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 2018

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 as the "**Group**") prepared pursuant to China Accounting Standards for Business Enterprises for the year ended 31 December 2018. The Group's financial results for the reporting period have been audited by Ernst & Young (special general partnership).

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	**31 December 2018 Consolidated**	31 December 2017 Consolidated
Current assets		
Cash at bank and in hand	**5,729,285,870.35**	7,507,917,166.59
Financial assets at fair value through profit or loss	**–**	5,050,497.50
Financial assets held for trading	**1,892,520,046.14**	–
Notes and accounts receivable	**947,433,479.68**	1,201,883,882.80
Advances to suppliers	**34,835,097.24**	159,435,191.83
Other receivables	**663,019,375.41**	606,274,255.10
Inventories	**149,488,331.40**	702,685,534.58
Contract assets	**37,162,200.00**	–
Non-current assets due within one year	**–**	–
Other current assets	**105,735,304.45**	255,836,964.53
Total current assets	**9,559,479,704.67**	10,439,083,492.93

ASSETS	**31 December 2018 Consolidated**	31 December 2017 Consolidated
Non-current assets		
Available-for-sale financial assets	**–**	159,423,791.18
Long-term equity investments	**4,196,535,238.90**	4,181,438,137.97
Other investments in equity instruments	**179,146,371.30**	–
Investment properties	**202,719,406.14**	710,512,216.76
Fixed assets	**17,208,306,962.50**	16,860,925,657.87
Construction in progress	**2,030,344,333.55**	2,260,609,738.57
Intangible assets	**1,724,973,793.88**	1,637,141,745.38
Goodwill	**20,433,690.59**	20,433,690.59
Long-term prepayments	**76,195,345.33**	106,783,619.90
Deferred tax assets	**81,148,594.18**	66,000,514.39
Other non-current assets	**36,299,731.85**	142,923,200.38
Total non-current assets	**25,756,103,468.22**	26,146,192,312.99
TOTAL ASSETS	**35,315,583,172.89**	36,585,275,805.92

LIABILITIES AND OWNERS' EQUITY	**31 December 2018 Consolidated**	31 December 2017 Consolidated
Current liabilities		
Short-term borrowings	**3,399,536,753.89**	3,271,234,002.74
Financial assets at fair value through profit or loss	**–**	3,810,902.00
Notes receivable and accounts receivable	**224,442,511.34**	380,389,360.83
Advances from customers	**6,153,114.57**	192,230,201.10
Contract liabilities	**45,783,239.08**	–
Employee benefits payable	**260,854,026.38**	250,668,300.78
Taxes payable	**54,113,243.93**	127,314,759.93
Other payables	**911,030,967.62**	809,203,751.83
Non-current liabilities due within one year	**800,076,181.57**	4,158,328,072.94
Total current liabilities	**5,701,990,038.38**	9,193,179,352.15

LIABILITIES AND OWNERS' EQUITY	**31 December 2018 Consolidated**	31 December 2017 Consolidated
Non-current liabilities		
Long-term borrowings	**2,052,026,017.12**	2,581,543,935.59
Bond payable	**5,873,223,359.39**	3,404,498,647.79
Long-term payables	**40,000,000.00**	–
Deferred income	**587,760,573.96**	570,082,092.47
Deferred tax liabilities	**111,725,442.87**	117,258,611.27
Other non-current liabilities	**88,541,797.00**	98,915,093.00
Total non-current liabilities	**8,753,277,190.34**	6,772,298,380.12
TOTAL LIABILITIES	**14,455,267,228.72**	15,965,477,732.27
Shareholders' Equity		
Issued capital	**12,894,535,999.00**	12,894,535,999.00
Capital reserve	**2,935,193,506.32**	2,928,604,715.37
Other comprehensive income	**5,924,000.77**	29,398,184.15
Special reserve	**32,179,588.47**	32,603,491.61
Surplus reserve	**823,997,607.17**	758,715,434.54
Unappropriated profit	**1,584,535,562.22**	1,416,071,539.76
Equity attributable to the shareholders of the parent company	**18,276,366,263.95**	18,059,929,364.43
Minority interest	**2,583,949,680.22**	2,559,868,709.22
Total equity	**20,860,315,944.17**	20,619,798,073.65
TOTAL LIABILITIES AND EQUITY	**35,315,583,172.89**	36,585,275,805.92

CONSOLIDATED INCOME STATEMENT FOR 2018
(All amounts in RMB Yuan unless otherwise stated)

Item		For the twelve months ended 31 December 2018 Consolidated	For the twelve months ended 31 December 2017 Consolidated
1.	**Revenue**	**6,754,444,902.38**	9,031,643,350.22
	Less: Cost of sales	**5,141,735,182.50**	7,568,202,507.68
	Taxes and surcharges	**55,163,579.61**	45,412,616.54
	Selling and distribution expenses	**677,390.25**	412,560.91
	General and administrative expenses	**690,284,666.90**	653,830,593.45
	Research and development expenses	**11,724,226.88**	8,514,793.05
	Financial expenses	**288,306,943.32**	639,853,262.11
	Including: Interest expenses	**596,102,239.30**	527,888,001.02
	Interest income	**-128,417,485.76**	-118,268,304.97
	Asset impairment losses	**–**	59,917,712.73
	Credit impairment losses	**77,901,590.39**	–
	Add: Other income	**85,358,984.79**	103,431,845.50
	Investment income	**280,500,274.39**	542,552,490.64
	Including: Investment income from joint ventures and associates	**250,423,644.20**	360,116,642.88
	Gains on changes in fair values	**4,435,068.00**	-5,946,927.00
	Gains on disposal of assets	**450,029.12**	15,747,601.32
2.	**Operating profit**	**859,395,678.83**	711,284,314.21
	Add: Non-operating income	**21,494,785.64**	22,260,846.11
	Less: Non-operating expenses	**5,410,743.16**	6,386,975.66
3.	**Total profit**	**875,479,721.31**	727,158,184.66
	Less: Income tax expenses	**193,498,370.29**	152,866,274.32
4.	**Net profit**	**681,981,351.02**	574,291,910.34
	Including: Net profit from continuing operations	**681,981,351.02**	574,291,910.34
	Classified by ownership of the equity		
	Net profit attributable to the shareholders of the parent company	**523,315,600.09**	500,779,944.29
	Minority interests	**158,665,750.93**	73,511,966.05

Item		**For the twelve months ended 31 December 2018 Consolidated**	For the twelve months ended 31 December 2017 Consolidated
5.	**Earnings per share**		
	Basic earnings per share (RMB Yuan)	**0.04**	0.04
	Diluted earnings per share (RMB Yuan)	**0.04**	0.04
6.	**Other comprehensive income, net of tax**		
	Attributable to the shareholders of the parent company	**-874,034.80**	-17,977,382.84
	Items that will not be reclassified to profit or loss	**-10,409,767.71**	–
	Fair value change of other investments in equity instruments	**-10,409,767.71**	–
	Items that will be classified to profit or loss	**9,535,732.91**	-17,977,382.84
	Items that can be transferred to profit or loss under equity method	**–**	755,666.78
	Fair value changes of available-for-sale financial assets	**–**	4,679,843.22
	Translation differences on foreign financial statements	**9,535,732.91**	-23,412,892.84
	Attributable to minority interests	**-232,741.00**	–
7.	**Total comprehensive income**	**680,874,575.22**	556,314,527.50
	Including: Attributable to the shareholders of the parent company	**522,441,565.29**	482,802,561.45
	Attributable to minority interests	**158,433,009.93**	73,511,966.05

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)

