformation of its port. Specifically, the cold chain logistics business was steadily growing in tandem with the orderly construction of a logistics network; the imported automobile parts business was running steadily; the experiment research on new quarantine technology was also going smoothly and the relevant business was scaling up.

Automobile Terminal Segment

The following table sets out the throughput handled by the Group's automobile terminal in the first half of 2017, with comparative figures for the first half of 2016:

		For the six months ended 30 June 2017	For the six months ended 30 June 2016	Increase/ (Decrease)
Vehicles (units)	Foreign trade	5,065	4,670	8.5%
	Domestic trade	305,550	224,018	36.4%
	Total	310,615	228,688	35.8%
Equipment (tonnes)		526	1,589	(66.9%)

In the first half of 2017, the Group handled a total of 310,615 vehicles, representing a year-on-year increase of 35.8%.

In the first half of 2017, the Group's vehicle throughput accounted for 100% (100% in the first half of 2016) of the total market share of the ports in Northeast China.

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

Items	For the six months ended 30 June 2017 (RMB)	For the six months ended 30 June 2016 (RMB)	Change (%)
Revenue	696,382,273.57	1,589,415,004.15	-56.2
Share of the Group's revenue	16.1%	24.5%	Down by 8.4 percentage points
Gross profit	14,597,700.43	26,811,268.77	-45.6
Share of the Group's gross profit	2.3%	3.8%	Down by 1.5 percentage points
Gross profit margin	2.1%	1.7%	Up by 0.4 percentage point

In the first half of 2017, the revenue from the Automobile Segment decreased year-on-year by 56.2%. Excluding the effect of trading business, the revenue increased year-on-year by 72.9%, mainly due to the growth in auto freight forwarding business.

The gross profit margin of the segment increased year-on-year by 0.4 percentage point. Excluding the effect of trading business, the gross profit margin decreased year-on-year by 33.6 percentage points, mainly due to the decrease in stacking yard income caused by the contraction of trading business and to the initially low gross profit margin of new business lines.

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

- Continued to intensify market development and strengthen cooperation with shipping companies and main engine plants to scale up sea-to-rail intermodal transportation.
- Expanded the scope of parallel import business and further improved the functions of port logistics and value-added services; and actively strengthened cooperation with other ports to enhance the influence of the Group's ports.

Ore Segment

The following table sets out the throughput handled by the Group's ore terminal in the first half of 2017, with comparative figures for the first half of 2016:

	For the six months ended 30 June 2017 ('0000 tonnes)	For the six months ended 30 June 2016 ('0000 tonnes)	Increase/(Decrease)
Ore	1,125.2	689.1	63.3%

In the first half of 2017, the Group's Ore Segment handled 11.252 million tonnes of ore, representing a year-on-year increase of 63.3%. Such increase was mainly due to the substantial increase in the Group's ore throughput after the Group enhanced its integrated logistics, gained support of preferential policies, improved service quality and further scaled up its ore mixing business.

In the first half of 2017, the Group's ore throughput accounted for 28% (19.2% in the first half of 2016) of the total throughput of the ports in Northeast China.

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

Items	For the six months ended 30 June 2017 (RMB)	For the six months ended 30 June 2016 (RMB)	Change (%)
Revenue	157,593,780.49	107,805,008.45	46.2
Share of the Group's revenue	3.6%	1.7%	Up by 1.9 percentage points
Gross profit	20,243,606.15	-7,828,650.23	358.6
Share of the Group's gross profit	3.2%	-1.1%	Up by 4.3 percentage points
Gross profit margin	12.8%	-7.3%	Up by 20.1 percentage points

In the first half of 2017, the revenue from the Ore Segment increased year-on-year by 46.2%. Excluding the effect of trading business, the revenue increased by 63.1% on a year-on-year basis, mainly driven by the growth in imported iron ore business and the full-fledged development of ore mixing business.

The gross profit margin of the segment increased year-on-year by 20.1 percentage points. Excluding the effect of trading business, the gross profit margin increased by 21.0 percentage points on a year-on-year basis, mainly due to the growth in imported iron ore business with higher rates and the development of ore mixing business.

