THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Dalian Port (PDA) Company Limited*, you should at once hand this circular, together with the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

PDA
大連港股份

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

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

(Stock Code: 2880)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE MERGER OF YINGKOU PORT LIABILITY CO., LTD.; AND SPECIFIC MANDATE IN RELATION TO ISSUANCE OF NEW A SHARES

Financial Adviser to the Company

CMS 招商證券國際

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

第一上海
FIRST SHANGHAI GROUP

Capitalised terms used in this cover shall have the same meaning as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 9 to 58 of this circular. A letter from the Independent Board Committee to the Independent Shareholders in relation to the terms of the Possible Merger, A Share Specific Mandate and related transactions is set out on pages 59 to 60 of this circular. A letter from the Independent Financial Adviser is set out on pages 61 to 90 of this circular.

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

* *For identification purposes only*

10 September 2020

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"A Share(s)"	A Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Shanghai Stock Exchange;
"A Share Specific Mandate"	the grant of which to the Board to issue not more than 3,868,360,799 new A Shares to not more than 35 specific investors with a value of not more than RMB2,100,000,000;
"A Shareholders Class Meeting"	means the Shareholders' meeting to be convened for the holders of A Shares on 25 September 2020, or any adjournment thereof, to consider, and if thought fit, approve the Possible Merger, the A Share Specific Mandate and related transactions;
"Announcement"	means the announcement dated 7 July 2020 of the Company in relation to the Possible Merger;
"Articles of Association"	means the articles of association of the Company;
"associates"	has the meaning ascribed thereto under the Listing Rules;
"average trading price"	means the average price which is calculated by dividing (i) the aggregated daily turnover of the shares on the relevant trading day(s) by (ii) the aggregated daily trading volume of the shares on the relevant trading day(s);
"Board"	means the board of directors of the Company;
"Broadford"	means Broadford Global Limited, a company incorporated in Hong Kong with limited liability and is directly wholly owned by China Merchants Holdings (HK) and ultimately wholly-owned by CMG;
"Buy-back Alternative"	means the right of the Dalian Port Dissenting Shareholder to require the Buyback Alternative Provider to buy-back its Shares as required by the applicable PRC laws and regulations and the Articles of Association;
"Buy-back Alternative Declaring Period"	means the period to be determined and announced by the Company in which Dalian Port Dissenting Shareholder may declare their election of the Buy-back Alternative;

"Buy-back Alternative Exercise Day"	means the day to be determined and announced by the Company on which the Buy-back Alternative Provider shall pay, and the Dalian Port Dissenting Shareholder shall receive, cash in exchange for the Shares held by the Dalian Port Dissenting Shareholders pursuant to the Possible Merger;
"Buy-back Alternative Provider"	means Dalian Group, who shall, on the Buy-back Alternative Exercise Day, pay the Dalian Port Dissenting Shareholders in cash in exchange for the whole or part of the A Shares held by such Dalian Port Dissenting Shareholders pursuant to the Possible Merger and Broadford, who shall, on the Buy-back Alternative Exercise Day, pay the Dalian Port Dissenting Shareholders in cash in exchange for the whole or part of the H Shares held by such Dalian Port Dissenting Shareholders pursuant to the Possible Merger. The Buy-back Alternative Provider will not receive any fee from the Company and its connected person for providing such service;
"Cash Alternative"	means the right of the TC Dissenting Shareholder to elect to receive cash from the Cash Alternative Provider pursuant to the Possible Merger as required by the applicable PRC laws and regulations;
"Cash Alternative Declaring Period"	means the period to be determined and announced by the Company and Target Company in which the TC Dissenting Shareholder may declare its election of the Cash Alternative;
"Cash Alternative Exercise Day"	means the day to be determined and announced by the Company and Target Company on which the Cash Alternative Provider shall pay, and the TC Dissenting Shareholder shall receive, such cash in exchange for the TC Shares held by the TC Dissenting Shareholders pursuant to the Possible Merger;
"Cash Alternative Provider"	means Dalian Group, who shall, at the Cash Alternative Exercise Day, pay the TC Dissenting Shareholder in cash in exchange for the whole or part of TC Shares held by such TC Dissenting Shareholders pursuant to the Possible Merger. The Cash Alternative Provider will not receive any fee from the Company and its connected person for providing such service;

"China Merchants Holdings (HK)"	means China Merchants Holdings (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and is ultimately wholly-owned by CMG;
"China Merchants Liaoning"	means China Merchants (Liaoning) Port Development Company Limited (招商局(遼寧)港口發展有限公司), a limited liability company established in the PRC and is indirectly wholly-owned by Broadford and ultimately wholly owned by CMG;
"China Merchants Port Group"	means China Merchants Port Group Co. Ltd. (招商局港口集團股份有限公司), a joint stock limited company established in the PRC whose A shares and B shares are listed on the Shenzhen Stock Exchange (stock code: 001872/201872) and an indirectly owned subsidiary of CMG;
"China Merchants Port Holdings"	means China Merchants Port Holdings Company Limited (招商局港口控股有限公司), a limited liability company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange (stock code: 144) and is a consolidated subsidiary of China Merchants Port Group and is therefore an indirectly owned subsidiary of CMG;
"CMG"	means China Merchants Group Limited (招商局集團有限公司), a state wholly-owned enterprise established under the laws of the PRC under the direct control of the SASAC;
"Company"	means Dalian Port (PDA) Company Limited (大連港股份有限公司), a joint stock limited company established in the PRC whose H Shares and A Shares are listed on the Main Board of the Stock Exchange (stock code: 2880) and the Shanghai Stock Exchange (stock code: 601880) respectively;
"connected person"	has the meaning ascribed thereto under the Listing Rules;
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules;
"CSRC"	means the China Securities Regulatory Commission;
"daily average trading price"	means the average price which is calculated by dividing (i) the daily turnover of the shares on the relevant trading day by (ii) the daily trading volume of the shares on the relevant trading day;

"Dalian Group"	means Dalian Port Corporation Limited (大連港集團有限公司), a controlling shareholder of the Company and a limited liability company established in the PRC and directly wholly-owned by Liaoning Port Group;
"Dalian Port Dissenting Shareholder"	means any Shareholder who: (i) has made effective dissenting votes at the Shareholders' general meetings or respective class meetings of the Company convened for the purpose of approving the Possible Merger; (ii) continuously holds the Shares representing the above-mentioned effective dissenting votes until the Buy-back Alternative Exercise Day; and (iii) has, within the Buy-back Alternative Declaring Period, duly declared the above-mentioned effective dissenting votes that enable it to exercise the Buyback Alternative; and excluding: (i) any Shares with restrictions on rights, e.g. any Shares subject to pledge or third parties' rights or any Shares that are frozen as a result of judicial proceedings; (ii) any Shareholder who has committed in writing to the Company that it will not elect to receive the Buy-back Alternative; and (iii) any Shares that are not permitted to elect the Buy-back Alternative pursuant to applicable laws and regulations;
"Dalian SASAC"	State-owned Assets Supervision and Administration Commission of the People's Government of Dalian;
"Directors"	means the directors of the Company;

"EGM"	means the extraordinary general meeting of the Company to be convened on 25 September 2020, or any adjournment thereof, to consider, and if thought fit, approve the Possible Merger, the A Share Specific Mandate and related transactions;
"Enlarged Group"	means the Group after the completion of the Possible Merger;
"EV/EBITDA"	means the ratio of enterprise value to earnings before interest, taxes, depreciation and amortisation;
"Exchange Ratio"	means the ratio at which 1.5146 A Shares will be issued by the Company in exchange for every TC Share under the Possible Merger (subject to adjustment);
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates;
"Group"	the Company and its subsidiaries;
"H Share(s)"	H Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Stock Exchange;
"H Shareholders Class Meeting"	means the Shareholders' meeting to be convened for the holders of H Shares on 25 September 2020, or any adjournment thereof, to consider, and if thought fit, approve the Possible Merger, A Share Specific Mandate and related transactions;
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent board committee of the Board established pursuant to the Listing Rules to give recommendation to the Independent Shareholders in relation to the terms of the Merger Agreement;
"Independent Financial Adviser"	means First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities;
"Independent Shareholders"	means the shareholders of the Company, other than CMG and its associates;

"Latest Practicable Date"	means 4 September 2020, being the latest practicable date prior to the despatch of this circular for ascertaining certain information contained in this circular;
"Liaoning Gangwan"	means Liaoning Gangwan Financial Holding Group Co., Ltd. (遼寧港灣金融控股集團有限公司), a limited liability company established in the PRC and directly wholly owned by YKP as to approximately 99.76%, which is in turn owned by Liaoning Port Group as to approximately 45.93%;
"Liaoning Port Group"	means Liaoning Port Group Limited (遼寧港口集團有限公司), formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司), a limited liability company established in the PRC;
"Liaoning SASAC"	State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"Merger Agreement"	means the agreement entered into between the Company and the Target Company on 7 July 2020 in relation to the Possible Merger (as supplemented by a supplemental agreement between the same parties dated 4 September 2020);
"P/E ratio"	means the ratio of a company's share price to earnings per share attributable to ordinary shareholders
"P/B ratio"	the ratio of a company's share price to the net assets per share attributable to ordinary shareholders
"Possible Merger"	means the proposed absorption of the Target Company by the Company pursuant to the Merger Agreement through the proposed issue of A Shares by the Company at the Exchange Ratio to exchange for TC Shares or the Cash Alternative;
"PRC" or "China"	means the People's Republic of China;
"Price Adjustment Period"	means the period from the announcement date of Shareholders' general meeting where the resolution regarding the Possible Merger is passed to approval of the Possible Merger by CSRC;
"Price Base Day"	means the date on which the announcement of the first Board meeting reviewing the Possible Merger is published;

"price-to-sales ratio"	the ratio of a company's share price to sales revenue per share
"Price Fixing Period"	means the 20 trading days ending on and including 19 June 2020;
"RMB"	means Renminbi, the lawful currency of the PRC;
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
"SFC"	the Securities and Futures Commission of Hong Kong;
"Shareholders"	means the shareholders of the Company;
"Shares"	means A Shares and H Shares;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules;
"Takeovers Code"	the Code on Takeovers and Mergers;
"Target Company"	means Yingkou Port Liability Co., Ltd. (營口港務股份有限公司), a limited liability company incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange (stock code: 600317);
"Target Group"	means the Target Company and its subsidiaries;
"TC Dissenting Shareholder"	means any TC Shareholder who: (i) has made the effective dissenting votes at the shareholders' meeting of Target Company convened for the purpose of approving the Possible Merger; (ii) continuously holds the TC Shares representing the effective dissenting votes until the Cash Alternative Exercise Day; and (iii) has, within the Cash Alternative Declaring Period, duly declared the above-mentioned effective dissenting votes that enable it to exercise the Cash Alternative;

and excluding:

(i) any TC Shares with restrictions on rights, e.g. any TC Shares subject to pledge or third parties' rights or any TC Shares that are frozen as a result of judicial proceedings;

(ii) any TC Shareholder who has committed in writing to the Target Company that it will not elect to receive the Cash Alternative; and

(iii) any TC Shares that are not permitted to elect the Cash Alternative pursuant to applicable laws and regulations;

the above-mentioned TC Shares not entitled to Cash Alternative will be converted into the new A Shares issued by the Company in accordance with the Exchange Ratio;

"TC Shareholders"	means the shareholders of the Target Company;
"TC Shares"	means the A shares of the Target Company issued and listed on Shanghai Stock Exchange;
"Team Able"	means Team Able International Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of China Merchants Port Holdings;
"trading day"	with respect to A shares, means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities; and with respect to H shares, means a day on which the Stock Exchange is open for dealing or trading in securities;
"Yingkou SASAC"	State-owned Assets Supervision and Administration Commission of the People's Government of Yingkou;
"YKP"	means Ying Kou Port Group Corporation Limited (營口港務集團有限公司), a limited liability company established in the PRC and is recognised as a subsidiary in the consolidated financial statements of Liaoning Port Group; and
"%"	per cent.

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)

Directors:
Executive Directors:
WEI Minghui
SUN Dequan

Non-executive Directors:
CAO Dong
QI Yue
YUAN Yi
NA Danhong

Independent Non-executive Directors:
LI Zhiwei
LIU Chunyan
LAW Man Tat

Registered Office:
Xingang Commercial Building
Dayao Bay
Dalian Free Trade Zone
PRC

Place of Business in the PRC:
Xingang Commercial Building
Jingang Road
Dalian International Logistic Park Zone
Liaoning Province
PRC

10 September 2020

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE MERGER OF YINGKOU PORT LIABILITY CO., LTD.;
SPECIFIC MANDATE IN RELATION TO ISSUANCE OF NEW A SHARES;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated 7 July 2020 (the "**Announcement**") in relation to, among other things, the Possible Merger, A Share Specific Mandate and related transactions.