I. GENERAL INFORMATION

Dalian Port (PDA) Company Limited (the "Company") was established in Liaoning Province, the People's Republic of China (the "PRC") as a joint stock limited company by Dalian Port Corporation Limited ("PDA"), Dalian Rongda Investment Company Limited, Dalian Haitai Holdings Company Limited, Dalian Detai Holdings Company Limited and Dalian Bonded Zhengtong Company Limited with the approval by Da Zheng [2005] No.153 issued by the People's Government of Dalian City on 16 November 2005, Liaoning Province. Pursuant to the approval of the Administration for Industry and Commerce of Dalian City, Liaoning Province, the Company registered with the business licence number of 91210200782451606Q. The H shares and A shares which are ordinary shares and issued by the Company have been listed and traded on the Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange on 28 April 2006 and 6 December 2011, respectively. The Company's headquarter is situated at Xingang Commercial Building, Dayao Bay, Dalian Free Trade Zone, Dalian City, Liaoning Province, PRC.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") include the provision of terminal business and logistics services such as international and domestic cargo loading and discharging, transportation, transsshipment, storage and etc.; providing facilities and services for passenger waiting, embarking and disembarking; tallying and tugging services for vessels sailing on international and domestic lines; port logistics and port information technology consultation services; petroleum storage (restricted to those applying for bonded qualification and those at port storage facilities); refined oil products storage (restricted to those applying for bonded qualification and those at port storage facilities); import and export of goods and technology (excluding articles prohibited by relevant laws and regulations; import and export of articles restricted by laws and regulations may only conduct with the grant of license) (with capital contribution from foreign party of no more than 25%).

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

These financial statements were approved for issuance by the Company's Board of Directors on 26 March 2019.

II. BASIS OF PREPARATION

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standard issued by the Ministry of Finance, and specific standards, application guideline, interpretations and other relevant requirements subsequently issued and revised (hereinafter collectively referred to as the "Accounting Standard for Business Enterprises"). Apart from accounting policy changes, accounting policies adopted in these annual financial statements are consistent with those adopted in the 2017 annual financial statements prepared by the Group. These annual financial statements should be read in conjunction with the Group's 2017 annual financial statements.

The financial statements are prepared on a going concern basis.

Except for certain financial instruments, the financial statements have been prepared under the historical cost convention. If the assets are impaired, corresponding provisions for impairment shall be provided according to relevant provisions.

III. TAXES

1. Major categories of taxes and respective tax rates

Value-added tax (VAT) – Prior to 1 May 2018, the Group's revenue from port operations, sales of goods, entrusted loans, building & construction, property leasing, labour dispatch and steam, water and natural gas provision businesses are subject to output VAT at a tax rate of 6%, 17%, 6%, 11%, 5%, 6% and 11%, respectively, which is levied after deducting deductible input VAT for the current period. After 1 May 2018, the abovementioned revenues are subject to output VAT at a tax rate of 6%, 16%, 6%, 10%, 5%, 6% and 10%, respectively, which is levied after deducting deductible input VAT for the current period.

City maintenance and construction tax – it is levied at 7% on the turnover taxes paid.

Education supplementary tax – it is levied at 5% on the turnover taxes paid.

Property tax – it is calculated at a tax rate of 1.2% based on 70% of costs of properties; or it is calculated at a tax rate of 12% based on rental income.

Corporate income tax – it is levied at 25% on the taxable profit, except for certain subsidiaries of the Group established in Mainland China which enjoy tax preferences and those subsidiaries incorporated outside Mainland China which are subject to local income tax regulations.

Environmental protection tax – it is levied on the pollution equivalent of taxable pollutants; or it is levied at the emissions multiplied by applicable tax amount.

2. Tax preference

Land use tax

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

According to the Tentative Regulations of the People's Republic of China on Land Use Tax in respect of Urban and Town Land, land reclaimed subject to approval and land converted from waste land are exempted from land use tax for 5 to 10 years from the month of being used. The reclaimed land held by the Group is exempt from land use tax.

According to the Tentative Regulations of the People's Republic of China on Land Use Tax in respect of Urban and Town Land, the Circular of the State Taxation Administration on Continuous Implementation of the Preferential Policies for Urban Land Use Tax in respect of Land of Logistics Enterprises Used for Commodity Warehousing Facilities (Cai Shui [2017] No. 33), with effect from 1 January 2017 to 31 December 2019, for the owned land (including for self-use and lease) of logistics enterprises used for bulk commodity warehousing facilities, the urban land use tax shall be paid on 50% of the amount applicable to the tax standard of the respective land grade. The land held by the Group used for bulk commodity warehousing facilities use tax is subject to 50% tax reduction of land use tax.

VAT

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

Corporate income tax

Dalian Portsoft Technology Co., Ltd. and Dalian Port Logistic Network Co., Ltd., subsidiaries of the Group, has obtained on 29 November 2017 the Certificate of the High and New Technological Enterprise (No. GR201721200282 and GR201721200058, respectively) issued by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax and Dalian Municipal Bureau of Local Taxation, and the term of validity of the aforesaid certificates is three years.

Dalian Port Logistics Technology Co., Ltd., a subsidiary of the Group, has obtained on 21 September 2015 the Certificate of the High and New Technological Enterprise (No. GR201521200005) issued by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax and Dalian Municipal Bureau of Local Taxation, and the term of validity is three years. Application for renewal of this certificate has been made upon expiration in September 2018 and approval has been granted by relevant tax authorities.

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

IV. NOTES TO THE MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Financial assets held for trading

Financial assets at fair value through profit or loss	31 December 2018	Gains or losses recognised in current period
Investments in debt instruments *(Note 1)*	**1,887,883,698.64**	20,347,892.82
Investments in equity instruments *(Note 2)*	**4,636,347.50**	-164,452.41
Total	**1,892,520,046.14**	20,183,440.41

Note 1: Structural deposits purchased by the Group in the current period amounted to RMB900,000,000.00 from Industrial Bank Co. Ltd. The capital was mainly used for investment in money market instruments. The estimated annual return was 4.03% with the maturity date on 1 February 2019.

Structural deposits purchased by the Group in the current period amounted to RMB100,000,000.00 from China Construction Bank. The capital was mainly used for investment in money market instruments. The estimated annual return ranged from 1.65% to 3.00% with the maturity date on 1 February 2019.

Structural deposits purchased by the Group in the current period amounted to RMB187,000,000.00 from China Merchants Bank. The capital was mainly used for investment in money market instruments. The estimated annual return was 3.83% with the maturity date on 11 February 2019.

Structural deposits purchased by the Group in the current period amounted to RMB100,000,000.00 from Harbin Bank. The capital was mainly used for investment in money market instruments. The estimated annual return was 4.45% with the maturity date on 14 March 2019.

Structural deposits purchased by the Group in the current period amounted to RMB100,000,000.00 from China CITIC Bank. The capital was mainly used for investment in money market instruments. The estimated annual return was 4.21% with the maturity date on 21 March 2019.

Structural deposits purchased by the Group in the current period amounted to RMB100,000,000.00 from China Guangfa Bank. The capital was mainly used for investment in money market instruments. The estimated annual return was 4.37% with the maturity date on 21 March 2019.

Structural deposits purchased by the Group in the current period amounted to RMB200,000,000.00 from China Construction Bank. The capital was mainly used for investment in money market instruments. The estimated annual return ranged from 1.65% to 3.00% with the maturity date on 27 March 2019.

Structural deposits purchased by the Group in the current period amounted to RMB193,000,000.00 from China Merchants Bank. The capital was mainly used for investment in money market instruments. The estimated annual return ranged from 1.55% to 3.82% with the maturity date on 28 June 2019.