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

- Deepened cooperation with customers and leveraged the Group's regional presence and the advantages of its ports to carry out port-based processing and marketing of mixed ore while promoting the construction of a port commodity hub and an ore blending base.

- Leveraged its service strengths such as deep-water berths, bonded transshipment and port-based ore blending to attract more regular shipments, so as to further enlarge its market share.

General Cargo Segment

The following table sets out the throughput handled by the Group's general cargo terminal in the first half of 2017, with comparative figures for the first half of 2016:

	For the six months ended 30 June 2017 ('0000 tonnes)	For the six months ended 30 June 2016 ('0000 tonnes)	Increase/(Decrease)
Steel	322.5	308.7	4.5%
Coal	467.6	508.1	(8.0%)
Equipment	153.7	157.4	(2.4%)
Others	545.1	478.9	13.8%
Total	1,488.9	1,453.1	2.5%

In the first half of 2017, the throughput of the Group's General Cargo Segment amounted to 14.889 million tonnes, representing a year-on-year increase of 2.5%.

In the first half of 2017, the Group's steel throughput was 3.225 million tonnes, representing a year-on-year increase of 4.5%, mainly due to the year-on-year increase in steel shipment volume as the Group strengthened its integrated logistics system and solicited steel plants in the hinterland for shipment.

In the first half of 2017, the Group's coal throughput was 4.676 million tonnes, representing a year-on-year decrease of 8%, mainly due to the year-on-year decrease in coal transshipment volume as a result of the restrictive policy on coal output and the drop in imported coal volume.

In the first half of 2017, the Group's equipment throughput was 1.537 million tonnes, representing a year-on-year decrease of 2.4%, mainly due to the significant drop in exported equipment caused by the lack of orders received by equipment manufacturers. Nevertheless, supported by port-based projects, the equipment throughput only decreased slightly in the first half of the year on a year-on-year basis.

In the first half of 2017, the Group's steel throughput and coal throughput accounted for 16.2% (14.7% in the first half of 2016) and 17.3% (17.8% in the first half of 2016), respectively, of the total throughput of the ports in Northeast China.

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

Items	For the six months ended 30 June 2017 (RMB)	For the six months ended 30 June 2016 (RMB)	Change (%)
Revenue	168,968,738.72	246,975,713.35	-31.6
Share of the Group's revenue	3.9%	3.8%	Up by 0.1 percentage point
Gross profit	-10,927,752.87	-7,880,097.94	-38.7
Share of in the Group's gross profit	-1.7%	-1.1%	Down by 0.6 percentage point
Gross profit margin	-6.5%	-3.2%	Down by 3.3 percentage points

In the first half of 2017, the revenue from the General Cargo Segment decreased year-on-year by 31.6%. Excluding the effect of trading business, the revenue increased year-on-year by 9.3%, mainly due to the growth in steel throughput and cargo transshipment.

The gross profit margin of the segment decreased year-on-year by 3.3 percentage points. Excluding the effect of trading business, the gross profit margin increased by 3.1 percentage points on a year-on-year basis, mainly due to the income increase resulting from the growth in steel throughput and cargo transshipment.

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

- Strengthened the construction of an integrated logistics system and intensified cooperation among its ports, railways and enterprises to obtain preferential rates of railway and road freight for steel, coal and other cargos, so as to lower the overall logistics costs of its ports and attract more transshipment customers for its ports.

- Proactively participated in the construction of logistics system, provided customers with tailored logistics solutions and built up an urban coal supply network to attract urban coal-consuming enterprises to transship coal at its ports, in a bid to boost coal transshipment.

- Vigorously developed port-based business and built "frontline workshops" for equipment manufacturers to attract them to construct processing and assembly bases at its ports, so as to boost transshipment of large equipment at the ports.

Bulk Grain Segment

The following table sets out the throughput handled by the Group's bulk grain terminal in the first half of 2017, with comparative figures for the first half of 2016:

	For the six months ended 30 June 2017 ('0000 tonnes)	For the six months ended 30 June 2016 ('0000 tonnes)	Increase/(Decrease)
Corn	122.3	13.5	806%
Soy bean	97.5	107.1	(9%)
Barley	21.8	25.5	(14.5%)
Wheat	0	1.9	(100%)
Others	85.1	83.6	1.8%
Total	326.7	231.6	41.1%

In the first half of 2017, the throughput of the Group's Bulk Grain Segment amounted to 3.267 million tonnes, representing a year-on-year increase of 41.1%.