* *For identification purposes only*

The purpose of this circular is to provide you with, *inter alia*, (i) further information on the Possible Merger, A Share Specific Mandate and related transactions; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the terms of the Merger Agreement; (iv) financial information of the Group; (v) financial information of the Target Group; (vi) unaudited pro forma financial information of the Enlarged Group upon completion of the Possible Merger; (vii) the property valuation report of the Target Company; (viii) the notice of EGM and the H Shareholders Class Meeting to consider and, if thought fit, to approve resolutions in relation to, among other things, the Possible Merger; and (ix) other information as required under the Listing Rules.

2. VERY SUBSTANTIAL ACQUISITION – MERGER OF TARGET COMPANY

2.1 Background

On 7 July 2020, the Company entered into the Merger Agreement with the Target Company in relation to the Possible Merger. The Possible Merger, if fully implemented, will involve (among other things) the issue of 9,803,980,057 A Shares by the Company to the TC Shareholders on a record date to be determined, in exchange for all the existing issued shares of the Target Company. The Company also plans to raise funds by issuing A Shares with a value of not more than RMB2,100,000,000, by way of non-public offering, to not more than 35 specific investors.

2.2 The Possible Merger

The Exchange Ratio

The Company will exchange in aggregate 6,472,983,003 TC Shares in the issued share capital of the Target Company by an issue of 9,803,980,057 A Shares, meaning that for every TC Share, 1.5146 A Shares will be issued. The Exchange Ratio has been determined on the following basis:

(1) the price per TC Share was determined at RMB2.59 based on:

(i) RMB2.16, which is the average trading price of TC Shares for a period of 20 trading days up to and including 19 June 2020, being the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange pending release of an announcement of the Target Company in relation to the proposed negotiation on the terms of the Possible Merger (the "**Last Target Trading Date**"), and

(ii) a premium of approximately 20%; and

(2) the price per A Share was determined at RMB1.71 based on the average trading price per A Share for a period of 20 trading days up to and including 19 June 2020, being the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange pending release of an announcement of the Company in relation to the proposed negotiation on the terms of the Possible Merger (the "**Last Company Trading Date**").

For the avoidance of doubt, the above 20% premium is only available to TC Shareholders who elect to exchange their TC Shares for A Shares.

In determining the level of the premium and the Exchange Ratio, the Company has taken into consideration factors including the respective valuation of the Company and the Target Company, and the need to put a premium on the TC Shares given (i) the substantial difference in the respective valuation of the Company and the Target Company and (ii) the significant dilution to the earnings per share for TC Shareholders as compared to the enhanced earnings per share for the Shareholders. The inclusion of a premium accords with market practice for similar transactions, and the premium level for the Possible Merger is generally in line with market precedents. Based on the level of premium for the Possible Merger, the Shareholders will still be able to benefit from a substantial increase in earnings per Share after the Possible Merger.

In case of any ex-right or ex-dividend issues such as cash dividends, stock dividends, capital reserve converted into share capital, allotment of shares, etc. occurred from the Price Base Day to the aforementioned record date of the Possible Merger, the Exchange Ratio shall be adjusted accordingly.

On 29 June 2020, the annual general meeting of the Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.21 (tax included) per ten Shares for the year ended 31 December 2019 based on the total 12,894,535,999 Shares. On 22 June 2020, the annual general meeting of the Target Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.48 (tax included) per ten TC Shares for the year ended 31 December 2019 based on the total 6,472,983,003 TC Shares. As of the Latest Practicable Date, aforementioned dividend distribution plans have been implemented and the Exchange Ratio was adjusted correspondingly. The price per A Share was adjusted to RMB1.69 and price per TC Share was adjusted to RMB2.54. For illustration purpose only, under the Exchange Ratio as adjusted by the above dividend payment by the Company and the Target Company respectively, for every TC Share, 1.5030 A Shares will be issued.

Based on the price per TC Share as determined at RMB2.54, the value of the consideration for each TC Share in the Possible Merger represents: (a) a premium of approximately 14.93% over the closing price of each TC Share of RMB2.21 on the Shanghai Stock Exchange on the Last Target Trading Date; (b) a premium of 17.59% over the average trading price of TC Shares for a period of 20 trading days up to and including the Last Target Trading Date; and (c) a premium of approximately 14.93% over the average trading price of TC Shares for a period of 90 trading days up to and including the Last Target Trading Date.

Based on the price per A Share as determined at RMB1.69, each A Share represents a premium of approximately 16.10% to the net asset value per A Share as at 31 December 2019. Based on the price per TC Share as determined at RMB2.54, the value of the consideration for each TC Share in the Possible Merger represents a premium of approximately 33.18% to the net asset value per TC Share as at 31 December 2019.

Rationality of Exchange Ratio

1. Analysis on the rationality of determining the basis of the Exchange Ratio based on the average price of the 20 trading days before 19 June 2020

(1) The pricing is based on the average price of Shares for the 20 trading days before 19 June 2020, which meets the requirements of the Administrative Measures for Restructuring and best reflects the latest market transactions.

According to the Administrative Measures for Restructuring, the price at which a listed company issues shares shall not be lower than 90% of the market reference price. The market reference price is one of the average trading prices of the company's shares on the 20 trading days, 60 trading days or 120 trading days before the announcement of the board resolution for the issuance of shares to purchase assets. If merger by absorption through share swap involves a listed company, the pricing and issuance of the shares of the listed company shall be implemented in accordance with the foregoing regulations.

The available market reference prices for the Company and the Target Company are as follows:

Pricing basis	**the Company** *(RMB/share)*	**the Target Company** *(RMB/share)*
Average price of 20 trading days up to and including 19 June 2020	1.71	2.16
Average price of 60 trading days up to and including 19 June 2020	1.73	2.16
Average price of 120 trading days up to and including 19 June 2020	1.81	2.25

The three market reference prices above are not much different. The average price of shares on the 20 trading days up to and including 19 June 2020 best reflects the latest condition of the Share price, so it can better reflect and maintain the interests of Shareholders and TC Shareholders.

(2) The pricing is based on the average price of Shares for the 20 trading days up to and including 19 June 2020 with reference to recent transactions.

The market reference prices adopted in comparable transactions since 2014 are as follows:

Type of transaction	Name of transaction	Pricing benchmark	Date
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Midea Group Co., Ltd. and Wuxi Little Swan Company Limited (A share)	Average price of the first 20 days	2018-10-23
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Bestv Network Television Technology Development Co., Ltd. and Oriental Pearl Group Co., Ltd.	Average price of the first 20 days	2014-11-21
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between CSR Corporation Limited and China CNR Corporation Limited	Average price of the first 20 days	2014-12-30
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China GreatWall Technology Group Co., Ltd. and GreatWall Information Industry Co., Ltd.	Average price of the first 120 days	2016-02-23
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Baoshan Iron & Steel Co., Ltd. and Wuhan Iron and Steel Company Limited	Average price of the first 20 days	2016-09-22

Note: As the Administrative Measures for Major Assets Restructuring of Listed Companies (2014 Revision) revised the market reference price, which was adjusted from 20 trading days before the announcement of the first board resolution to one of the average prices of the company's shares for 20 trading days, 60 trading days or 120 trading days before the announcement of the first board resolution, hence, only the comparable cases from 2014 and after are included in the above.

According to the statistics of comparable transactions mentioned above, most of the transactions in which A-share listed companies merge A-share listed companies after the introduction of the Administrative Measures for the Major Assets Restructuring of Listed Companies (2014 Revision) have adopted the 20-day average price as a market reference price.

In summary, the pricing based on the average price of the 20 trading days up to and including 19 June 2020 for the Exchange Ratio reasonably reflects the fair value of the Company and the Target Company and complies with regulatory requirements and comparable trading practices, which the Company considers to be reasonable.

2. Main considerations for giving TC Shareholders a 20% premium

(1) Reference to the valuation of comparable companies

(1) Selection criteria for comparable companies

In order to fully ensure the applicability of comparable companies, the transaction selects comparable companies to Target Company from the A-share listed companies based on the following criteria: 1) operation in the industry and are affected by the same economic factors; 2) exclude companies with abnormal value of 2019 P/E ratio, i.e. excluding A-share listed companies with negative P/E ratios and obvious abnormal P/E ratios.

(2) Selection of valuation ratio

Valuation indicators commonly used in comparable companies mainly include P/E ratio, P/B ratio, price-to-sales ratio, and enterprise value ratio (EV/EBITDA). The applicability of the above valuation indicators to the parties to the Possible Merger is analyzed as follows:

Valuation indicators	Applicability analysis
P/E ratio	Applicable. The Company and the Target Company operate stably for a long time and make profits during the reporting period. The P/E ratio indicators have reference value.
P/B ratio	Applicable. As both parties belong to the port industry, most of their assets are physical assets, and the book value of net assets can more accurately reflect the actual assets, therefore, the P/B ratio multiple based on the book value has reference value.
Price-to-sales ratio	Not applicable. Port companies engaged in loading and unloading and trading businesses have large differences in gross profit margins, while price-to-sales ratios can not reflect the impact of differences in gross profit margins of each company on corporate value; meanwhile, in 2017, 2018, and 2019, the proportions of income from investment in associates and joint ventures to the Company's total profits are 49.52%, 28.60% and 26.64%, while such indicators of the Target Company are only 12.83%, 5.98% and 7.48%. The price-to-sales ratio can not reflect the impact of investment in associates and joint ventures on corporate value.

Valuation indicators	Applicability analysis
Enterprise value ratio **(EV/EBITDA)**	Applicable. The enterprise value ratio index is helpful for evaluating companies with heavy assets and high depreciation, and can eliminate the leverage difference of different comparable companies, which has reference value

Based on the analysis in the table above, among the commonly used valuation indicators, P/E ratio, P/B ratio and EV/EBITDA are suitable valuation indicators for the Company and the Target Company.

(3) Analysis of valuation results

Comparable companies' P/E ratio, P/B ratio, and enterprise value ratio (EV/EBITDA) are as follows:

Stock code	**Stock abbreviation**	**P/E ratio in 2019** *(times)*	**P/B ratio in 2019** *(times)*	**EV/ EBITDA in 2019** *(times)*
600018.SH	Shanghai International Port Group	10.87	1.20	7.90
601018.SH	Ningbo Port	13.47	1.13	8.58
601298.SH	Qingdao Port	10.09	1.26	6.08
001872.SZ	China Merchants Port	9.45	0.76	7.92
601228.SH	Guangzhou Port	23.31	1.50	9.90
000582.SZ	Beibu Gulf Port	17.74	1.84	10.13
601326.SH	QHD Port	15.84	1.01	7.36
601000.SH	Tangshan Port	7.50	0.78	3.92
600717.SH	Tianjin Port	18.15	0.67	7.77
000088.SZ	Yantian Port	30.85	1.56	22.15
600017.SH	Rizhao Port	12.33	0.66	8.52
600190.SH	Jinzhou Port	35.71	0.95	11.30
600279.SH	Chongqing Gangjiu	27.51	0.81	16.04
000507.SZ	Zhuhai Port	22.26	0.95	11.36
000905.SZ	Xiamen Port	46.95	1.18	9.57
002040.SZ	Nanjing Port	23.54	1.14	10.60
Maximum		46.95	1.84	22.15
The third quartile		24.53	1.22	10.77
Average		20.35	1.09	9.94
Median		17.94	1.07	9.07
The first quartile		11.96	0.80	7.87
Minimum		7.50	0.66	3.92

Note 1: P/E ratio in 2019 = Closing price as at 19 June 2020/earnings per share attributable to shareholders of the parent company in 2019

Note 2: P/B ratio in 2019 = Closing price as at 19 June 2020/net assets per share attributable to shareholders of the parent company in 2019

Note 3: EV/EBITDA in 2019 = (Closing price as at 19 June 2020* total share capital of the listed company as of 19 June 2020 + interest-bearing liabilities at the end of 2019 + preferred shares at the end of 2019 + minority shareholders' equity at the end of 2019 – monetary funds at the end of 2019)/(total profit in 2019 + interest expenses included in finance cost in 2019 + fixed assets in 2019 + amortization of intangible assets in 2019 + Amortization of long-term deferred expenses in 2019)

Source: 2019 annual report of the listed company and Wind Information

In the Possible Merger, the Exchange Ratio of the Target Company was RMB2.59 per TC Share, corresponding to the 2019 P/E ratio of the Target Company of 16.57 times, which was lower than the average and median of comparable companies, and within the range of the first quartile and third quartile of comparable companies; corresponding to 2019 P/B ratio of the Target Company of 1.36 times, higher than the average and median of comparable companies, and within the valuation range of comparable companies; corresponding to enterprise value ratio of the Target Company in 2019 of 7.34 times, which is lower than the average and median of comparable companies and within the valuation range of comparable companies.