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

2. Notes and accounts receivable

	31 December 2018	31 December 2017
Notes receivable	**289,238,760.63**	175,462,684.29
Accounts receivable	**718,499,670.86**	1,051,870,438.86
Sub-total	**1,007,738,431.49**	1,227,333,123.15
Less: Provision for bad debts	**-60,304,951.81**	-25,449,240.35
Total	**947,433,479.68**	1,201,883,882.80

2.1 Notes receivable:

	31 December 2018	31 December 2017
Trade acceptance notes	**–**	900,000.00
Bank acceptance notes	**289,238,760.63**	174,562,684.29
Total	**289,238,760.63**	175,462,684.29

Notes receivable which have been endorsed or discounted but not matured yet at balance sheet date are as follows:

	31 December 2018		31 December 2017	
	Derecognised	**Not derecognised**	Derecognised	Not derecognised
Bank acceptance notes	**48,602,332.58**	**7,073,910.19**	51,950,634.95	–

As at 31 December 2018, the Group had no pledged notes receivable (31 December 2017: Nil).

As at 31 December 2018, the Group had no notes that were discounted or transferred into accounts receivable because of the drawer's inability to perform (31 December 2017: Nil).

2.2 Accounts receivable:

The credit period of accounts receivable is usually 3 months. The accounts receivable bears no interest.

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

	31 December 2018	31 December 2017
Within 1 year	**629,892,263.91**	952,498,692.75
1 to 2 years	**15,720,843.27**	22,827,091.48
2 to 3 years	**8,854,591.08**	6,028,305.62
Over 3 years	**64,031,972.60**	70,516,349.01
Sub-total	**718,499,670.86**	1,051,870,438.86
Less: Provision for bad debts of accounts receivable	**-60,304,951.81**	-25,449,240.35
Total	**658,194,719.05**	1,026,421,198.51

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

	Balance as at the beginning of the period/year	Provision for the period/year	Reversal during the period/year	Disposal of subsidiaries during the period/year	Write-off during the period/year	Balance as at the end of the period/year
2018 *(Note)*	**46,720,189.36**	**39,010,791.98**	**–**	**-25,426,029.53**	**–**	**60,304,951.81**
2017	148,000.00	25,301,240.35	–	–	–	25,449,240.35

Note: The Group implemented new accounting standards relating to financial instruments from 1 January 2018. On the first implementation date, the Group's original impairment provision for financial assets as at 31 December 2017 was re-measured according to the new accounting standards relating to financial instruments. For details, please refer to the 2018 Annual Report.

	31 December 2018			
	Ending balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Provision (%)
With amounts that provision for bad debts was made on an individual basis	62,852,144.51	8.75	44,220,119.27	70.36
With amounts that provision for bad debts was made on a group basis by credit risk characteristics	655,647,526.35	91.25	16,084,832.54	2.45
Total	718,499,670.86	100.00	60,304,951.81	8.39

Details of accounts receivable of which provision for bad debts is made according to aging analysis:

Age	31 December 2018		
	Ending balance estimated to be in default	Expected rate of credit loss	Lifetime expected credit loss
Within 1 year	**629,892,263.91**	**0.70%**	**4,409,245.85**
1-2 years	**15,637,619.27**	**25%**	**3,909,404.82**
2-3 years	**5,310,397.38**	**70%**	**3,717,278.17**
3-4 years	**2,524,350.92**	**75%**	**1,893,263.19**
4-5 years	**1,272,543.56**	**90%**	**1,145,289.20**
Over 5 years	**1,010,351.31**	**100%**	**1,010,351.31**
Total	**655,647,526.35**	**–**	**16,084,832.54**

As at 31 December 2018, accounts receivable with amounts that were individually significant and that the related provision for bad debts was made on an individual basis were analysed as follows:

	Ending balance (Unaudited)	Provision for bad debts (Unaudited)	Provision (%)	Reasons
Shenyang Oriental Steel Co., Ltd.	48,854,764.10	31,755,596.67	65	Note 1
Northeast Asia Spot Commodity Exchange Limited	9,016,810.61	7,483,952.80	83	Note 2
Heilongjiang Zhanfeng International Trade Co., Ltd.	4,832,569.80	4,832,569.80	100	Note 3
Sub-total	148,000.00	148,000.00	100	
Total	62,852,144.51	44,220,119.27		

Note 1: On 31 December 2018, PDA General Cargo Terminals Company, a branch of the Company, had receivables of RMB48,854,764.10 from Shenyang Oriental Steel Co., Ltd. (hereinafter referred to as "Shenyang Oriental"). Since Shenyang Oriental has discontinued operations, and is insolvent and involved in many lawsuits, the recoverability of the amount is highly uncertain. After comprehensively considering the expected cash flow of the creditor's right and the expected probability of occurrence of various circumstances, the Group, based on the difference between the weighted result of the present value of the estimated future recoverable cash flow and the contractual cash flow, made provision for bad debts on the receivables of RMB31,755,596.67.

Note 2: On 31 December 2018, Dalian Steel Logistics Park Co., Ltd. (hereinafter referred to as "Steel Logistics Park"), a subsidiary of the Group, had receivables of RMB9,016,810.61 from Northeast Asia Spot Commodity Exchange Limited (hereinafter referred to as "Northeast Asia Spot"). Since Northeast Asia Spot has discontinued operations, Steel Logistics Park has not yet recovered any amount after applying for enforcement of its creditor's right. The enforcement has been suspended upon application and the recoverability of the amount is highly uncertain. After comprehensively considering the expected cash flow of the creditor's right and the expected probability of occurrence of various circumstances, the Group, based on the difference between the weighted result of the present value of the estimated future recoverable cash flow and the contractual cash flow, made provision for bad debts on the receivables of RMB7,483,952.80.

Note 3: On 31 December 2018, Dalian Jiyi Logistics Co., Ltd., a subsidiary of the Group, had receivables of RMB4,832,569.80 from Heilongjiang Zhanfeng International Trade Co., Ltd. (hereinafter referred to as "Heilongjiang Zhanfeng"). Since Heilongjiang Zhanfeng has discontinued operations, the Group expected that no amount will be recovered, thus making full provision for bad debts on the receivables.

As at 31 December 2017, the Group has made provision for bad debts for accounts receivable with amounts that were individually significant and insignificant of total RMB25,449,240.35. Of which, accounts receivable with amounts that were individually significant and that the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Provision for bad debts	Provision (%)	Reasons
Dalian Bohui International Trade Co., Ltd.	40,440,207.80	20,220,103.90	50	Note
Dalian Jiuru Automobile Sales and Service Co., Ltd.	20,162,272.91	5,081,136.45	25	Note
Total	60,602,480.71	25,301,240.35		

Note: As at 31 December 2017, receivables due from Dalian Bohui International Trade Co., Ltd. ("Dalian Bohui") by Dalian United King Port Auto Trade Co., Ltd., the subsidiary of the Group ("King Port Auto") amounted to RMB40,440,207.80. Considering the uncertainty on the recoverability of the receivables, related provisions for bad debts were made at 50% of the balances. As at 31 December 2017, receivables due from Dalian Jiuru Automobile Sales and Service Co., Ltd. by King Port Auto amounted to RMB20,162,272.91. The Company is out of business due to the legal person's death. After applying for property preservation of the assets valued RMB10,000,000.00 from Intermediate People's Court of Dalian Municipality, the Group considers that the recoverability of the remaining balance is uncertain which should be made provision for bad debts at a rate of 50%. During the year, the Group had transferred all equity interest in King Port Auto held by the Group to PDA. Since 30 June 2018, King Port Auto ceased to be included in the Group's consolidation scope.