In the first half of 2017, the Group's corn throughput was 1.223 million tonnes, representing a year-on-year increase of 806%. The increase was mainly attributable to (1) the grain market picked up following changes of relevant national policies, and (2) the Group seized the market trend to energetically attract corn shipments, which greatly increased the Group's throughput of corn for domestic trade on a year-on-year basis.

In the first half of 2017, the Group's soybean throughput was 975,000 tonnes, representing a year-on-year decrease of 9%, mainly due to the restructuring of major customers and market changes.

In the first half of 2017, the Group's bulk grain throughput accounted for 11% (14.9% in the first half of 2016) of the total throughput of the ports in Northeast China.

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

Items	For the six months ended 30 June 2017 (RMB)	For the six months ended 30 June 2016 (RMB)	Change (%)
Revenue	226,577,150.82	491,736,600.24	-53.9
Share of the Group's revenue	5.2%	7.6%	Down by 2.4 percentage points
Gross profit	24,808,756.98	13,512,562.47	83.6
Share of the Group's gross profit	3.9%	1.9%	Up by 2.0 percentage points
Gross profit margin	10.9%	2.7%	Up by 8.2 percentage points

In the first half of 2017, the revenue from the Bulk Grain Segment decreased year-on-year by 53.9%. Excluding the effect of trading business, the revenue increased by 31.4% on a year-on-year basis, mainly driven by the growth in grain throughput and the income from bulk grain vehicle rental business.

The gross profit margin of the segment increased year-on-year by 8.2 percentage points. Excluding the effect of trading business, the gross profit margin increased by 11.0 percentage points on a year-on-year basis, mainly due to the growth in grain throughput and bulk grain vehicle rental business.

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

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

- Stepped up efforts in attracting grain shipments for foreign trade to further improve the grain futures business.

Passenger and Ro-Ro Segment

The following table sets out the passenger and roll-on roll-off throughput handled by the Group in the first half of 2017, with comparative figures for the first half of 2016:

	For the Six months ended 30 June 2017	For the Six months ended 30 June 2016	Increase/(Decrease)
Passengers ('0000 persons)	164.3	144.4	13.8%
Vehicles ('0000 units)	65.3	68.0	(4%)

In the first half of 2017, throughput of passengers was 1.643 million persons, representing an increase of 13.8% as compared to the same period last year. Throughput of vehicles amounted to 653,000 units, representing a decrease of 4% as compared to the same period last year.

In the first half of 2017, as the Group put greater effort in promoting ticket counters and online e-ticket system, and the total number of passenger experienced a jump as compared to the same period last year. Affected by domestic route deviations, business volume for roll-on roll-off service decreased as compared to the same period last year.

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

Items	For the six months ended 30 June 2017 (RMB)	For the six months ended 30 June 2016 (RMB)	Change (%)
Revenue	71,804,606.87	55,162,878.67	30.2
Share of the Group's revenue	1.7%	0.9%	Up by 0.8 percentage point
Gross profit	17,950,050.68	7,527,823.91	138.4
Share of the Group's gross profit	2.8%	1.1%	Up by 1.7 percentage points
Gross profit margin	25.0%	13.6%	Up by 11.4 percentage points

In the first half of 2017, the revenue from the Passenger and Ro-Ro Segment increased year-on-year by 30.2%, mainly due to the rise in throughput and the increase in the unit price of departure vehicles.

Gross profit margin increased year-on-year by 11.4 percentage points, mainly attributable to the increase in the unit price of departure vehicles and the revenue generated from the growth in throughput.

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

- In the first half of the year, the Group made 9 outgoing voyages of international cruise ships and received 3 international cruise ships, representing a total of inbound and outbound passenger throughput of 26,700 person, up by 12,700 person year-on-year.

- The Company introduced e-commerce platforms to boost its online ticket sales; and increased the function of passenger car ticket sales on the WeChat public platform in an effort to gradually improve the Company's online ticketing business.