(2) Reference to comparable transactions

As the Target Company is an A-share listed company, the comparable transaction only selects the counterparties which are A-share listed companies for reference analysis. In this type of transaction, the premium rate of the share swap price of the counterparty to the average price of shares for the 20 trading days before the pricing benchmark date ranges from -33.56% to 68.71%. The details are as follows:

Type of transaction	**Name of transaction**	**The average trading price 20 days before the suspension Market reference price of the counterparty** *(RMB/share)*	**Share swap price of the counterparty** *(RMB/share)*	**Share swap premium rate of the counterparty**	**Date**
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Panzhihua Steel Group Panzhihua Steel Vanadium Co., Ltd. and Jicheng Future Co., Ltd.	6.50	7.85	20.79%	2008-05-15

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty	Date
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Panzhihua Steel Group Panzhihua Steel Vanadium Co., Ltd. and Chongqing Titanium Industry Co., Ltd of Pangang Group	14.14	17.08	20.79%	2008-05-15
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Bestv Network Television Technology Development Co., Ltd. and Oriental Pearl Group Co., Ltd	10.63	10.63	0.00%	2014-11-21
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between China Eastern Airlines Corporation Limited and Shanghai Airlines Co., Ltd.	5.50	6.88	25.00%	2009-07-10
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Jinan Iron & Steel and Laiwu Steel Corporation	7.18	8.35	16.27%	2011-04-11
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between CSR Corporation Limited and China CNR Corporation Limited	5.92	6.19	4.56%	2014-12-30
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China Meheco Group Co., Ltd. and Henan Topfound Pharmaceutical Co., Ltd.	6.39	6.39	0.00%	2012-05-04

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty	Date
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China GreatWall Technology Group Co., Ltd. and GreatWall Information Industry Co., Ltd.	36.26	24.09	-33.56%	2016-02-23
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Baoshan Iron & Steel Co., Ltd. and Wuhan Iron and Steel Company Limited	2.86	2.58	-10.00%	2016-09-22
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Xinhu Zhongbao Co., Ltd. and Zhejiang Xinhu Venture Investment Co., Ltd.	7.11	7.11	0.00%	2008-12-17
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guanzhou Baiyunshan Pharmaceutical Co., Ltd.	11.55	11.55	0.00%	2012-02-29
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Midea Group Co., Ltd. and Wuxi Little Swan Company Limited (A share)	46.28	50.91	10.00%	2018-10-23
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Friendship Group Incorporated Company and Shanghai Bailian Group Co., Ltd.	13.53	13.53	0.00%	2010-11-02
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Qinghai Salt Lake Industry Co., Ltd. and Qinghai Salt Lake Industry Group Co., Ltd.	25.46	25.46	0.00%	2009-07-24

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty	Date
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between HBIS Company Limited and Handan Iron and Steel Co., Ltd.	4.10	4.10	0.00%	2008-12-28
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between HBIS Company Limited and Chengde Xinxin Vanadium and Titanium Co., Ltd.	5.76	5.76	0.00%	2008-12-28
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Pharmaceuticals Holdings Co., Ltd. and Shanghai Zhongxi Pharmaceutical Co., Ltd.	11.36	11.36	0.00%	2009-10-15
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Pharmaceuticals Holdings Co., Ltd. and Shanghai Industrial Pharmaceutical Investment Co., Ltd.	19.07	19.07	0.00%	2009-10-15
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between BBMG Corporation and Hebei Taihang Cement Co., Ltd.	10.09	10.80	7.04%	2010-07-26
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Guangzhou Automobile Group Co., Ltd. and GAC Changfeng Motor Co., Ltd.	12.65	14.55	15.00%	2011-03-22, supplemental agreement on 2011-06-10
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Sinotrans Limited and Sinotrans Air Transportation Development Co., Ltd.	16.91	20.63	22.00%	2018-02-28

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty	Date
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Shanghai Electric Group Company Limited and Shanghai Power Transmission & Distribution Co., Ltd.	26.65	35.00	31.33%	2007-10-22
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Aluminum Corporation of China Limited and Shandong Aluminum Industry Co., Ltd.	15.84	20.81	31.38%	2006-12-28
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Aluminum Corporation of China Limited and Lanzhou Alumnium Co., Ltd.	9.26	11.88	28.29%	2006-12-28
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Weichai Power Co., Ltd. and Zhuzhou Torch Spark Plug Co., Ltd.	4.88	5.80	18.85%	2006-11-12
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between China Communications Construction Company Limited and CRBC International Road & Bridge International Co., Ltd.	11.81	14.53	23.03%	2010-12-30
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between Midea Group Co., Ltd. and GD Midea Holding Co., Ltd.	9.46	15.96	68.71%	2013-03-28
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between Shenyin & Wanguo Futures Co., Ltd. and Shenwan Hongyuan Securities	8.30	9.96	20.00%	2014-07-25

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty	Date
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between Wens Foodstruff Group Co., Ltd. and Guangdong DaHuaNong Animal Health Products Co., Ltd.	8.33	13.33	60.00%	2015-04-23
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between China Merchants Expressway Network Technology Holdings Co., Ltd. and Huabei Expressway Co., Ltd.	4.73	5.93	25.00%	2017-06-14
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between China Merchants Shekou Industrial Zone Holdings Co., Ltd. and China Merchants Property Development Co., Ltd. (A shares)	28.22	38.10	35.01%	2015-09-16
Maximum share swap premium rate of the counterparty				68.71%	
The third quartile of share swap premium rate of the counterparty				24.02%	
Average share swap premium rate of the counterparty				14.18%	
Median share swap premium rate of the counterparty				15.00%	
The first quartile of share swap premium rate of the counterparty				0.00%	
Minimum share swap premium rate of the counterparty				-33.56%	

Note 1: The pricing benchmark in the transactions of China GreatWall Technology Group Co., Ltd. with GreatWall Information Industry Co., Ltd. and China Merchants Shekou Industrial Zone Holdings Co., Ltd. with China Merchants Property Development Co., Ltd. (A shares) is the average price of shares for the 120 days before trading suspension. In the statistics in the table above, taking into account the unity of the data, the average trading prices of shares the counterparties before the suspension of trading was recalculated, which is RMB36.26 per share for GreatWall Information Industry Co., Ltd. and RMB28.22 per share for China Merchants Property Development Co., Ltd. (A shares) for comparison and analysis.

Source: Relevant announcements of listed companies and Wind Information

In the Possible Merger, the 20% premium is between the first quartile and the third quartile of the share swap premium rate of the counterparties in comparable transactions, and in line with market practice.

Consideration

To effect the Possible Merger and to protect the interests of the minority shareholders of the Company and the Target Company, it is necessary to provide each of the Dalian Port Dissenting Shareholders and TC Dissenting Shareholders with Buy-back Alternative and Cash Alternative, respectively, in accordance with relevant rules and regulations as well as market practice. The Buy-back Alternative and Cash Alternative will be provided by Liaoning Port Group (including its subsidiaries) and/or its designated independent third party instead of the Company. In the circumstances, the consideration for the Possible Merger is RMB16.441 billion, which comprises RMB2.54 per TC Share multiplied by 6,472,983,003 TC Shares to be exchanged in the Possible Merger.

Arrangement on Odd Lots

The number of new A Shares obtained by TC Shareholders shall be an integer, otherwise one A Share shall be issued to each TC Shareholder in turn according to the sequence of the number after the decimal point until the aforementioned new A Shares obtained by TC Shareholders is consistent with the number of new A shares issued by the Company. If the number of shares with the same number after the decimal point is more than the number of remaining Shares issued by the Company, the method of random distribution by computer will be adopted.

Rights of the TC Dissenting Shareholders

Subject to the Possible Merger becoming unconditional, the TC Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB2.16 per TC Share. Such rate is determined based on the average trading price of TC Shares during the Price Fixing Period. The Cash Alternative will be provided by the Cash Alternative Provider. The Cash Alternative Provider will not receive any fee from providing Cash Alternative from the Company or its connected person.

In case of ex-right or ex-dividend issues such as cash dividends, stock dividends, capital reserve converted into share capital, allotment of shares, etc. occurred from the Price Base Day to the Cash Alternative Exercise Day, the aforementioned rate shall be adjusted accordingly. On 22 June 2020, the annual general meeting of the Target Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.48 (tax included) per ten TC Shares for the year ended 31 December 2019 based on the total 6,472,983,003 TC Shares. As of the Latest Practicable Date, aforementioned dividend distribution plan has been implemented and the Cash Alternative shall be exercised at the rate of RMB2.11 per TC Share.

If the TC Dissenting Shareholders sell their TC Shares after the record date for the shareholders' general meeting of the Target Company, the number of their TC Shares entitled to the Cash Alternative will be reduced accordingly. If the TC Dissenting Shareholders acquire TC Shares after the record date, the TC Shares acquired will not be entitled to the Cash Alternative.

The TC Dissenting Shareholders shall receive the cash consideration provided by the Cash Alternative Provider for each TC Share effectively declared and transfer the corresponding TC Shares to the Cash Alternative Provider on the Cash Alternative Exercise Day. Cash Alternative Provider shall acquire all TC Shares effectively declared by the TC Dissenting Shareholders and pay cash consideration accordingly on the Cash Alternative Exercise Day.

If the Possible Merger is rejected by the shareholders' general meeting of the Company or the Target Company, the respective class meeting of the Company or relevant regulatory authorities, which results in the non-implementation of the Possible Merger, the TC Dissenting Shareholders shall not be entitled to Cash Alternative, nor any compensation from the Company or the Target Company.

It is expected that after the Possible Merger is approved by the respective shareholders' general meetings of the Company and the Target Company, it will remain subject to PRC regulatory approval process by the CSRC for a period of time, the length of which cannot be realistically estimated at this stage. After the CSRC approvals for the Possible Merger and the A Share Specific Mandate are obtained and the Possible Merger has become unconditional, the Company will proceed to approach independent third party investors and issue new A Shares pursuant to the A Share Specific Mandate and/or request Liaoning Port Group to (through its subsidiary(ies)) dispose of such number of existing shares as will be necessary to ensure that the Company will meet the public float requirement under the Listing Rules immediately upon completion of the Possible Merger. When the details of the above measures to ensure public float compliance have been formalized, the Company will issue an announcement (the "**Announcement on Alternatives**") to inform the Dalian Port Dissenting Shareholders and TC Dissenting Shareholders as to the period during which they may exercise the Buy-back Alternative and Cash Alternative (as applicable), the record date, how they should notify the Company of such exercise and the clearing and settlement details. It is currently expected that the Announcement on Alternatives will be made within six months after the Possible Merger has become unconditional, but the exact timing will be subject to market condition and factors not within the control of the Company. Based on market practice with reference to relevant PRC legal requirements, completion of the exercise of the Buy-back Alternative and Cash Alternative will occur no later than the completion of the Possible Merger. Relevant Dalian Port Dissenting Shareholders and TC Dissenting Shareholders will elect for the Buy-back Alternative or Cash Alternative (as applicable) before the completion of the Possible Merger, and will receive cash at the same time of or before the completion of the Possible Merger, such that the public float of the Company immediately upon completion of the Possible Merger will already reflect the effect of any exercise of the Buy-back Alternative and Cash Alternative.

Price Adjustment Mechanism for the Cash Alternative

The price adjustment mechanism for the Cash Alternative will be triggered under the following conditions:

Upward Adjustment

(i) during the Price Adjustment Period, Shanghai Stock Exchange Composite Index (000001.SH) ("**SSE Index**") on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the SSE Index on the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of TC Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of 20 trading days before the suspension of trading; or

(ii) during the Price Adjustment Period, Port Index (886031. WI) ("**Port Index**") on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the Port Index on the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of TC Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of 20 trading days before the suspension of trading.

Downward Adjustment

(i) during the Price Adjustment Period, SSE Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the SSE Index on the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of TC Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of 20 trading days before the suspension of trading; or

(ii) during the Price Adjustment Period, Port Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the Port Index on the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of TC Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of 20 trading days before the suspension of trading.

The Target Company shall convene a meeting of board of directors to review and decide whether to adjust the Cash Alternative within 10 trading days after the above-mentioned conditions are triggered. During the Price Adjustment Period, the Target Company shall only make one-time adjustment to the Cash Alternative. Whether or not the board of directors had decided to adjust the Cash Alternative, no further adjustment shall be made and no further board meeting is required when the above-mentioned conditions are triggered again.

The price of Cash Alternative after adjustment shall be the average trading price of the above-mentioned 20 consecutive trading days.

Rights of the Dalian Port Dissenting Shareholders

Subject to the Possible Merger becoming unconditional, the Dalian Port Dissenting Shareholders may elect to exercise the Buy-back Alternative to receive cash at the rates of RMB1.71 per A Share and HK$0.67 per H Share. Such rates are determined by reference to the average trading prices of A Shares and average trading prices of H Shares respectively during the Price Fixing Period.

In case of ex-right or ex-dividend issues such as cash dividends, stock dividends, capital reserve converted into share capital, allotment of shares, etc. occurred from the Price Base Day to the Buy-back Alternative Exercise Day, the aforementioned rates shall be adjusted accordingly. On 29 June 2020, the annual general meeting of the Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.021 (tax included, equivalent to HK$0.02299 based on the average exchange rate of RMB to HK$ for a period of 5 trading days up to 29 June 2020 published by the People's Bank of China) per Share for the year ended 31 December 2019 based on the total 12,894,535,999 Shares. As of the Latest Practicable Date, aforementioned dividend distribution plans have been implemented and the Buy-back Alternative shall be exercised at the rate of RMB1.69 per A Share and HK$0.65 per H Share.