In 2018, provision for bad debts amounted to RMB39,010,791.98 (2017: RMB25,301,240.35), and no recovery or reversal of bad debts provision was recorded (2017: Nil).

In 2018, the Group had no notes receivable discounted to financial institutions which was measure amortised cost. In 2017, the Group had notes receivable discounted to financial institutions which was measure amortised cost. The book balance of the derecognised notes receivable was RMB885,566.62, and the profit of RMB11,334.42 was recognized and included in financial expenses.

As at 31 December 2018, the accounts receivable from the top five were as follows:

	Balance	Provision for bad debts	% of total accounts receivable
Total balances of top five accounts receivable	305,917,718.54	33,555,037.35	42.58

3. OTHER RECEIVABLES

	31 December 2018	31 December 2017
Interest receivable	**30,743,735.52**	43,642,176.75
Fixed deposits	**27,930,620.79**	41,882,785.82
Current deposits	**614,017.53**	603,005.82
Interest of wealth management products	**–**	619,589.06
Entrusted loans	**2,199,097.20**	536,796.05
Dividends receivable	**146,000,226.01**	87,229,387.64
Dalian Port Yidu Cold Chain Co., Ltd.	**95,289,824.35**	10,500,000.00
Dalian Jilong Logistics Co., Ltd.	**22,507,539.23**	–
Jinzhou New Age Container Terminal Co., Ltd.	**7,760,250.43**	–
Dalian Singamas International Container Co., Ltd.	**7,614,047.00**	6,318,151.73
Taicang Xinggang Tug Co., Ltd.	**6,428,565.00**	2,142,855.00
Dalian Automobile Terminal Co., Ltd.	**4,800,000.00**	18,600,165.76
Dalian Port Container Terminal Co., Ltd. *(Note)*	**–**	47,518,215.15
Dalian United International Shipping Agency Co., Ltd.	**–**	2,150,000.00
Others	**1,600,000.00**	–
Other receivables	**533,147,051.67**	504,035,866.50
Receivables for agent purchasing	**235,008,103.00**	–
Receivables of advances for automobile and bills of exchange *(Note 1)*	**–**	187,319,005.31
Receivables from income of entrusted management services	**78,527,307.21**	64,077,000.00
Receivables from project payment and guarantee deposit	**46,076,197.79**	57,299,576.97
Receivables from asset transfer	**–**	49,549,600.00
Entrusted loans	**36,824,925.52**	38,000,000.00
Port construction and miscellaneous expenses	**37,533,375.40**	25,681,188.92
Receivables from freights, deposit and security deposit	**30,009,601.58**	21,288,065.48
Government subsidies receivable	**32,409,706.59**	15,633,642.00
Public infrastructure maintenance expenses	**6,026,376.24**	6,784,970.63
Others	**30,731,458.34**	38,402,817.19
Sub-total	**709,891,013.20**	634,907,430.89
Less: Provision for bad debts	**46,871,637.79**	28,633,175.79
Total	**663,019,375.41**	606,274,255.10

Note: On 31 October 2017, Dalian Container Terminal Co., Ltd., a subsidiary of the Group merged with Dalian Port Container Terminal Co., Ltd. Due to restrictions in laws and regulations, Dalian Port Container Terminal Co., Ltd. still needs to retain funds for the payment of dividends before liquidation. The Group received the dividend in July 2018.

Note 1: Receivables of advances for automobiles and bills of exchange represent the other receivables of King Port Auto. During the year, the Group transferred its entire equity interests in King Port Auto to PDA. From 30 June 2018, King Port Auto has not been included in the Group's consolidation scope.

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

The ageing of other receivables is analysed as follows:

	31 December 2018	31 December 2017
Within 1 year	**405,620,759.13**	417,381,488.44
1 to 2 years	**98,901,254.04**	51,965,016.14
2 to 3 years	**12,198,876.97**	21,783,069.85
Over 3 years	**16,426,161.53**	12,906,292.07
Sub-total	**533,147,051.67**	504,035,866.50
Less: Provision for bad debts of other receivables	**46,871,637.79**	28,633,175.79
Total	**486,275,413.88**	475,402,690.71

Changes of respective provision for bad debts of expected credit loss in relation to other receivables in future 12 months and throughout the period were as follows:

	Phase I Expected credit loss in future 12 months		**Phase III Expected credit loss throughout the period (Incurred credit loss)**		**Total**	
	Carrying amount	**Provision for bad debts**	**Carrying amount**	**Provision for bad debts**	**Carrying amount**	**Provision for bad debts**
1 January 2018 *(Note)*	502,974,673.53	47,173,018.22	1,061,192.97	1,061,192.97	504,035,866.50	48,234,211.19
Increase in the current year	104,679,076.65	26,503,398.41	–	–	104,679,076.65	26,503,398.41
Disposal of subsidiaries in the current year	-75,567,891.48	-27,865,971.81	–	–	-75,567,891.48	-27,865,971.81
31 December 2018	**532,085,858.70**	**45,810,444.82**	**1,061,192.97**	**1,061,192.97**	**533,147,051.67**	**46,871,637.79**

Note: The Group implemented new financial instrument standards from 1 January 2018. On the initial date, the amount of provision for impairment of original financial assets of the Group as at 31 December 2017 has been remeasured in accordance with the new financial instrument standards.

The bad debt provision for accounts receivable using the aging analysis method is as follows:

	31 December 2018		
	Closing balance of estimated default	**Expected credit loss rate**	**Expected credit loss in the next 12 months**
Within 1 year	**405,620,759.13**	**3.0%**	**12,168,622.77**
1 to 2 years	**98,901,254.04**	**17.0%**	**16,813,213.19**
2 to 3 years	**12,198,876.97**	**35.0%**	**4,269,606.94**
3 to 4 years	**7,542,979.18**	**75.0%**	**5,657,234.39**
4 to 5 years	**4,601,109.26**	**80.0%**	**3,680,887.41**
Over 5 years	**3,220,880.12**	**100.0%**	**3,220,880.12**
Total	**532,085,858.70**	**–**	**45,810,444.82**

As at 31 December 2017, the Group has made provision for bad debts for other receivables with amounts that were individually significant and insignificant of total RMB28,633,175.79.

At as 31 December 2017, other receivables with amounts that were individually significant and that the related provision for bad debts was provided on the individual basis were as follows:

	Ending balance	**Provision for bad debts**	Provision (%)	Reasons
Dalian Bohui	157,920,105.67	27,571,982.82	17.46	Note

Note: As at 31 December 2017, RMB157,920,105.67 due from Dalian Bohui to King Port Auto, a subsidiary of the Group, was from automobile agency business, of which, RMB102,776,140.03 related to automobiles in litigation preservation as at the reporting date and the Group considered no provision was needed. Considered the uncertainty on the recoverability of other receivables, provisions for bad debts for the remaining RMB55,143,965.64 of other receivables were made at 50% of the balances. During the current year, the Group has transferred all its equities in King Port Auto to PDA. King Port Auto will cease to be included in the Group's consolidation scope since 30 June 2018.

In 2018, the provision for bad debts of the Group amounted to RMB26,503,398.41 (2017: RMB27,571,982.82). In 2018 and in 2017, the Group did not recover or reverse any bad debts provision nor write off any other receivables.