Value-added Services Segment

Tugging

In the first half of 2017, the Group's tugging division increased voyage charter and made reasonable resource allocation in regions like Dalian, Lvshun and Changxing Island by taking a number of measures such as scientifically distributing tugboats and flexibly adjusting the number of tugboats and power ratios at each of the tugboat bases with a view to increasing sources of revenue, saving fuels and reducing mobilisation costs, resulting in an increase of 8.7% in throughput on a year-on-year basis.

Tallying

In the first half of 2017, the total tallying throughput handled by the Group was approximately 21.141 million tonnes, representing a year-on-year increase of 4.4%.

Railway

In terms of the operation of railway transportation, the Group handled a total of approximately 333,000 carriages, representing a year-on-year increase of 28.1%.

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

Items	For the six months ended 30 June 2017 (RMB)	For the six months ended 30 June 2016 (RMB)	Change (%)
Revenue	430,710,929.73	392,960,626.54	9.6
Share of the Group's revenue	10.0%	6.1%	Up by 3.9 percentage points
Gross profit	144,255,245.51	120,740,224.42	19.5
Share of the Group's gross profit	22.5%	17.0%	Up by 5.5 percentage points
Gross profit margin	33.5%	30.7%	Up by 2.8 percentage points

In the first half of 2017, the revenue from the Value-added Services Segment increased year-on-year by 9.6%, mainly due to the growth in income from tugging and voyage charter business as a result of market recovery and increase in tugging and charter rates, as well as the retaining of income following the cancellation of regulatory charges by the government.

The gross profit margin of the segment increased year-on-year by 2.8 percentage points, mainly attributable to the combined effect of market recovery, rising rates, implementation of tax exemption policy and the cancellation of regulatory charges by the government.

PROSPECTS OF THE SECOND HALF OF 2017

COMPETITIVE LANDSCAPE AND INDUSTRY TREND

In the second half of the year, the deep-seated problems of the global economy will linger, and economic growth will remain slow. Domestically, by holding on to structural reform at the supply side, China will continuously make progress in "de-capacity, de-stocking, de-leveraging, cost reduction and overcoming of weaknesses". In addition, guided by the development concepts of "innovation, coordination, green, openness and sharing", China will constantly adapt to, seize opportunities from and lead the new normal of economic development. As such, in the second half of the year, China's economy is expected to stably edge up with stronger internal driving force supported by robust domestic demands.

RISKS AND ADVERSE FACTORS

The world economy will continue to recover slowly, and the domestic economy will remain in the new normal status of economic development. Against the backdrop of economic restructuring and rising labour costs, China's import and export still have a challenging outlook with noticeable risks and uncertainties. The Group's port operations, large but not robust, are experiencing sluggish revenue growth and facing growth bottleneck under the current business model which relies heavily on revenue from loading and unloading services.

MAJOR COUNTERMEASURES

Based on our service-oriented approach and participating in the state's "Belt and Road" initiative, the Group will strengthen coordination, integration and resource sharing with nearby ports, shippers and third-party logistics enterprises to further improve the allocation of key resources. The Group will improve its service functions and reduce the overall costs, with an aim to integrate the elements of the whole supply chain including logistics, trade, finance and information. It will continually innovate in logistics products, explore new business models and cooperate with other parties in all aspects to build up an all-in-one supply chain service platform, so as to achieve all-round transformation and upgrading from the port to the integrated logistics system and to the supply chain.

In the second half of the year, the Group's major initiatives for market development of its business segments are as follows:

Oil Segment

- Leverage the Group's advantages in ports and concentration of storage tanks to deepen cooperation with customers for complementary strengths and coordinated development and to expand the crude oil bonded storage and transshipment business.

- Promote cooperation with customers engaging in supply of ship fuel to develop ship fuel supply business and build a "bonded integrated ship fuel supply service base".

Container Segment

- Draw on the construction of the Liaoning Pilot Free Trade Zone and focus on two key tasks – "international expansion" and "transshipment hub construction" to step up efforts in marketing and improve the construction of shipping network and sea-to-rail intermodal network.

- Continue to explore an innovative development model integrating logistics, trade, finance and information with a focus on cold chain, automobile, wood and other promising sectors, in an effort to build up an integrated supply chain service system and promote upgrading of the ports for better development.