If the Dalian Port Dissenting Shareholders sell their Shares after the record date for the general meeting and respective class meeting of the Company, the number of their Shares entitled to the Buy-back Alternative will be reduced accordingly. If the Dalian Port Dissenting Shareholders acquire Shares after the said record date, the Shares acquired will not be entitled to the Buy-back Alternative.

The Dalian Port Dissenting Shareholders shall receive the cash consideration provided by the Buy-back Alternative Provider for each Share effectively declared and transfer the corresponding Shares to the Buy-back Alternative Provider on the Buy-back Alternative Exercise Day. Buy-back Alternative Provider shall acquire all Shares effectively declared by the Dalian Dissenting Shareholders and pay cash consideration accordingly on the Buy-back Alternative Exercise Day. The Buy-back Alternative Provider will not receive any fee from providing Buy-back Alternative from the Company or its connected person.

If the Possible Merger is rejected by the shareholders' general meeting of the Company or the Target Company, the respective class meeting of the Company or relevant regulatory authorities, which results in the non-implementation of the Possible Merger, the Dalian Port Dissenting Shareholders shall not be entitled to Buy-back Alternative, nor any compensation from the Company or the Target Company.

The cash to be received by a Dalian Port Dissenting Shareholder who opts for the Buy-back Alternative is determined at a rate by reference to the average trading prices of A Shares and the average trading prices of H Shares respectively during the Price Fixing Period. The Board considers the Buy-back Alternative fair and reasonable and in the interest of the Shareholders as a whole.

The Company may issue the Announcement on Alternatives in due course, as disclosed under the heading "Rights of the TC Dissenting Shareholders". Based on relevant PRC legal requirements, completion of the exercise of the Buy-back Alternative and Cash Alternative will occur no later than the completion of the Possible Merger.

Analysis on the rationality of the Buy-back Alternative

In the Possible Merger, the Company, the transacting party, is an A-share and H-share listed company. Comparable transactions with A-share listed companies merging with another A-share listed company by absorption are selected to analyze the reasonableness of the price of the Buy-back Alternative for Dalian Dissenting Shareholders holding A Shares:

Type of transaction	Name of transaction	The average trading price 20 days before the suspension of A shares of the transaction party *(RMB/share)*	Cash option price of the transaction party *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares	Date
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Panzhihua Steel Group Panzhihua Steel Vanadium Co., Ltd. and Jicheng Future Co., Ltd.	9.59	9.59	0.00%	2008-05-15
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Panzhihua Steel Group Panzhihua Steel Vanadium Co., Ltd. and Chongqing Titanium Industry Co., Ltd of Pangang Group	9.59	9.59	0.00%	2008-05-15

Type of transaction	Name of transaction	The average trading price 20 days before the suspension of A shares of the transaction party *(RMB/share)*	Cash option price of the transaction party *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares	Date
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Bestv Network Television Technology Development Co., Ltd. and Oriental Pearl Group Co., Ltd.	32.43	32.54	0.34%	2014-11-21
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between China Eastern Airlines Corporation Limited and Shanghai Airlines Co., Ltd.	5.28	5.28	0.00%	2009-07-10
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Jinan Iron & Steel and Laiwu Steel Corporation	3.44	3.95	14.83%	2011-04-11
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between CSR Corporation Limited and China CNR Corporation Limited	5.63	5.63	0.00%	2014-12-30
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China Meheco Group Co., Ltd. and Henan Topfound Pharmaceutical Co., Ltd.	20.74	20.74	0.00%	2012-05-04

Type of transaction	Name of transaction	The average trading price 20 days before the suspension of A shares of the transaction party *(RMB/share)*	Cash option price of the transaction party *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares	Date
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China GreatWall Technology Group Co., Ltd. and GreatWall Information Industry Co., Ltd.	21.09	13.04	-38.17%	2016-02-23
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Baoshan Iron & Steel Co., Ltd. and Wuhan Iron and Steel Company Limited	5.11	4.60	-9.98%	2016-09-22
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Xinhu Zhongbao Co., Ltd. and Zhejiang Xinhu Venture Investment Co., Ltd.	3.85	3.85	0.00%	2008-12-17
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guanzhou Baiyunshan Pharmaceutical Co., Ltd.	12.2	12.20	0.00%	2012-02-29
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Midea Group Co., Ltd. and Wuxi Little Swan Company Limited (A share)	42.04	36.27	-13.73%	2018-10-23

Type of transaction	Name of transaction	The average trading price 20 days before the suspension of A shares of the transaction party *(RMB/share)*	Cash option price of the transaction party *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares	Date
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Friendship Group Incorporated Company and Shanghai Bailian Group Co., Ltd.	15.57	15.57	0.00%	2010-11-02
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Qinghai Salt Lake Industry Co., Ltd. and Qinghai Salt Lake Industry Group Co., Ltd.	53.53	51.86	-3.12%	2009-07-24
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between HBIS Company Limited and Handan Iron and Steel Co., Ltd.	5.29	5.29	0.00%	2008-12-28
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between HBIS Company Limited and Chengde Xinxin Vanadium and Titanium Co., Ltd.	5.29	5.29	0.00%	2008-12-28
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Pharmaceuticals Holdings Co., Ltd. and Shanghai Zhongxi Pharmaceutical Co., Ltd.	11.83	11.83	0.00%	2009-10-15

Type of transaction	Name of transaction	The average trading price 20 days before the suspension of A shares of the transaction party *(RMB/share)*	Cash option price of the transaction party *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares	Date
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Pharmaceuticals Holdings Co., Ltd. and Shanghai Industrial Pharmaceutical Investment Co., Ltd.	11.83	11.83	0.00%	2009-10-15
Maximum premium rate over cash option of the transaction party				14.83%	
The third quartile of premium rate over cash option of the transaction party				0.00%	
Average premium rate over cash option of the transaction party				-2.77%	
Median premium rate over cash option of the transaction party				0.00%	
The first quartile of premium rate over cash option of the transaction party				0.00%	
Minimum premium rate over cash option of the transaction party				-38.17%	

Note 1: In the case of merger by absorption between Qinghai Salt Lake Industry Co., Ltd. and Qinghai Salt Lake Industry Group Co., Ltd., the finalized cash option price was RMB51.86/share. RMB0.40/share was deducted due to the profit distribution plan for 2019 (ie. distributing RMB4.03 in cash for every 10 shares) implemented on 28 April 2010. The cash option price for reference is RMB51.86/share.

Source of data: Relevant announcements of listed companies and Wind Information

During the Possible Merger, the price for the Buy-back Alternative is the same as the average trading price of Shares for 20 trading days before suspension of A Shares (i.e. 19 June 2020), and the premium (discount) falls between the first quartile, the median and the third quartile of the premiums of cash options of the transaction parties to the above comparable transactions over average trading price of shares for 20 trading days before suspension of A shares and differs slightly from the average. Therefore, the Company considers that the pricing is in line with the market practices and is reasonable.

Regarding the Buy-back Alternative for Dalian Dissenting Shareholders holding H Shares, comparable transactions with listed companies which issue equity securities of multiple categories (including A-share and H-share listed companies, A-share and B-share listed companies) in merger by absorption are selected to analyze the price determination method for cash option of dissenting shareholders:

Name of transaction	Name of the A-share and H-share listed company in the transaction	Price determination method for cash option of dissenting A shareholders	Price determination method for cash option of dissenting H shareholders or B shareholders	Consistency of price determination method for cash options of shareholders of all classes	Date
Merger by absorption between CSR Corporation Limited and China CNR Corporation Limited	CSR Corporation Limited (A+H)	Average trading price of shares for the 20 trading days before the pricing benchmark date	Average trading price of shares for the 20 trading days before the pricing benchmark date	Yes	2014-12-30
Merger by absorption between CSR Corporation Limited and China CNR Corporation Limited	China CNR Corporation Limited (A+H)	Average trading price of shares for the 20 trading days before the pricing benchmark date	Average trading price of shares for the 20 trading days before the pricing benchmark date	Yes	2014-12-30
Merger by absorption through share swap between China Eastern Airlines Corporation Limited and Shanghai Airlines Co., Ltd.	China Eastern Airlines Corporation Limited (A+H)	Average trading price of shares for the 20 trading days before the pricing benchmark date	Average trading price of shares for the 20 trading days before the pricing benchmark date	Yes	2009-07-10
Merger by absorption through share swap between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guanzhou Baiyunshan Pharmaceutical Co., Ltd. (A share)	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (A+H)	Average trading price of shares for the 20 trading days before the pricing benchmark date	Average trading price of shares for the 20 trading days before the pricing benchmark date	Yes	2012-02-29
Merger by absorption between Midea Group Co., Ltd. and Wuxi Little Swan Company Limited	Wuxi Little Swan Company Limited (A+B)	Average trading price of shares for the 20 trading days before the pricing benchmark date	Average trading price of shares for the 20 trading days before the pricing benchmark date	Yes	2018-10-23

Name of transaction	Name of the A-share and H-share listed company in the transaction	Price determination method for cash option of dissenting A shareholders	Price determination method for cash option of dissenting H shareholders or B shareholders	Consistency of price determination method for cash options of shareholders of all classes	Date
Merger by absorption between China Merchants Shekou Industrial Zone Holdings Co., Ltd. and China Merchants Property Development Co., Ltd.	China Merchants Property Development Co., Ltd. (A+B)	Average trading price of shares for the 120 trading days before the pricing benchmark date	Average trading price of shares for the 120 trading days before the pricing benchmark date	Yes	2015-09-16

Source of data: Relevant announcements of listed companies and Wind Information

In the comparable transactions above, the price determination methods for cash option prices of all classes of dissenting shareholders are consistent for fairness to shareholders across all classes of the same company, and the H-share cash option prices in all cases were determined based on the average trading price of shares for the 20 trading days before the pricing benchmark date. In the Possible Merger, the Buy-back Alternative for Dalian Dissenting Shareholders holding H Shares and A Shares are both determined based on the average trading price for the 20 trading days before the suspension of A Shares, which is in line with market practice and reflects fairness to shareholders in the two cities, and are therefore considered by the Company as reasonable.

If the Possible Merger is rejected by the shareholder's general meeting of the Company or the Target Company, the respective class meeting of the Company or relevant regulatory authorities, which results in the non-implementation of the Possible Merger, the Dalian Port Dissenting Shareholders shall not be entitled to Buy-back Alternative, nor any compensation from the Company or the Target Company.

Price Adjustment Mechanism for the Buy-back Alternative

The price adjustment mechanism for the Buy-back Alternative will be triggered under the following conditions:

A Shares

Upward Adjustment

(i) during the Price Adjustment Period, SSE Index on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the SSE Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of the A Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of A Shares on 20 A Shares trading days before the suspension of trading; or

(ii) during the Price Adjustment Period, Port Index on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the Port Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of the A Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of A Shares on 20 A Shares trading days before the suspension of trading.

Downward Adjustment

(i) during the Price Adjustment Period, SSE Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the SSE Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of the A Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of A Shares on 20 A Shares trading days before the suspension of trading; or

(ii) during the Price Adjustment Period, Port Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the Port Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of the A Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of A Shares on 20 A Shares trading days before the suspension of trading.

H Shares

Upward Adjustment

(i) during the Price Adjustment Period, Hang Seng Index (HIS.HI) ("**HS Index**") on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the HS Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of H Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of H Shares on the 20 H Share trading days before the suspension of trading of A Shares on the Shanghai Stock Exchange; or

(ii) during the Price Adjustment Period, Hong Kong Transport Index (887115.WI) ("**HKT Index**") on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the HKT Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of H Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of H Shares on the 20 H Share trading days before the suspension of trading of A Shares on the Shanghai Stock Exchange.

Downward Adjustment

(i) during the Price Adjustment Period, HS Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the HS Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of H Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of H Shares on the 20 H Shares trading days before the suspension of trading of A Shares on the Shanghai Stock Exchange; or

(ii) during the Price Adjustment Period, HKT Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the HKT Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of H Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of H Shares on the 20 H Shares trading days before the suspension of trading of A Shares on the Shanghai Stock Exchange.

The Company will convene a Board meeting to review and decide whether to adjust the Buy-back Alternative within 10 trading days after the above-mentioned conditions are triggered. Price adjustment of A Shares and H Shares shall be reviewed and decided by the

Board separately. During the Price Adjustment Period, the Company shall only make one-time adjustment to the Buy-back Alternative. Whether or not the Board had decided to adjust the Buy-back Alternative, no further adjustment shall be made if the above-mentioned conditions are triggered again.

The price of Buy-back Alternative of A Shares and H Shares after adjustment shall be the average trading price of A Shares and H Shares respectively on the above-mentioned 20 consecutive trading days.

Port Index and HKT Index

Background

Port Index (886031.WI) is a market capitalisation-weighted index tracking 21 A-share stocks published by Wind Information in June 2006. The component stocks tracked by Port Index include all 19 listed companies with integrated port logistics as principal activities in the A-shares market as well as 2 listed companies with port-related warehousing and freight forwarding as principal activities.