As at 31 December 2018, the top five other receivables were summarised as below:

	Balance	**provision for bad debts**	**% of total other accounts receivable**
Total balances of top five other accounts receivable	387,753,163.21	26,775,038.18	72.73

As at 31 December 2018, the government grants receivable were analysed as follows:

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

4. INVENTORIES

Item	Closing balance			Opening balance		
	Ending balance	**Provision for decline in the value of inventories**	**Carrying amount**	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	**87,663,016.37**	**7,803,794.80**	**79,859,221.57**	79,681,233.82	7,803,794.80	71,877,439.02
Finished goods	**60,916,714.52**	**–**	**60,916,714.52**	630,000,477.62	7,054,584.56	622,945,893.06
Turnover materials	**8,712,395.31**	**–**	**8,712,395.31**	7,862,202.50	–	7,862,202.50
Total	**157,292,126.20**	**7,803,794.80**	**149,488,331.40**	717,543,913.94	14,858,379.36	702,685,534.58

As at 31 December 2018, there was no inventory pledged as collateral (as at 31 December 2017, inventories with a carrying amount of RMB327,114,425.81 and relevant documents of import business were pledged as collateral for the bank borrowings of RMB308,692,031.66).

The movements of provision for decline in the value of inventories is analysed as below:

Item	Opening balance	Increase in the current period		Decrease in current period		**Closing balance**
		Provision	Others	Reversal or written off	Disposal of subsidiaries	
Raw materials	7,803,794.80	–	–	–	–	**7,803,794.80**
Finished goods	7,054,584.56	–	–	–	7,054,584.56	**–**
Total	14,858,379.36	–	–	–	7,054,584.56	**7,803,794.80**

5. OTHER EQUITY INSTRUMENT INVESTMENTS

	Cost	**Changes in fair value accumulated in other comprehensive income**	**Fair value**	**Dividend income in the current period**	
				Equity instruments derecognised in the current period	**Equity instruments held**
Jinzhou New Age Container Terminal Co., Ltd.	52,843,634.00	24,600,766.52	77,444,400.52	–	7,760,250.43
Qinhuangdao Xin'gangwan Container Terminal Co., Ltd.	60,000,000.00	-18,481,490.35	41,518,509.65	–	–
Dalian Port Design & Research Institute Co., Ltd.	634,600.00	3,707,884.49	4,342,484.49	–	290,000.00
Da-In Ferry Co., Ltd.	1,900,057.50	6,367,950.01	8,268,007.51	–	–
Fujian Ninglian Port Co., Ltd.	12,000,000.00	-1,717,555.10	10,282,444.90	–	–
Dalian Xin Bei Liang Co., Ltd.	16,184,400.00	-1,367,661.00	14,816,739.00	–	–
Investments in other equity instruments – H shares	68,340,358.06	-45,866,572.83	22,473,785.23	–	240,879.35
Total	211,903,049.56	-32,756,678.26	179,146,371.30	–	8,291,129.78

During the current year, the Group had no disposal of other equity instrument investments.

6. NOTES PAYABLE AND ACCOUNTS PAYABLE

Item	31 December 2018	31 December 2017
Notes payable	**–**	**–**
Accounts payable	**224,442,511.34**	**380,389,360.83**
Vessel leasing fees and ocean freight	**66,750,317.05**	136,760,560.21
Purchase of goods	**6,482,312.42**	128,393,067.08
Purchase of auxiliary materials	**151,209,881.87**	115,235,733.54
Total	**224,442,511.34**	380,389,360.83

As at 31 December 2018 and 31 December 2017, the Group had no notes payable.

Accounts payable are non-interest-bearing and generally payable within three to six months.

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

Item	31 December 2018	31 December 2017
Within 1 year	**211,557,703.99**	363,505,931.24
1 to 2 years	**4,055,467.41**	10,213,922.34
2 to 3 years	**6,090,455.65**	5,347,996.82
Over 3 years	**2,738,884.29**	1,321,510.43
Total	**224,442,511.34**	380,389,360.83

As at 31 December 2018, major accounts payable with ageing over one year are as follows:

	Amounts payable	Reason for outstanding amounts
Purchase of goods	2,631,773.60	Unsettled
Purchase of auxiliary materials	2,125,080.00	Unsettled
Total	4,756,853.60	

7. CONTRACT LIABILITIES

	Balance as at 1 January 2018 (According to new income criteria)	Increase in the current year	Income carried forward in the current year	Decrease in others in the current year	Balance as at 31 December 2018
Sales of automobiles *(Note)*	142,493,675.89	27,920,317.49	-25,728.40	-170,388,264.98	**–**
Miscellaneous expenses	3,994,771.99	76,486,782.49	-61,478,188.38	-10,092,880.46	**8,910,485.64**
All-in charges for cargo handling within one year	11,250,000.00	15,314,571.00	-9,689,571.00	–	**16,875,000.00**
Freight	5,909,747.73	33,212,041.25	-34,500,884.71	-4,206,017.17	**414,887.10**
Payment for goods	–	479,074,883.67	-466,605,042.90	-4,644,700.40	**7,825,140.37**
Others	18,243,980.83	84,343,082.16	-69,237,072.02	-21,592,265.00	**11,757,725.97**
Total	181,892,176.44	716,351,678.06	-641,536,487.41	-210,924,128.01	**45,783,239.08**

Note: The sales of automobiles are the vehicle purchase payment received by Dalian Jingang United Automobile International Trading Co., Ltd., a subsidiary of the Group. The Group transferred the entire equity of Jingang Automobile to Dalian Port Group this year. Since 30 June 2018, Jingang Automobile has ceased to be included in the consolidation scope of the Group.

8. OTHER PAYABLES

Item	31 December 2018	31 December 2017
Interest payable	**170,266,834.18**	182,382,996.32
Interest of short-term borrowings	**4,534,676.42**	9,313,708.41
Interest of bonds	**162,221,889.64**	168,008,750.05
Interest of long-term borrowings with instalment payments and principal due upon maturity	**3,510,268.12**	5,060,537.86
Dividends payable	**220,370,685.87**	93,770,654.70
Singapore Dalian Port Investment Pte Ltd.	**107,025,432.70**	34,641,594.77
China Shipping Terminal Development Co., Ltd.	**32,060,365.06**	18,347,524.17
Nippon Yusen Kabushiki Kaisha	**30,275,340.05**	11,435,899.96
COSCO Ports (Dalian) Limited	**19,225,945.87**	7,262,213.84
China Shipping Ports Development Co., Ltd.	**16,176,313.07**	6,110,276.47
PSA China Pte Ltd	**7,888,266.76**	8,764,740.84
Dalian Bonded Zhengtong Company Limited	**5,779,554.22**	5,779,554.22
NYK Bulk & Projects Carriers Ltd.	**1,285,945.46**	775,327.75
Others	**653,522.68**	653,522.68

Item	**31 December 2018**	31 December 2017
Other payables	**520,393,447.57**	533,050,100.81
Project expenses payable	**299,832,998.16**	264,072,609.65
Borrowings from related parties	**–**	48,000,000.00
Guaranty	**33,218,869.67**	35,459,014.35
Down payment	**4,407,940.29**	25,822,249.63
Port construction expenses collected for other companies	**14,675,052.30**	22,248,576.83
Advance of freight charges	**29,453,362.07**	20,383,300.46
Security expenses payable to the Bureau of Port	**17,594,052.70**	13,594,052.70
Land compensation	**27,570,000.00**	–
Compensation received for other companies	**2,278,443.92**	10,870,828.55
Fares collected for other companies	**8,730,614.23**	4,018,468.45
River Maintenance charges	**3,832,886.91**	3,832,886.91
Repair payments and outstanding repair payments	**8,714,539.99**	5,622,770.27
Others	**70,084,687.33**	79,125,343.01
Total	**911,030,967.62**	809,203,751.83

As at 31 December 2018, major other payables with ageing over one year of the Group are as follows:

Company name	**Amounts**	**Reason for outstanding amounts**
Project expenses payable and guarantee deposit	27,457,489.00	Unsettled
Security expenses payable to the Bureau of Port	13,594,052.70	Unsettled
Total	41,051,541.70	

9. REVENUE AND COST OF SALES

Revenue is as follows:

Item	**For the twelve months ended 31 December 2018**	For the twelve months ended 31 December 2017
Revenue from main operations	**6,440,045,307.27**	8,584,027,116.26
Revenue from other operations	**314,399,595.11**	447,616,233.96
Total	**6,754,444,902.38**	9,031,643,350.22

Cost of sales is as follows:

Item	**For the twelve months ended 31 December 2018**	For the twelve months ended 31 December 2017
Cost of sales from main operations	**4,892,967,432.46**	7,290,497,966.48
Cost of sales from other operations	**248,767,750.04**	277,704,541.20
Total	**5,141,735,182.50**	7,568,202,507.68

Disaggregation of revenue for 2018 is as follows:

Item	**Goods**	**Labour or services**	**Others**	**Total**
Container terminal and related logistics services and trading services	205,384,780.26	2,417,902,463.16	141,947,344.80	2,765,234,588.22
Oil/liquefied chemicals terminal and related logistics services and trading services	136,524,808.10	1,005,945,027.35	52,640,098.86	1,195,109,934.31
General cargo terminal and related logistics and trading services	810,117.65	969,554,089.68	4,444,489.99	974,808,697.32
Grains terminal and related logistics and trading services	245,123,481.66	138,007,598.49	6,125,099.71	389,256,179.86
Passenger and roll-on, roll-off terminal and related logistics services	756,513.74	165,200,760.16	11,302,986.71	177,260,260.61
Port value-added and ancillary services	55,817,510.90	747,852,634.31	127,501,314.00	931,171,459.21
Automobile terminal and related logistics and trading services	229,653,454.92	4,573,416.03	42,496.32	234,269,367.27
Others	–	65,540,391.60	21,794,023.98	87,334,415.58
Total	874,070,667.23	5,514,576,380.78	365,797,854.37	6,754,444,902.38

	Goods	Labour or services	Others	Total
The timing of revenue recognition				
Recognition of revenue at a point in time				
Revenue from sales of goods	31,944,878.61	–	–	31,944,878.61
Revenue from electric supply services	59,987,976.46	–	–	59,987,976.46
Revenue from commodity trading	782,137,812.16	–	–	782,137,812.16
Recognition of revenue over time				
Revenue from agency services	–	697,112,609.68	–	697,112,609.68
Revenue from project construction and inspection services	–	114,113,610.08	–	114,113,610.08
Revenue from logistics services	–	744,640,209.98	–	744,640,209.98
Revenue from port operations	–	3,575,979,969.78	–	3,575,979,969.78
Revenue from port management services	–	244,384,285.47	–	244,384,285.47
Revenue from tallying services	–	64,790,839.86	–	64,790,839.86
Revenue from information services	–	73,554,855.93	–	73,554,855.93
Others	–	–	224,059,393.09	224,059,393.09
Revenue from leasing services	–	–	141,738,461.28	141,738,461.28
Total	874,070,667.23	5,514,576,380.78	365,797,854.37	6,754,444,902.38

Revenue by type is as follows:

Item	**2018**	2017
Revenue from commodity trading	**782,137,812.16**	3,618,506,281.08
Revenue from port operations	**3,575,979,969.78**	2,725,102,087.18
Revenue from agency services	**697,112,609.68**	949,113,027.69
Revenue from logistics services	**744,640,209.98**	535,836,818.43
Revenue from leasing services	**141,738,461.28**	263,320,406.76
Revenue from port management services	**244,384,285.47**	246,769,760.49
Revenue from project construction and inspection services	**114,113,610.08**	123,838,092.30
Revenue from electric supply services	**59,987,976.46**	94,089,108.03
Revenue from information services	**73,554,855.93**	80,683,188.91
Revenue from tallying services	**64,790,839.86**	65,361,589.04
Revenue from sales of goods	**31,944,878.61**	32,609,559.33
Others	**224,059,393.09**	296,413,430.98
Total	**6,754,444,902.38**	9,031,643,350.22

10. FINANCIAL EXPENSES

Item	As at 31 December 2018	As at 31 December 2017
Interest costs	**640,780,966.26**	573,759,310.24
Of which: Interest on bank loans repayable within five years	**640,780,966.26**	573,759,310.24
Other interest		
Less: Amounts capitalised on interest	**-44,678,726.96**	-45,871,309.22
Interest expenses	**596,102,239.30**	527,888,001.02
Less: Interest income	**-128,417,485.76**	-118,268,304.97
Exchange gains or losses	**-181,313,131.35**	220,557,546.32
Others	**1,935,321.13**	9,676,019.74
Total	**288,306,943.32**	639,853,262.11

The breakdown of interest income is as follows:

Item	As at 31 December 2018	As at 31 December 2017
Cash at bank and on hand	**128,417,485.76**	118,268,304.97

11. CREDIT IMPAIRMENT LOSS

Item	As at 31 December 2018
Impairment losses on bad debts	**77,901,590.39**

12. OTHER INCOME

Government grants that are related to ordinary activities are as follows:

Item	As at 31 December 2018	As at 31 December 2017	Related to assets/income
Relocation compensation	**30,836,231.06**	33,146,664.79	Related to assets
Special fund for energy conservation and emission reduction	**3,250,821.15**	873,073.68	Related to assets
Sea-railway transportation subsidies	**2,191,030.89**	–	Related to assets
Production safety fund	**1,270,329.76**	1,270,000.00	Related to assets
Equipment reconstruction subsidies	**451,449.99**	272,255.68	Related to assets
Vessel acquisition subsidies	**776,217.56**	791,217.56	Related to assets
Subsidies for passenger station and transport junction project	**568,814.24**	–	Related to assets
Other items related to assets	**513,621.67**	440,121.11	Related to assets
Operation subsidies	**13,442,804.28**	10,119,500.00	Related to income
Container subsidies	**13,765,752.80**	21,927,000.00	Related to income
Stable position subsidies	**6,949,029.49**	8,707,548.06	Related to income
Special Funds for foreign trade and economic development	**5,450,000.00**	21,094,366.00	Related to income
Other items related to income	**5,892,881.90**	4,790,098.62	Related to income
Total	**85,358,984.79**	103,431,845.50	

13. INVESTMENT INCOME

Item	As at 31 December 2018	As at 31 December 2017
Income from long-term equity investments under equity method	**250,423,644.20**	360,116,642.88
Income from business combination involving enterprises not under common control	**–**	154,247,744.00
Losses from disposal of long-term equity investments	**–**	-1,290,298.05
Income earned during the holding period of financial assets at fair value through the current profit or loss	**–**	94,350.00
Income earned during the holding period of financial assets held for trading	**93,422.00**	–
Income earned during the holding period of available-for-sale financial assets	**–**	591,627.46
Dividend income from investments in other equity instruments held	**8,291,129.78**	
Income from disposal of financial assets at fair value through the current profit or loss	**–**	359,826.21
Income from disposal of financial assets held for trading	**20,492,078.41**	–
Income from wealth management and entrusted investments	**–**	28,432,598.14
Others	**1,200,000.00**	–
Total	**280,500,274.39**	542,552,490.64

14. INCOME TAX EXPENSES

Item	As at 31 December 2018	As at 31 December 2017
Current income tax	**207,343,790.55**	109,385,241.41
Deferred income tax	**-13,845,420.26**	43,481,032.91
Total	**193,498,370.29**	152,866,274.32

The relationship between income tax expenses and the total profit is as follows:

Item	As at 31 December 2018	As at 31 December 2017
Total profit	**875,479,721.31**	727,158,184.66
Income tax calculated at applicable tax rates	**218,869,930.33**	181,789,546.17
Effect of different tax rates applicable to certain subsidiaries	**1,497,451.73**	7,602,818.69
Adjustments for current income tax of prior period	**-3,135,563.51**	-2,127,699.56
Income not subject to tax	**-70,314,968.82**	-94,206,253.05
Expenses not deductible	**7,880,788.42**	13,518,727.96
Utilisation of deductible losses in previous years	**-2,580,067.18**	-2,193,647.84
Effect of unrecognised deductible temporary difference and deductible losses	**41,280,799.32**	48,482,781.95
Income tax expenses	**193,498,370.29**	152,866,274.32

15. EARNINGS PER SHARE

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

Item	As at 31 December 2018	As at 31 December 2017
Consolidated net profit attributable to shareholders of ordinary shares of the parent company	**523,315,600.09**	500,779,944.29
Weighted average number of ordinary shares outstanding	**12,894,535,999.00**	12,894,535,999.00
Basic earnings per share	**0.04**	0.04

16. SEGMENT INFORMATION

Operating segments

For management purposes, the Group is organized into business units based on their products and services and has seven reportable operating segments as follows:

(1) Oil and liquefied chemicals terminal and related logistics and trading services, responsible for loading and discharging, storage and transshipment of oil and liquefied chemicals, port management and oil trade business;

(2) Container terminal and related logistics and trading services, responsible for loading and discharging, storage and transshipment of containers, leasing of terminals, various container logistics services, port trading business and sale of properties;

(3) 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;

(4) Automobile terminal and related logistics and trading services, responsible for loading and discharging of automobile and related logistics services, automobile trading operation;

(5) 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;

(6) General cargo terminal and related logistics services, responsible for loading and unloading of ore and general cargo and provision of related logistics services, steel trading operation;

(7) 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 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 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.

During the current year, the general cargo terminal and related logistics and trading services segment and ore terminal and related logistics services segment have been aggregated into general cargo terminal and related logistics services segment.

Segment information for 2018 is as follows:

	Oil and liquefied chemicals terminal and related logistics services *RMB'000*	Container terminal and related logistics services *RMB'000*	General cargo terminal and related logistics services *RMB'000*	Bulk grains terminal and related logistics services *RMB'000*	Passenger, roll-on, roll-off terminal and related logistics services *RMB'000*	Port value-added and ancillary services *RMB'000*	Automobile terminal and related logistics services *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue from external customers	1,195,110	2,765,235	974,810	389,256	177,260	931,171	234,269	87,334	–	6,754,445
Inter-segment revenue	4,703	4,398	1,731	387	147	190,797	–	92,832	-294,995	–
Cost of sales	887,720	2,060,139	714,544	401,223	123,555	634,942	225,094	94,518	–	5,141,735
Investment income from associates and joint ventures	174,643	23,951	-4,865	-1,912	-7,628	47,958	18,277	–	–	250,424
Credit impairment losses	1,817	14,643	37,261	11,901	661	439	-599	11,779	–	77,902
Depreciation and amortisation expenses	218,441	399,577	182,534	59,369	33,480	63,584	4,096	46,531	–	1,007,612
Total profit/(loss)	447,317	406,924	134,712	-59,468	11,710	212,604	14,013	-292,332	–	875,480
Net profit/(loss)	377,769	290,852	97,983	-47,528	7,159	181,485	13,869	-239,608	–	681,981
Income tax expenses	69,548	116,072	36,729	-11,940	4,551	31,120	142	-52,724	–	193,498
Total assets	7,024,447	11,682,055	3,838,979	1,354,767	1,558,188	2,789,822	936,047	7,743,894	-1,612,616	35,315,583
Total liabilities	1,216,742	4,728,449	95,604	138,815	49,804	194,818	41,724	9,601,927	-1,612,616	14,455,267
Long-term equity investments in associates and joint ventures	1,633,056	710,941	144,024	37,931	336,099	994,679	339,805	–	–	4,196,535
Increase in non-current assets	69,437	58,314	49,143	44,030	14,207	44,986	85,797	320,154	–	686,068

OPERATING DISCUSSION AND ANALYSIS

SUMMARY

In 2018, the global economy experienced a modest recovery and the national economy showed a positive outlook amid stability. Total import and export of China for the year amounted to RMB30.51 trillion, representing an increase of 9.7% as compared with 2017. The gross domestic product (GDP) for the year reached RMB90.03 trillion, up 6.6% from last year, suggesting a steady macroeconomic growth. Regionally, the economy of Northeast China remained undiversified as it relied heavily on the energy and raw material industries with underdeveloped modern manufacturing and service sectors. Against such a backdrop, the Group deepened cooperation with its customers, strengthened its systems and infrastructure, extended service capabilities, and built up its comprehensive logistics service system and integrated industrial, commerce and trading platform at a fast pace, thereby achieving steady growth for production and operation of the port.

The Group is the most convenient seaport gateway from Northeast Asia across the Pacific Ocean and the rest of the world, having a comprehensive transportation network and is one of China's major sea-railway intermodal transport and sea transshipment ports. During the reporting period, the Group principally engaged in the following core businesses under the following business models: 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 and trading services (Automobile Terminal Segment); general cargo terminal and related logistics services and trading services (General Cargo Segment); bulk grain terminal and related logistics services and trading services (Bulk Grain Segment); passenger and roll-on, roll-off terminal and related logistics services (Passenger and Ro-Ro Segment) and value-added and ancillary port operations (Value-added Services Segment).

In 2018, background information on the macro-economy and industries relevant to the Group's principal business is set out as follows:

In 2018, the world economy gradually picked up. Developed economies showed a positive growth momentum, whereas emerging markets and developing economies rebounded at a steady pace. The BDI index, which reflects trends in shipping freight costs, increased year-on-year. Regarding the domestic environment, China proactively aligned its economy with the new normality, adhered to the overall direction of making progress while maintaining stability, placed emphasis on pushing forward supply side structural reforms, and promoted 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 2018 were 16.1%, 5.9% and 38.6% 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 2018, the Group ranked eighth in terms of coastal port cargo throughput nationwide.

OVERALL ANALYSIS OF RESULTS

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

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

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

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

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

Note 1: Gross profit = Revenue – Cost of sales

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

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

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

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

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

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

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

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

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

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

In 2018, the Group's other income decreased by RMB18,072,860.71 or 17.5% year-on-year, mainly due to no container subsidies and foreign trade development subsidies received during the year.

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

In 2018, the Group's net non-operating income was basically unchanged compared with the corresponding period of last year.

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

ASSETS AND LIABILITIES

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

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

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

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

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

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

CONTINGENT LIABILITIES

The Company's associate, Dalian North Oil Petroleum Logistics Co., Ltd. ("DNPL"), financed RMB116 million by means of financial leasing from Zhongbing Financial Leasing Co., Ltd. ("Lessor") for a term of 5 years starting from 25 July 2016. As the substantial shareholder (29% equity interests) of DNPL, China ZhenHua Oil Co., Ltd. provided full guarantee with joint and several liability for the rental paid by DNPL.

Pursuant to the resolutions passed at the fifth meeting of the fourth session of the Board in 2016, the Company provided a counter guarantee for 20% of the guarantee liability and other necessary expenses and losses actually assumed by China Zhenhua Oil Co., Ltd. to the lessor for DNPL. The counter guarantee was unconditional and non-cancellable with joint and several liability and the relevant counter guarantee contract was signed on 11 November 2016. The counter guarantee period shall be two years since the date when China Zhenhua Oil Co., Ltd. has the guarantee responsibility to the lessor according to the guarantee contract. If China Zhenhua Oil Co., Ltd. fulfills its guarantee obligation to the lessor according to the guarantee contract more than once, the counter guarantee period provided by the Company will have to be calculated separately. As at 31 December 2018, DNPL had made a repayment of RMB51 million for the principal of the financial lease.