Automobile Terminal Segment

- Strive to open more liner routes to facilitate south-north water transportation; and strengthen market development targeting other potential customers engaging in domestic trade in the hinterland of northeast China.

- Complete the tasks regarding automobile trade to establish a national presence for parallel imports of cars at a faster pace and improve the industry chain of parallel car imports.

Ore Segment

- With respect to compressing logistics costs, the Group will create a regional iron ore distribution hub to comprehensively enhance the iron ore distribution service system oriented to the Group.

- Putting into play the delivery storage platform for iron ore futures (bonded), the Group will reduce ore procurement costs and mitigate financial pressure of steel plants to provide value-added services for customers.

- Carrying further its business philosophy of "running liner shipping routes" and benefiting from the advantageous policy of lower railway rates coming into force, the Group will attract demand for cargo transport to the Group and strive to launch liner shipping routes for foreign steel trading.

- The advantage of "port combinations" in cooperation with nearby ports will be further developed to gain usage of handling services from nearby coal companies and further enlarge the volume of onshore coal transshipment.

- The Group will secure progress in port-based projects by promptly understanding the requirements of subsequent projects and further expanding the aspects and scope of cooperation.

Bulk Grain Segment

- The Group will reinforce capital cooperation with customers to further expand the scope of cooperation.

- The Group will spare no effort in gaining patronage of grains by paying constant attention to changes in national policy and market news, and further improving the whole logistics service system.

Passenger and Ro-Ro Segment

- The Group will strive to enhance its departure services for international cruises, while accelerating marketing for its cruise service brand and establishing a cruise travelling brand by developing the "Cruise+" leisure travelling model.

- The Group will put the "internet+port" strategy into in-depth implementation. With regard to passengers, it will spread the coverage of the existing ticket sales system to port areas and make extra effort in establishing an integrated e-ticket system to promote sales online and on mobile devices. With regard to vehicle freight, it will construct a roll-on roll-off logistics information platform and consolidate resources for roll-on roll-off logistics by applying the internet and big data so as to extend its logistic supply chain and capture new business opportunities.

Value-added Services Segment

- The Group will expand its voyage-charter and domestic coastal tugging services to expand revenue sources and increase revenue.

- The Group will devote greater effort into the development of services in the Yangtze River Basin, Shandong Peninsula, Fujian and nearby ports in order to acquire new opportunities for business cooperation.

- With respect to reducing dispatching costs, the Group will enhance the deployment of its tugboats in ports by making reasonable adjustment to the number of tugboats stationed at each base.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017.

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

1. Issuance of First Tranche of 2017 Corporate Bonds

On 26 April 2017, the Company issued its first tranche of 2017 corporate bonds in an aggregate principal amount of RMB1.07 billion for a term of five years at a coupon rate of 4.8%. The joint lead underwriters of the 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).

2. Redemption of Super Short-Term Commercial Paper Maturing in 2017

On 8 April 2017, the Company redeemed the super short-term commercial paper issued by the Company on 8 July 2016 in an aggregate principal amount of RMB3 billion for a term of 270 days at a coupon rate of 2.78% payable together with the principal amount when the paper falls due.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2017, the Company had 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, and so far as known to the Directors of the Company, there had been no material deviation from the code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2017, the Company had adopted a code of conduct governing director's and supervisor's dealings in the Company's securities on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer ("**Model Code**"). Upon specific enquiries, all Directors and supervisors have confirmed that they had complied with the provisions of the Model Code and the code of conduct governing their dealings in the Company's securities during the relevant period.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee consists of Mr. WANG Zhifeng, an independent non-executive Director and chairman of the audit committee, Mr. LAW Man Tat an independent non-executive Director, and Mr. YIN Shihui, a non-executive Director. The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2017.

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
24 August 2017

As at the date of this announcement, the Directors of the Company are:
Executive Directors: ZHANG Yiming and WEI Minghui
Non-executive Directors: BAI Jingtao, XU Song, ZHENG Shaoping and YIN Shihui
Independent non-executive Directors: WANG Zhifeng, SUN Xiyun and LAW Man Tat

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

* *for identification purposes only.*