HKT Index (887115.WI) is a market capitalisation-weighted index tracking 79 Hong Kong stocks published by Wind Information in June 2006. The component stocks of the HKT Index basically include all listed companies in the transportation industry listed in the Hong Kong Stock Exchange, including 17 listed companies in the integrated port logistics industry, 14 listed companies in the expressway industry, 4 listed companies in the road transportation industry, 14 listed companies in the marine transportation industry, 4 listed companies in the aviation industry, 17 listed companies in the air cargo and logistics industry, 3 listed companies in the airport industry and 2 listed companies in the railway transportation industry.

The industry distribution of the component stocks of the two indexes above belongs to the four-tier Wind Industry Classification Standard. The Wind Industry Classification Standard fully adopted the Global Industries Classification Standard (GICS). GICS is an industry classification system jointly introduced by MSCI and S&P and it has the largest user base in securities markets globally. Wind Industry Classification Standard meets international standards and is also applicable in the securities market in the PRC.

Rationality

According to the Answer to a Question Regarding the Mechanism of Adjusting the Issue Price of Shares Offered to Purchase Assets issued by the China Securities Regulatory Commission in 2018, the plan of adjusting the issue price should be based on changes in market and industry indexes. The price adjustment plan for Buy-back Alternative was made with reference to the regulatory requirements above.

In the Possible Merger, the purpose of the price adjustment plan is to prevent the failure of the Buy-back Alternative, which are based on the average trading price of Shares for the 20 trading days before 19 June 2020, to fairly reflect the value of Shares due to any material changes in the market environment date, which will harm the interest of minority Shareholders. The fluctuation in the industry index can better reflect if there is any major change in the market environment for listed companies in the industry. Making the decision on price adjustment based on changes in industry index meets the purpose of putting the price adjustment plan in place.

Among the recent cases in the industry, in the case of share issuance and cash payment by Hubei Chutian Smart Communcation Co., Ltd. (600035.SH) for purchasing assets, the Shenwan Expressway Index (801175.SI), which mainly covers listed companies in the road and railway transportation industry in the A-shares market, was selected as the basis of the price adjustment plan. Among cases of transactions of the same type, in the case of merger by absorption between Midea Group Co., Ltd. (000333.SZ), a listed company in the home appliances industry, and Wuxi Little Swan Company Limited (A share) (000418.SZ), a listed company in the washing machines industry, the Shenwan White Goods Index (801111.SI), which mainly covers listed companies in the air-conditioner, fridge, washing machine and other white goods industry, was adopted as the basis of the price adjustment plan for the Buy-back Alternative. The above transactions of the same industry and the same type adopted changes in indexes within the same industry as the basis of price adjustment plan.

Port Index (886031.WI) fully covers A share listed companies engaged in port and port-related business and is able to reflect changes in the market environment of other listed companies in the same industry as both parties of the merger. HKT Index (887115.WI) fully covers companies listed in Hong Kong in the transportation industry and the sub-segments of the transportation industry have a stronger correlation with to the share price fluctuation in the secondary market. HKT Index (887115.WI) can also better reflect changes in the market environment of other H share listed companies in the same industry as the Company.

In summary, the Company considers the adoption of Port Index (886031.WI) and HKT Index (887115.WI) as the basis of price adjustment plan to be reasonable.

Absorption of Assets and Assumption of Liabilities

Upon full implementation of the Possible Merger, all the assets, business, staff and rights of the Target Company will be absorbed into, and all the liabilities of the Target Company will be assumed by, the Company or its wholly owned subsidiary pursuant to the Possible Merger. Both the Company and the Target Company shall perform the creditor notice and announcement procedures in accordance with the requirements of the relevant laws and regulations, and as required by their respective creditors within the legal duration, to have the third parties or themselves pay off debts in advance or provide additional guarantees to their respective creditors.

The Target Company shall deliver all its assets and, with the assistance of the Company, handle all the relevant registration and filing procedures, including but not limited to the registration and filing procedures in relation to the title to real estate property, sea areas, trademarks, patents, franchise rights, construction in progress, ship vehicles, etc.

Upon full implementation of the Possible Merger, the existing branches and subsidiaries of the Target Company shall modify their commercial registrations as branches and subsidiaries of the Company.

Upon full implementation of the Possible Merger, employees of the Company will continue to work for the Company in accordance to their labour contract. Employees of the Target Company prior to the Possible Merger will be re-employed by the Company with new labor contracts. All rights and obligations enjoyed and undertaken by the Target Company as the employer will be assumed by the Company after the Possible Merger. Both the Company and the Target Company agreed that prior to the convening of the relevant shareholders' general meeting for the Possible Merger, an employee representatives' meeting or an employees' meeting shall be convened respectively to review the employee arrangements for the Possible Merger.

Approval Validity

The relevant Shareholders' approvals for the Possible Merger will be for a period of 12-month from such approvals at the general meeting and class meetings of the Company.

If the Possible Merger is not completed within 12 months from the date of such approvals, and the Company should continue to proceed with the transactions, then the Company will obtain Shareholders' approval(s) for extending the 12-month validity of the initial Shareholders' approvals.

2.3 The Merger Agreement

On 7 July 2020, the Company entered into the Merger Agreement with the Target Company in relation to the Possible Merger. In addition to the terms set out in section 2.2 above, the major terms and conditions of the Merger Agreement include:

Parties	The Company and the Target Company
Consideration	The Company will exchange in aggregate 6,472,983,003 TC Shares in the issued share capital of the Target Company by an issue of 9,803,980,057 A Shares, meaning that for every TC Share, 1.5146 A Shares will be issued.

Subject to the Possible Merger becoming unconditional, the TC Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB2.16 per TC Share. Such rate is determined based on the average trading price of TC Shares during the Price Fixing Period. The Cash Alternative will be provided by the Cash Alternative Provider.

Subject to the Possible Merger becoming unconditional, the Dalian Port Dissenting Shareholders may elect to exercise the Buy-back Alternative to receive Cash at the rate of RMB1.71 per A Share and HK$0.67 per H Share. Such rates are determined based on the respective average trading price of A Shares and H Shares during the Price Fixing Period. The Buy-back Alternative will be provided by the Buy-back Alternative Provider.

Conditions Precedent

The Merger Agreement and the transactions contemplated thereunder shall become effective upon satisfaction of the following conditions:

(1) obtaining the approvals from (i) the Board and the Shareholders at the Shareholders' meeting and the respective class meetings of the Company convened for such purpose*(Note 1)*; and (ii) the board of the Target Company and the TC Shareholders at the shareholders' meeting of the Target Company convened for such purpose*(Note 2)*;

(2) obtaining the requisite consents and approvals from SASAC and CSRC;

(3) obtaining the waiver from the Executive for the obligation to make a mandatory general offer for the Shares triggered on the part of YKP as a result of the Possible Merger under Rule 26.1 of the Takeovers Code; and

Note 1: approval is required by at least two-thirds of the voting rights represented by disinterested Shareholders present at the EGM, and by at least two-thirds of the voting rights represented by disinterested Shareholders present at the A Shareholders Class Meeting and H Shareholders Class Meeting respectively.

Note 2: approval is required by at least two-thirds of the voting rights represented by disinterested shareholders present at the shareholders' meeting of the Target Company.

(4) the Stock Exchange having no objection to the announcement(s) and circular(s) issued by the Company related to the Possible Merger.

Completion of the Possible Merger and the share exchange pursuant thereto shall be conditional upon the Company's compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules immediately upon completion of the share exchange. This condition is not waivable.

As regards condition (2) above, approval has been obtained from SASAC.

As regards condition (3) above, YKP has applied to the Executive for, and the Executive has granted, a waiver pursuant to note 6 to Rule 26.1 of the Takeovers Code for the mandatory general offer for the Shares triggered on the part of YKP as a result of the Possible Merger.

As regards condition (4) above, clearance has been obtained from the Stock Exchange for the issue of the Announcement and this circular.

During the implementation of the Possible Merger, the Company and the Target Company shall proceed procedures in accordance with relevant laws and regulations and shall pay reasonable effort to obtain necessary approval and consent from relevant regulatory authorities to complete the Possible Merger.

Termination The Merger Agreement shall be terminated only if both the Company and the Target Company agree to terminate.

2.4 Effects of the Possible Merger

The Possible Merger will involve the issue of A Shares at the Exchange Ratio by the Company to the TC Shareholders in exchange for TC Shares held by them. Subject to the approval of the CSRC and the Shanghai Stock Exchange, the A Shares to be issued for the purpose of the Possible Merger will be listed on the Shanghai Stock Exchange.

If the Possible Merger is implemented, a total of 9,728,893,454 A Shares will be issued in exchange for TC Shares. Upon full implementation of the Possible Merger (assuming no other shares of the Company are to be issued between the Latest Practicable Date and implementation of the Possible Merger, and without taking into account the new A Shares that may be issued pursuant to the A Share Specific Mandate), the total issued share capital of the

Company will be 22,623,429,453 shares, comprising 5,158,715,999 H Shares and 17,464,713,454 A Shares, representing approximately 22.80% and 77.20%, respectively, of the total number of issued shares of the Company as enlarged by the issue of A Shares pursuant to the Possible Merger.

YKP is currently holding 78.29% interest in the Target Company. It is expected that in the Possible Merger YKP will exchange all such interest for new A Shares to be issued by the Company, which will increase YKP's direct interest in the Company from 0% at present to approximately 33.67% immediately after the Possible Merger. As such, YKP has applied for and the Executive has granted a waiver from a mandatory general offer for the Shares by YKP as a result of the Possible Merger pursuant to Note 6 to Rule 26.1 of the Takeovers Code. The Possible Merger will not result in any change in the ultimate control of the Company, and the Company will remain ultimately controlled by CMG before and after the Possible Merger.

According to the Company's audited financial statements as at and for the 6 months ended 30 June 2020, the total assets of the Company amounted to RMB34,629,520,170.47 as of 30 June 2020, with a liabilities-to-assets ratio of 37.50%. After the Possible Merger was completed, the unaudited consolidated total assets of the Company on a pro forma basis would have increased to RMB54,662,125,365.06, and the liabilities-to-assets ratio would have decreased to 31.37%. Upon completion of the Possible Merger, the scale of revenue of the Company will increase. Upon completion of the Possible Merger, the Company will become more financially secured and better shielded against risks, and its sustainable development in the future will be safeguarded.

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied as a result of the Possible Merger.

2.5 Specific Mandate in Relation to the Issuance of New A Shares

The A Share Specific Mandate

The Board expects that a further Board resolution will be passed in due course to convene a Shareholders' general meeting and class meetings of the holders of A Shares and H Shares respectively for the grant of the A Share Specific Mandate to the Board to issue new A Shares to not more than 35 specific investors. For the purpose of the A Share Specific Mandate, the investors to be identified will be independent third parties of the Company within the meaning of the Listing Rules and shall include securities investment fund management companies, securities companies, financial companies, asset management companies, insurance institutional investors, trust companies, qualified overseas institutional investors, other domestic legal and natural persons in line with the regulations of CSRC.

The A Share Specific Mandate will grant to the Board, during the Relevant Period (as defined hereafter), an unconditional specific mandate to issue not more than 3,868,360,799 new A Shares (representing not more than 30% of the number of issued shares of the Company as at the Latest Practicable Date) with a value of not more than RMB2,100,000,000, by way of non-public offering, to not more than 35 specific investors, and to determine the exact number of new A Shares to be issued and the price of new A Shares which, subject to the results of the price sounding-out process as required by CSRC, shall not be less than 80% of the average trading price of A Shares for 20 trading days before the issuance of new A Shares. The number of new A Shares to be issued and the subscription price of new A Shares will be adjusted if there is any ex-rights or ex-dividend arrangement after the Latest Practicable Date.

In the event the number of specific investors is less than six, the Company will comply with relevant requirements under Rule 13.28(7).

For the purposes of this A Share Specific Mandate, "**Relevant Period**" means a period of 12-month from the approval of the A Share Specific Mandate by the general meeting and respective class meeting of the Company.

If any issue pursuant to the A Share Specific Mandate is not completed within 12 months from the date of such approvals, and the Company should continue to proceed with such issue, then the Company will obtain Shareholders' approval(s) for extending the 12-month validity of the initial Shareholders' approvals.

The issuance of new A Shares pursuant to the A Share Specific Mandate is conditional upon:

(i) obtaining the approvals for the Possible Merger, A Share Specific Mandate and related transactions from (i) the Board and the Shareholders at the Shareholders' meeting and the respective class meetings of the Company convened for such purpose; and (ii) the board of the Target Company and the TC Shareholders at the shareholders' meeting of the Target Company convened for such purpose;

(ii) obtaining the requisite consents and approvals from SASAC and CSRC;

(iii) obtaining the waiver from the Executive for the obligation to make a mandatory general offer for the Shares triggered on the part of YKP as a result of the Possible Merger under Rule 26.1 of the Takeovers Code;

(iv) the Stock Exchange's clearance of the announcement(s) and circular(s) issued by the Company related to the transactions contemplated under the Merger Agreement; and

(v) the Possible Merger being proceeded with.