USE OF PROCEEDS

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

Unit: Yuan Currency: RMB

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

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

CAPITAL EXPENDITURE

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

AN ANALYSIS OF THE PERFORMANCE OF EACH BUSINESS SEGMENT OF THE GROUP IN 2018 IS AS FOLLOWS:

Oil Segment

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

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

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

In 2018, the Group's crude oil throughput was 38.34 million tonnes, representing a year-on-year decrease of 13.5%, of which imported crude oil throughput was 24.68 million tonnes, representing a year-on-year decrease of 16.6%. With the successive construction and commissioning of ports, storage tanks, pipelines and other storage and transportation facilities in the Bohai Rim region, the Group's distribution of crude oil to the Bohai Rim region was affected. The annual crude oil throughput of the Group declined slightly.

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

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

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

In 2018, the total imported crude oil volume handled by the Group's port accounted for 100% (100% in 2017) of the total amount of crude oil imported into Dalian and 54% (64.2% in 2017) of the total amount of crude oil imported into the Northeast China's ports. The decrease in the market share of imported crude oil was mainly due to the 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 trans-shipment volume of crude oil from our port to the Bohai Rim was affected, which resulted in a declined proportion of the imported crude oil handled by the Group's Liaoning port.

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

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

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

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

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

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

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

Container Segment

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

		2018 *('0,000 TEUs)*	2017 *('0,000 TEUs)*	**Increase/ (Decrease)**
Foreign trade	Dalian port	**540.1**	534.9	1.0%
	Other ports *(Note 1)*	**11.9**	25.2	(52.8%)
	Sub-total	**552.0**	560.1	(1.5%)
Domestic trade	Dalian port	**425.2**	423.2	0.5%
	Other ports	**133.5**	91.8	45.4%
	Sub-total	**558.7**	515.0	8.5%
Aggregate	Dalian port	**965.3**	958.1	0.8%
	Other ports *(Note 1)*	**145.4**	117.0	24.3%
	Total	**1,110.7**	1,075.1	3.3%

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

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

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

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

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

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

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

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

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

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

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

Automobile Terminal Segment

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

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

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

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

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

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

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

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

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

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

General Cargo Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We strengthened port-based infrastructures to boost the transshipment volume of large equipment.

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

Bulk Grain Segment

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

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

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

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

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

In 2018, the Group's barley throughput was 452,000 tonnes, which remained the same as that for the corresponding period of last year. By leveraging its functional advantage as a demonstration port zone, the Group provided customers with proprietary, efficient and convenient grain handling services and reduced customers' full-trip logistics costs, leading to the Group being able to maintain a stable barley transshipment volume for the year.

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

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

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

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

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

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

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

Passenger and Ro-Ro Segment

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

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

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

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

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

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

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

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

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

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

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

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

Value-added Services Segment

Tugging

In 2018, the Group's tugging throughput increased by 2.6% year-on-year due to the effect of increase in business of nearby shipyards.

Tallying

The Group's total tallying throughput was 46,311,800 tonnes, representing a year-on-year growth of 3.2%.

Railway

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

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

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

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

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

EFFECTS OF THE APPLICATION OF NEW FORMATS OF FINANCIAL STATEMENTS FOR PRESENTATION AND THE EFFECTIVENESS OF NEW ACCOUNTING STANDARDS IN 2018

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

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

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

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

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

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

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

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

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

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

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

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

ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

In 2018, 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 2018, 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, and actively involved in the segments of high value-added business such as key agency and peripheral support 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.

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

In 2019, market demand in the PRC will be generally strong while macroeconomic trends will move towards the dual objectives of focusing on the supply-side structural reform and maintaining the smooth operation of the economy. Under the impact of a number of factors such as capacity reduction, prevention of economic bubbles and elimination of debt, economic growth continues to be subject to downside pressure.

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

(II) Possible risk exposures

In 2019, the world's economic growth will strengthen, while the international market demand will enjoy a gradual recovery. Given the fact that the PRC will continue to "transform its economy, adjust the structure as well as improve quality and efficiency" as the market mainstream, and that subdued growth in economic development will continue, the port industry will continue to be subject to downside pressure because: firstly, the world's economy is still subject to slow recovery and there are still potential risks in the market; secondly, the Chinese economy has entered a low-growth stage, creating an impact on the production and operation of domestic ports; thirdly, economic growth is weak in the Northeast region featured by imbalanced development and the lack of a diversified industrial structure; fourthly, the port enterprises carry out their business by mainly focusing on conventional port logistics, so that value-added logistics business such as third-party logistics and finance logistics continue to be affiliated with or dependent upon port logistics to a large extent. Revenue from terminal loading and unloading operations continues to account for a larger proportion of logistics revenue. Given that there is an urgent need to quicken the development of the professional integrated logistics service functionality on the supply chain, it is also necessary to proceed with financial, commerce, trade and other logistics value-added services at a faster speed; and fifthly, the growing capacity of the nearby ports, rising rail freight, dominant trend in M&A and restructuring, alliance and upsizing of operations in the international shipping market and normal practice to cut and merge container routes have presented challenges to the production and operation of ports.

(III) Company's development strategy

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

In 2019, the Group's major initiatives for market development in its business segments are set out as follows:

Oil Segment

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

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

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

Container Segment

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

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

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

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

Automobile Terminal Segment

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

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

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

General Cargo Segment

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

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

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

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

Bulk Grain Segment

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

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

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

Passenger and Ro-Ro Segment

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

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

Value-added Services Segment

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

We will 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 2018.

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 2018.

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

During the year ended 31 December 2018, 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. Full redemption of the bonds due 2018

The Company and its subsidiary have redeemed the bonds which expired in 2018, details of the bonds are as follows:

1) on 17 February 2015, Asia Pacific Ports Development Company Limited, an indirect wholly-owned subsidiary of the Company, issued 3-year corporate bonds in an aggregate principal amount of RMB800 million, with a fixed coupon of 4.50% payable together with the principal on expiry. Related costs of issuance amounted to RMB116,363,100; and

2) on 26 September 2011, the Company issued 7-year corporate bonds in an aggregate principal amount of RMB2,650 million, with a fixed coupon of 6.05% payable together with the principal on expiry. Related costs of issuance amounted to RMB1,149,690,700.

2. Issuance of medium-term corporate bonds

On 1 August 2018, the Company issued the medium-term corporate bonds at a total amount of RMB2,500 million for a term of five years at a fixed annual rate of 4.89%, with China Merchants Bank Co., Ltd. (招商銀行股份有限公司) and China Construction Bank Corporation (中國建設銀行股份有限公司) acting as the joint lead underwriters.

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 2018.

FINAL DIVIDEND

The Board proposed to distribute a final dividend of RMB1.9 cents per share for the year ended 31 December 2018 (PRC withholding tax included), aggregating to a total dividend of RMB244,996,183.98. 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 2019. 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 2018 annual report containing all information of the Company in this announcement of annual results for the year ended 31 December 2018 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
Dalian Port (PDA) Company Limited*
LEE, Kin Yu Arthur
Company Secretary

Dalian City, Liaoning Province, the PRC
26 March 2019

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

Executive Directors: WEI Minghui

Non-executive Directors: XU Song

Independent non-executive Directors: LAW Man Tat, 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".*

* *For identification purposes only*