As regards condition (ii) above, approval has been obtained from SASAC.

As regards condition (iii) above, YKP has applied to the Executive for, and the Executive has granted, a waiver pursuant to note 6 to Rule 26.1 of the Takeovers Code for the mandatory general offer for the Shares triggered on the part of YKP as a result of the Possible Merger.

As regards condition (iv) above, clearance has been obtained from the Stock Exchange for the issue of the Announcement and this circular.

The Merger Agreement and the Possible Merger are not conditional on, and will not be affected by, the completion or successful implementation of the A Share Specific Mandate.

Use of Proceeds

The proceeds are intended to be used to supplement the working capital, improve liquidity, repay the interest bearing debts of the Company and to settle professional fees and charges incurred in connection with the Possible Merger.

Lock Up Arrangement

The new A Shares to be subscribed for by the independent investors shall not be disposed of within six months from the date of the issuance of the respective new A Shares. Upon completion of the issuance, the subscribers shall also abide by the lock-up arrangement for the additional Shares caused by the Company. If the lock-up arrangement is inconsistent with the latest regulatory opinions of the securities regulatory authorities, it shall be adjusted accordingly.

2.6 Progress update

On 7 July 2020, the Company was notified by CMG of a reply from SASAC regarding the Possible Merger and A Share Specific Mandate 《(關於大連港股份有限公司吸收合併營口港務股份有限公司及配套融資有關事項的批覆》) (GZCQ [2020] No. 298) where SASAC agreed in principle to the overall plan of the Possible Merger and A Share Specific Mandate.

2.7 Reasons for and benefits of the Possible Merger

Driving the intensive development of ports in Liaoning Province

According to the "Plan for National Coastal Port Layout" prepared by the Ministry of Transport and the National Development and Reform Commission, the planning of the national coastal port layout is proposed. China will form five port groups in the Bohai Rim, Yangtze River Delta, Southeast Coast, Pearl River Delta and Southwest Coast to strengthen the main role of a comprehensive and large-scale port in the country and form the layout of 8 transportation systems such as coal, oil, iron ore, containers, grain, commercial vehicles, roll-roll shipment in land and island and passenger transportation. Among them, the port clusters in the Bohai Rim region are mainly composed of coastal port clusters in Liaoning, Tianjin-Hebei and Shandong. In recent years, the overcapacity of the port industry in the Bohai Rim region, serious homogenization of services, and intensified vicious competition have seriously restricted the overall healthy development of the port industry. Through the rational integration of port resources, ports can fully utilize their respective superior resources, optimize the allocation of terminal resources, improve the comprehensive utilization of terminal resources, and avoid waste of resources and homogeneous competition. The Possible Merger is in line with the guiding direction of China's port layout planning and intensive development.

Create Synergy Effect by Integrating the Port-related Resources

The Possible Merger is one of the vital steps of port integration in Liaoning Province, which will complement the advantages of the two ports, giving full play to the policy advantages of Dalian Port's free trade zone, port and shipping financial advantages and logistics system advantages, and effectively combining the advantages of collection and distribution conditions and functions of Yingkou Port, promoting the win-win situation of Dalian and Yingkou, and realizing the transformation, upgrading and sustainable development of ports in Liaoning Province. In addition, from the basic characteristics of the industry, the port industry shows obvious characteristics of economies of scale. Due to the large investment scale and high fixed cost of the port, only when the port's throughput reaches a certain scale can the unit fixed cost and marketing cost of port production be continuously reduced. Therefore, the Possible Merger is also conducive to the integration of core resources by both parties, giving full play to the scale effect, and further enhancing profitability.

Upon the completion of the Possible Merger, the two ports will make full use of their resources to build a modern port logistics system through the in-depth integration of assets, personnel, management and other factors. Based on the existing facilities and the distribution network of the two ports, the two ports will build an international logistics center of Northeast Asia, promoting the expansion of Company's asset scale, business revenue growth, and profitability, and continuing to enhance the overall competitiveness of the Company.

Address any Competition between the Group and the Target Group

During the course of obtaining control of Liaoning Port Group, each of China Merchants Liaoning and CMG had undertaken to the Company that, in relation to any horizontal competition between Liaoning Port Group and the Company, it will use its best endeavours to facilitate resolving such competition in a steady manner (through measures such as assets restructuring, business adjustment and entrusted management) before the end of 2022 in accordance with the relevant regulations and the requirements of relevant securities supervision and management departments. The Possible Merger is consistent with the Shareholders' undertaking and would help address any possible competition between the Company and the Target Company.

Strengthen the Independence of the Target Group from the Controlling Shareholders

In November 2019, the Target Company was requested by Liaoning CSRC to rectify certain independence issues in relation to certain regulatory criticisms of the unsatisfactory conditions regarding (i) independence in business management; (ii) independence in financial management; (iii) independence in personnel management; and (iv) independence for certain management department. According to the 2019 annual report of the Target Company, all rectification had been made and completed. The Target Company has confirmed that its report on completion of rectification has been submitted to and accepted by the relevant PRC authority. The regulatory criticisms reinforce the need for future integration of port-related resources of the Group and the Target Group, as opposed to utilising the central coordination of Liaoning Port Group as controlling shareholder.

2.8 Listing Rules Implications

As one of the applicable percentage ratios in respect of the Merger Agreement exceeds 100%, the transactions contemplated under the Merger Agreement constitute a very substantial acquisition of the Company subject to the announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CMG is the ultimate beneficial owner of both the Company and the Target Company. Therefore, the transactions contemplated under the Merger Agreement also constitute a connected transaction of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. CMG and its associates will be required to abstain from voting at any Shareholders' meeting to approve the transactions contemplated under the Merger Agreement.

The issue of A Shares under the A Share Specific Mandate is conditional upon completion of the Possible Merger and will constitute a variation of class rights of the holders of A Shares and the holders of H Shares under the Articles of Association. Pursuant to Rule 14.06(5), Rule 19A.38 of the Listing Rules and the Articles of Association, the A Share Specific Mandate is required to be approved by the Shareholders at a general meeting and separate class meetings. CMG and its associates shall be required to abstain from voting at any Shareholder's meeting to approve the A Share Specific Mandate.

Save as disclosed above, no other Shareholder is required to abstain from voting at any Shareholder's meeting to approve the A Share Specific Mandate.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Merger Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

Each of Mr. Wei Minghui, Mr. Sun Dequan, Mr. Cao Dong, Mr. Qi Yue, Mr. Yuan Yi, and Ms. Na Danhong, being a Director also holding a management position or directorship with CMG or its associates (other than the Group), has abstained from voting on the board resolution approving the Merger Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors attending the board meeting has a material interest in or is required to abstain from voting on the Merger Agreement and the transactions contemplated thereunder.

Waiver from Strict Compliance with Rule 14.06B

The Possible Merger may trigger the bright line tests in Rule 14.06B of the Listing Rules as follows: (1) The Possible Merger constitutes a very substantial acquisition ("**VSA**") of the Company, in which the Company will issue new A Shares as consideration shares in exchange for all the TC Shares. Upon completion of the Possible Merger, YKP, being the current 78.29% shareholder of the Target Company, is expected to exchange its TC Shares for new A Shares to be issued by the Company, thereby increasing its shareholding in the Company to over 30% thus falling within the definition of "controlling shareholder" under Rule 1.01 of the Listing Rules. (2) On May 31, 2019, Liaoning SASAC and China Merchants Liaoning entered into an equity transfer agreement, pursuant to which Liaoning SASAC agreed to transfer 1.1% equity interest in Liaoning Port Group to China Merchants Liaoning at nil consideration. Completion took place on September 30, 2019. Upon completion of the transfer, Liaoning Port Group was owned as to 51% by China Merchants Liaoning, and China Merchants Liaoning became a new controlling Shareholder of the Company. The Possible Merger will be a VSA from an associate (i.e. Liaoning Port Group) of a new controlling Shareholder (i.e. China Merchants Liaoning) within 36 months of its becoming a new controlling Shareholder. (3) On around December 20, 2017, Dalian SASAC entered into a share transfer agreement with Liaoning Port Group (formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司)), pursuant to which Dalian SASAC agreed to transfer 100% equity interests in Dalian Group to Liaoning Port Group at nil consideration. Completion of the relevant transfer took place in February 2018. The Possible Merger will therefore be a VSA from a new controlling Shareholder (i.e. Liaoning Port Group) within 36 months of its becoming a new controlling Shareholder.

The Company considered that the above circumstances are the results of pure technicality: (1) YKP has been a subsidiary of Liaoning Port Group since February 2018, and Liaoning Port Group remains to be a controlling shareholder of the Company before and after the Possible Merger. (2) China Merchants Liaoning has become a controlling shareholder of the Company and the Target Company in September 2019. However, the Possible Merger is an injection from Liaoning Port Group, and not from China Merchants Liaoning. (3) Liaoning Port Group has become a controlling shareholder of the Company and the Target Company in February 2018. Immediately before the relevant transfers, the ultimate controlling shareholders of the Company and the Target Company were Dalian SASAC and Yingkou SASAC, respectively. Both Dalian SASAC and Yingkou SASAC were under Liaoning SASAC, and Liaoning Port Group is wholly-owned by Liaoning SASAC at the material time. The relevant share transfers represented a change of shareholding platform between SASACs, which are regarded as PRC Governmental Bodies under the Listing Rules. At that time, each of the Executive and the CSRC has granted waiver to Liaoning Port Group from making a mandatory general offer to other shareholders of the Company for the relevant equity transfer.

With reference to the six assessment factors for the purpose of Rule 14.06B of the Listing Rules: (1) only one applicable size test ratio slightly exceeds 100%; (2) the Possible Merger does not involve any acquisition of business that is completely different from the Group's existing business as the principal businesses of the Company and Target Company are largely similar; (3) the Group holds substantial assets and carries on substantive business and its existing business will account for a major part of business after the Possible Merger; (4) the Target Company was listed on the Shanghai Stock Exchange (stock code: 600317) since 2002. It is the port operator of the Port of Yingkou, being the second largest port in Northeast China; (5) the Possible Merger will not result in any change in control of the Company; (6) the Possible Merger does not involve any such transactions or arrangements which, together with the acquisition or series of acquisitions, form a series of transactions or arrangements to list the acquisitions targets.

The Possible Merger will also provide the Company considerable benefits, details of which are set out in the section "Reasons for and benefits of the Possible Merger" in "Letter from Board" of this circular.

Based on the above, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.06B of the Listing Rules (subject to YKP's obtaining a waiver form the Executive from the mandatory general obligation as a result of YKP's voting rights in the Company crossing the 30% threshold under Rule 26.1 of the Takeovers Code due to its acquiring new A Shares to be issued by the Company in the Possible Merger), and the Stock Exchange has granted the waiver.

Waiver from Strict Compliance with Rule 14.69(4)(a)(i) of the Listing Rules

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the accountants' report requirement under Rule 14.69(4)(a)(i) of the Listing Rules on the following grounds:

(1) The Target Company has been listed on the Shanghai Stock Exchange since 2002. The financial statements of the Target Group were audited by reputable accounting firms in the PRC.

(2) This circular for the Possible Merger will include (i) the audited consolidated financial statements of the Target Company for the financial year ended 31 December 2017, prepared in accordance with the Accounting Standards for Business Enterprises in PRC ("**CAS**") and audited by Huapu Tianjian Accounting Firm (華普天健會計師事務所), as published by the Target Company on the Shanghai Stock Exchange website, and (ii) the audited consolidated financial statements of the Target Company for the financial year ended 31 December 2018 and 2019 and the six months ended 30 June 2020, prepared in accordance with CAS and audited by ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥) (collectively, the "**Target Group Historical Track Record Accounts**").

(3) None of the Target Group Historical Track Record Accounts has been issued (or is expected to be issued) with any audit qualification.

(4) After consultation with the Target Company and requesting for access to audit its three years' financials without success, the Company considers that it is practical and appropriate to make the proposed alternative disclosures in this circular based on the Target Group Historical Track Record Accounts under CAS. If the Company were to engage an accounting firm to re-audit the financial information of the Target Group, it would incur substantial cost and expense and would not produce any meaningful information to the Shareholders beyond the Target Group Historical Track Record Accounts.

(5) The Company considers that it has taken reasonable steps to request for information for compliance with the requirements under Rule 14.69(4)(a)(i) of the Listing Rules, and that a relaxation of such requirements, which are unduly burdensome and impractical to the Company in the circumstances, would unlikely result in undue risks to the Shareholders and potential investors.

The Company has included the following information in this circular as alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules:

(1) Full text of the Target Group Historical Track Record Accounts.

(2) The management discussion and analysis of the results of operations of the Target Group for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 as extracted from the published documents of the Target Company.

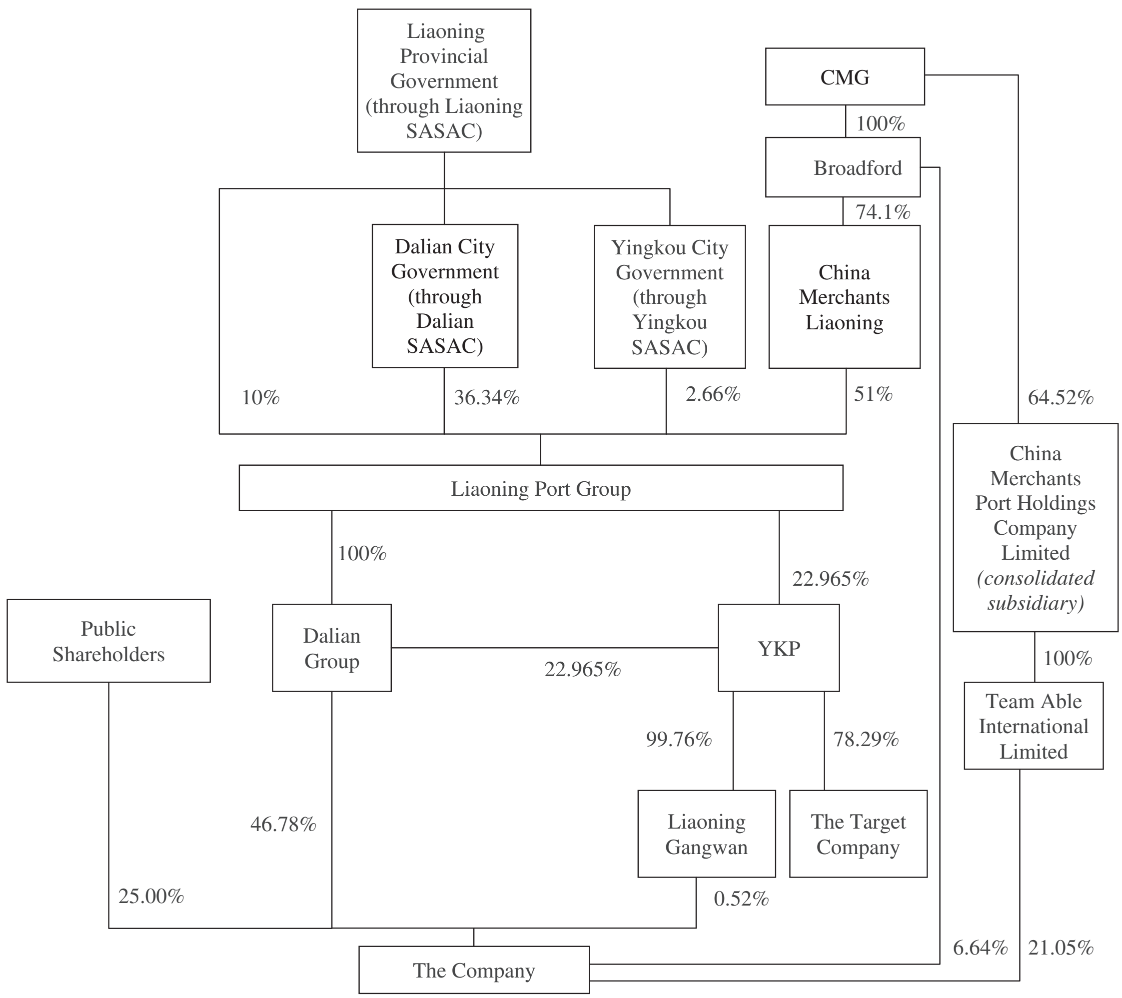
(3) The reasons for and details of the waiver sought in respect of the requirements under Rule 14.69(4)(a)(i) of the Listing Rules.

2.9 Directors' Views

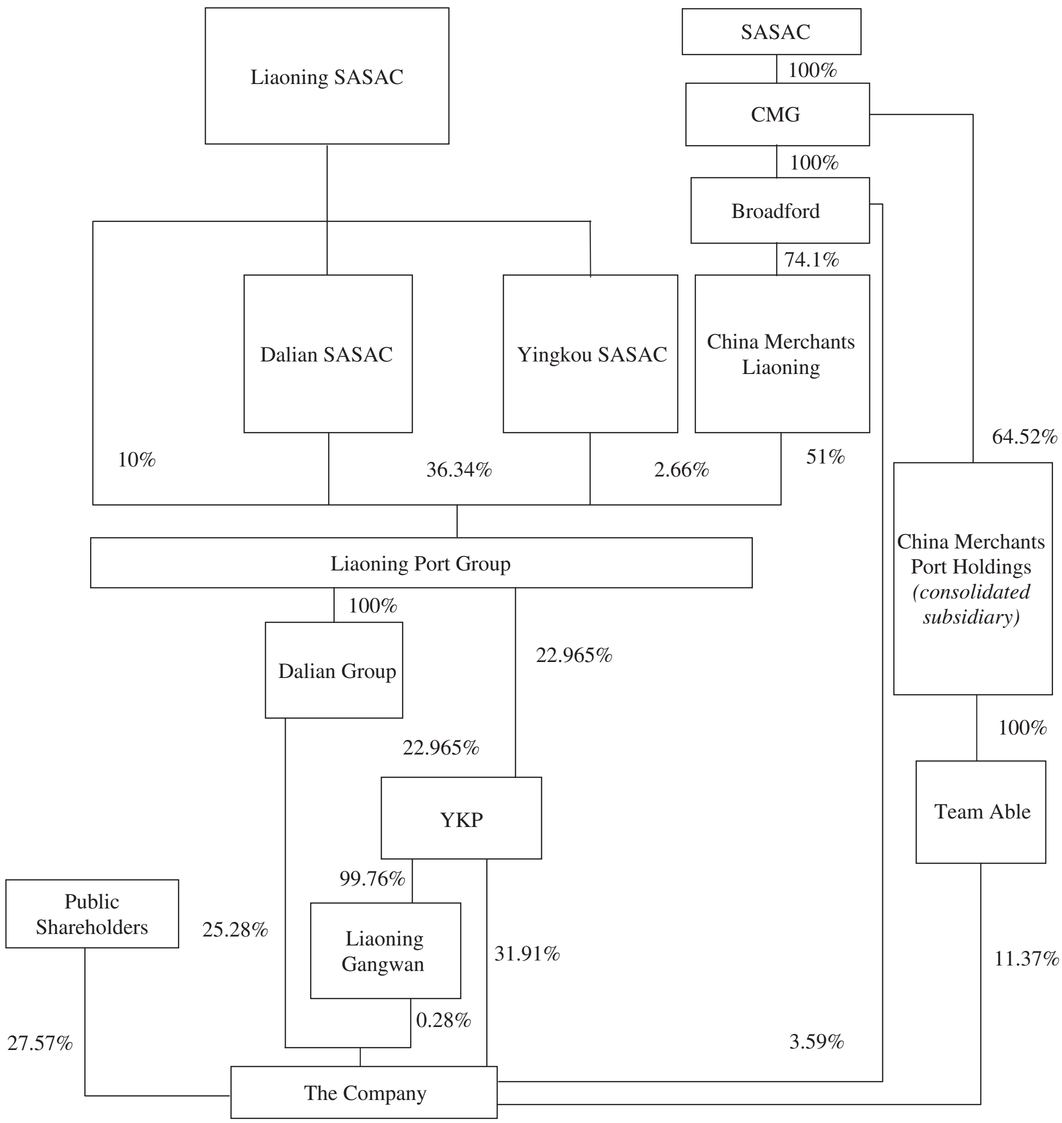
The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Merger Agreement were determined after arm's length negotiation, and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company and are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2.10 Shareholding Structure of the Company

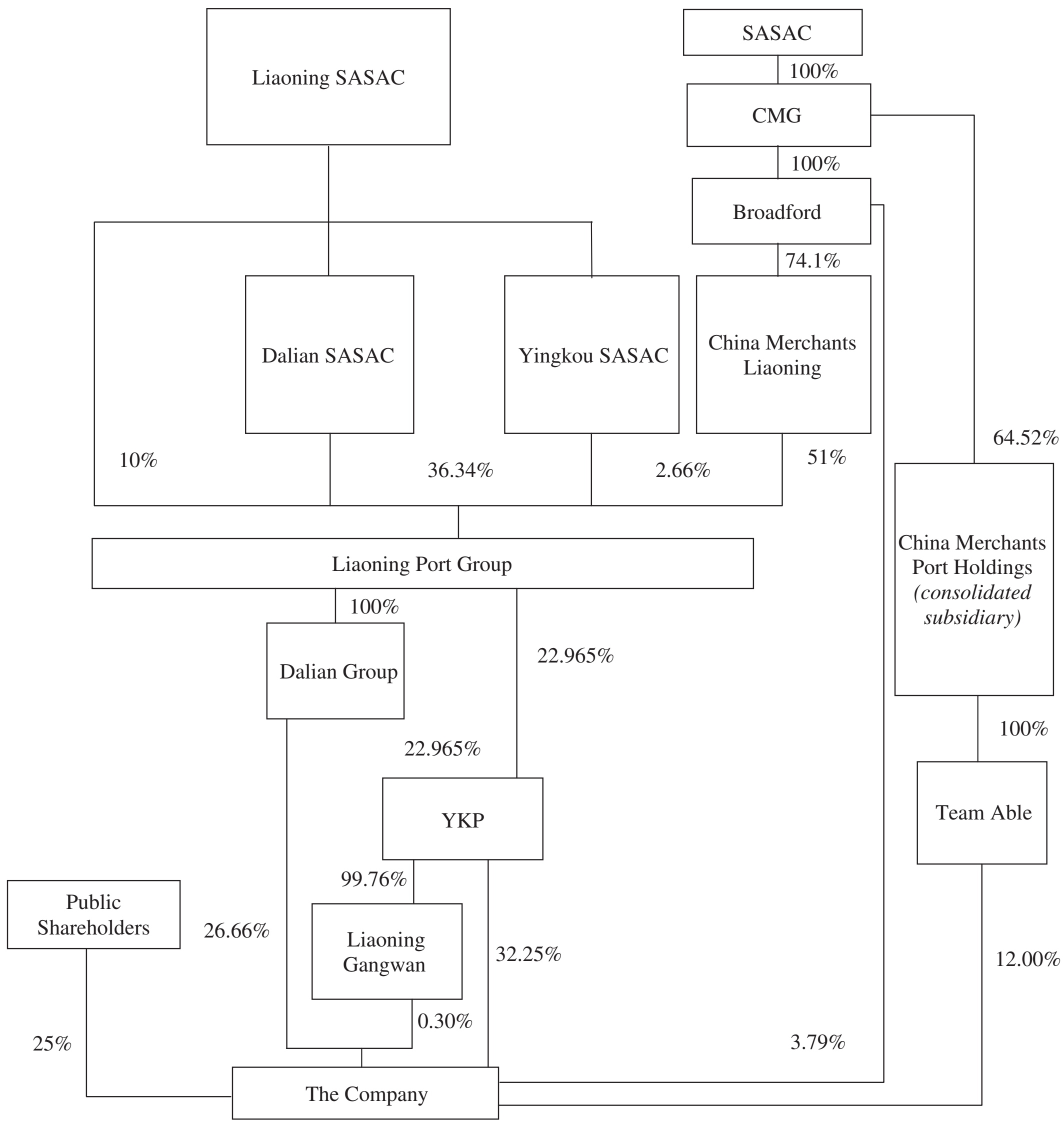
As at the Latest Practicable Date, the shareholding structure of the Company is as follows:



Immediately after the completion of the Possible Merger (assuming that no other Shares will be issued after the Latest Practicable Date until the completion of the Possible Merger, and assuming no relevant shareholder will exercise the Cash Alternative and the Buy-back Alternative, and assuming the A Share Specific Mandate will be issued to the maximum extent of RMB2,100,000,000 at the price of RMB1.69 per Share):



Immediately after the completion of the Possible Merger (assuming that no other Shares will be issued after the Latest Practicable Date until the completion of the Possible Merger, and assuming no relevant shareholder will exercise the Cash Alternative and the Buy-back Alternative, and assuming there is no issue pursuant to the A Share Specific Mandate[Note]):



Note: the shareholding structure assumes the disposal by Liaoning Port Group's subsidiary(ies) to be solely in the form of TC Shares. The disposal by Liaoning Port Group's subsidiary(ies) can also be in the form of A Shares or H Shares of the Company, or a combination of two or more of those three manners, with the common result of maintaining the Company's public float at not less than 25% immediately upon completion of the Possible Merger in any event.

At the completion of the Possible Merger, it is anticipated that the public float will be maintained at all times at not less than 25% by the completion of the A Share Specific Mandate or disposal of existing shares by the controlling Shareholder(s).

The Company will ensure compliance with public float requirement before and after the completion of the Possible Merger. The expected number of new A Shares that may be issued pursuant to the A Share Specific Mandate is calculated based on an understanding and estimation of the prevailing market price of the Company's A Shares at present and at time of such issue, upon which the Company believes that the minimum number of new A Shares to be issued under the A Share Specific Mandate will be able to cover any public float shortfall resulting from the Possible Merger.

For illustration purpose only, the number of A Shares to be issued under the A Share Specific Mandate will be able to cover any public float shortfall:

(a) if fundraising is up to RMB2.1 billion, and the placing price is at the same price of the share exchange price (i.e. RMB1.69 for each A Share) or at up to 50% premium; or

(b) if the placing price is at the same price of the share exchange price (i.e. RMB1.69 for each A Share), and fundraising is up to RMB720 million.

Shareholding structure of above (a) scenario (i.e. A Shares fundraising of up to RMB2.1 billion with placing price up to 50% premium of the share exchange price) is as below:

No.	Shareholder	Number of Shares	Shareholding Percentage	Total Number of Shares
			A Shares	
1	Dalian Group*	5,310,255,162	22.64%	18,291,485,107
2	YKP*	7,616,325,313	32.48%	
3	Liaoning Gangwan*	67,309,590	0.29%	
4	Public Shareholders	4,470,823,389	19.07%	
5	Investors#	826,771,653	3.53%	
			H Shares	
1	Dalian Group*	722,166,000	3.08%	5,158,715,999
2	Broadford*	856,346,695	3.65%	
3	Team Able*	2,714,736,000	11.58%	
4	Public Shareholders	865,467,304	3.69%	

Shareholding structure of above (b) scenario (i.e. A Shares fundraising of up to RMB720 million with placing price same as the share exchange price) is as below:

No.	Shareholder	Number of Shares	Shareholding Percentage	Total Number of Shares
			A Shares	
1	Dalian Group*	5,310,255,162	23.04%	17,890,748,956
2	YKP*	7,616,325,313	33.04%	
3	Liaoning Gangwan*	67,309,590	0.29%	
4	Public Shareholders	4,470,823,389	19.40%	
5	Investors#	426,035,502	1.85%	
			H Shares	
1	Dalian Group*	722,166,000	3.13%	5,158,715,999
2	Broadford*	856,346,695	3.72%	
3	Team Able*	2,714,736,000	11.78%	
4	Public Shareholders	865,467,304	3.75%	

* Associates of CMG under the Listing Rules

\# The A Share Specific Mandate will be issued to investors who are independent third parties of the Company within the meaning of the Listing Rules, and their shareholding will be counted towards public float

With a view to ensuring public float compliance, the Company will continue to consult its financial and legal advisers before the completion of the Possible Merger. After the poll results are known for the Company's EGM, A Shareholders Class Meeting and H Shareholders Class Meeting and the shareholders' meeting of Target Company convened for the purpose of approving the Possible Merger, the Company can ascertain the maximum extent of public float shortfall to be addressed before the completion of the Possible Merger. Such maximum possible public float shortfall will be calculated assuming all Dalian Port Dissenting Shareholders and TC Dissenting Shareholders will elect to transfer their Shares and TC Shares to the respective Buy-back Alternative Provider and Cash Alternative Provider (both being connected persons of the Company). Subject to the Possible Merger becoming unconditional, the Company will then seek to issue new A Shares to independent third parties pursuant to the A Share Specific Mandate as soon as possible, to such extent as to pre-empt the maximum possible public float shortfall resulting from the Possible Merger. In the event such issue is not practicable due to market condition or otherwise or unable to fully pre-empt the public float shortfall, Liaoning Port Group (as a controlling shareholder of the Company) has undertaken to the Company that, upon the Company's request on the basis that all other means to fully pre-empt the maximum possible public float shortfall are not practicable, it will procure its relevant subsidiary(ies) to dispose of as soon as possible such number of existing shares as will be necessary to ensure that the Company will meet the minimum public float requirement under the Listing Rules immediately upon completion of the Possible Merger subject to compliance with applicable PRC laws and regulations. Without taking into account the Buy-back Alternative and Cash Alternative and assuming the public float shortfall will be pre-empted solely by Liaoning Port Group's subsidiary(ies) disposing of existing shares, such disposal will represent approximately 1.41% of the Company's enlarged issued share capital following completion of the Possible Merger. However, the Directors believe that the extent of exercise of the Buy-back Alternative and Cash Alternative should likely be insignificant, based on factors including (i) the favorable terms of the Possible Merger which will benefit the Company and its Shareholders (as more particularly set out in section "2.7 Reasons for and benefits of the Possible Merger" above), (ii) the historically low turnout rate in terms of independent shareholders of the Company and the Target Company voting at previous general meetings, (iii) the potentially long period for any Dalian Port Dissenting Shareholder and TC Dissenting Shareholder to maintain their shareholding in the Company and the Target Company, respectively, after voting against the Possible Merger before they may exercise the Buy-back Alternative and Cash Alternative, and (iv) the uncertainty in the Share price movement, as there should be no incentive to exercise the Buy-back Alternative and Cash Alternative if the prevailing Share price at that time is higher than the cash offered under the Buy-back Alternative and Cash Alternative. For illustration purpose only, in the extreme situation where all independent Shareholders and independent shareholders of the Target Company attend the relevant shareholders' meetings, at which exactly one-third of them vote against the relevant resolutions and all Dalian Port Dissenting Shareholders and TC Dissenting Shareholders choose to exercise the Buy-back Alternative and Cash Alternative (as applicable), and assuming the public float shortfall will be pre-empted solely by Liaoning Port Group's subsidiary(ies) disposing of existing shares, such disposal will represent approximately 9.27% of the Company's enlarged issued share capital following completion of the Possible Merger. With the above in place, the Company confirms that public float compliance will be ensured before and immediately upon completion of the Possible Merger. The Company will not proceed to complete the Possible Merger unless and until all necessary steps have been taken to the effect that, immediately upon completion of the Possible Merger, the Company will continue to comply with the public float requirement under the Listing Rules.

Shareholding Tables of the Company

As of the Latest Practicable Date:

No.	Shareholder	Number of Shares	Shareholding Percentage	Total Number of Shares
			A Shares	
1	Dalian Group*	5,310,255,162	41.18%	7,735,820,000
2	Liaoning Gangwan*	67,309,590	0.52%	
3	Public Shareholders	2,358,255,248	18.29%	
			H Shares	
1	Dalian Group*	722,166,000	5.60%	5,158,715,999
2	Broadford*	856,346,695	6.64%	
3	Team Able*	2,714,736,000	21.05%	
4	Public Shareholders	865,467,304	6.71%	

Immediately after the completion of the Possible Merger (assuming that no other Shares will be issued after the Latest Practicable Date until the completion of the Possible Merger, and assuming no relevant shareholder will exercise the Cash Alternative and the Buy-back Alternative, and assuming the A Share Specific Mandate will be issued to the maximum extent of RMB2,100,000,000 at the price of RMB1.69 per Share):

No.	Shareholder	Number of Shares	Shareholding Percentage	Total Number of Shares
			A Shares	
1	Dalian Group*	5,310,255,162	22.25%	18,707,317,004
2	Liaoning Gangwan*	67,309,590	0.28%	
3	YKP*	7,616,325,313	31.91%	
4	Public Shareholders	4,470,823,389	18.73%	
5	Investors#	1,242,603,550	5.21%	
			H Shares	
1	Dalian Group*	722,166,000	3.03%	5,158,715,999
2	Broadford*	856,346,695	3.59%	
3	Team Able*	2,714,736,000	11.37%	
4	Public Shareholders	865,467,304	3.63%	

Immediately after the completion of the Possible Merger (assuming that no other Shares will be issued after the Latest Practicable Date until the completion of the Possible Merger, and assuming no relevant shareholder will exercise the Cash Alternative and the Buy-back Alternative, and assuming there is no issue pursuant to the A Share Specific Mandate *Note*):

No.	Shareholder	Number of Shares	Shareholding Percentage	Total Number of Shares
		A Shares		
1	Dalian Group*	5,310,255,162	23.47%	17,464,713,454
2	Liaoning Gangwan*	67,309,590	0.30%	
3	YKP*	7,296,758,642	32.25%	
4	Public Shareholders	4,790,390,060	21.17%	
		H Shares		
1	Dalian Group*	722,166,000	3.19%	5,158,715,999
2	Broadford*	856,346,695	3.79%	
3	Team Able*	2,714,736,000	12.00%	
4	Public Shareholders	865,467,304	3.83%	

Note: the table assumes the disposal by Liaoning Port Group's subsidiary(ies) to be solely in the form of TC Shares. The disposal by Liaoning Port Group's subsidiary(ies) can also be in the form of A Shares or H Shares of the Company, or a combination of two or more of those three manners, with the common result of maintaining the Company's public float at not less than 25% immediately upon completion of the Possible Merger in any event.

* Associates of CMG under the Listing Rules

The A Share Specific Mandate will be issued to investors who are independent third parties of the Company within the meaning of the Listing Rules, and their shareholding will be counted towards public float

For the avoidance of doubt, if there is any discrepancy between the total number and the final number of each item, it is caused by rounding.

2.11 Attention

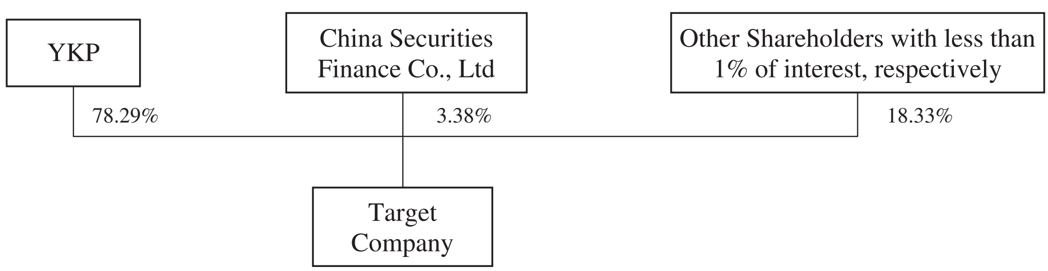
The Possible Merger may or may not be proceeded with or become unconditional or effective. There is no assurance that all the conditions precedents contained in the Merger Agreement can be satisfied. Investors and potential investors should exercise care, and should only rely on information published by the Company, when dealing, or contemplating dealing, in the Shares.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in the Company.

2.12 Information of the Parties

The Target Company

The Target Company is a limited liability company established in the PRC, with its A shares listed on the Shanghai Stock Exchange (stock code: 600317). On 20 December 2017, Yingkou SASAC has entered into a share transfer agreement with Liaoning Port Group (formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司)), pursuant to which, Yingkou SASAC has agreed to transfer 100% equity interests in YKP to Liaoning Port Group (formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司)) at nil consideration. CMG, a state wholly-owned enterprise established under the laws of the PRC under the direct control of the SASAC, is the controlling shareholder of the Target Company. CMG mainly provides services in three sectors, including transportation and related infrastructure, financial services, as well as city and industrial park development and operations. The shareholding structure of the Target Company as at the Latest Practicable Date is as follows:



The Target Group is principally engaged in terminal and other port facility services, cargo stevedoring, warehousing services, ship port services, port facility equipment and port machinery rental and maintenance services, which is in the same industry as that of the Group. After the completion of the Possible Merger, the Target Company will merge into and become absorbed by the Company and will cease to exist.

Based on the audited financial information of Target Company prepared in accordance with PRC accounting regulations, the net asset value attributable to equity holders of the Target Company as at 31 December 2018 and 31 December 2019 and the net profit before tax and net profit after tax attributable to equity holders of Target Company for the two financial years ended 31 December 2018 and 31 December 2019 respectively as stated in Target Company's published annual reports are as follows:

	As at 31 December 2018	**As at 31 December 2019**
Net asset value attributable to equity holders	RMB11,639,358,734.20	RMB12,345,269,133.07

	For the year ended 31 December 2018	**For the year ended 31 December 2019**
Net profit before tax	RMB1,337,192,438.73	RMB1,352,392,913.96
Net profit after tax	RMB1,000,905,501.38	RMB1,011,632,317.93

The Company

As a unified operation platform of port logistics business in Dalian area, the Company is one of the largest comprehensive port operators in Northeast China, principally engaging in oil/liquefied chemical terminal and the related logistics services (Oil segment); container terminal and related logistics services (Container segment); automobile terminal and related logistics services (Automobile Terminal Segment); bulk and general cargo terminal and related logistics services (Bulk and General Cargo Segment); bulk grain terminal and related logistics services (Bulk Grain Segment); passenger and roll-on, roll-off terminal and related logistics services (Passenger and Ro-Ro Segment) and value-added and ancillary port operations (Value-added Services Segment). CMG is the ultimate beneficial owner of the Company.

3. EGM

The Company will convene the EGM and class meetings for the Shareholders to consider and, if thought fit, to approve, among other things, the Possible Merger and A Share Specific Mandate. Details of the EGM and the H Shareholders Class Meeting and resolutions to be considered in these meetings are set out in the Notice of EGM and Notice of H Shareholders Class Meeting dated 4 September 2020.

Book closure

Holders of H Shares whose names appear on the register of members of the Company at the close of business on Monday, 21 September 2020 will be entitled to attend the EGM and the H Shareholders Class Meeting upon completion of the necessary registration procedures. The H Shares register of members will be closed from Monday, 21 September 2020 to Thursday, 24 September 2020, both days inclusive, during which period no transfer of H Shares will be effected.

Where applicable, holders of the H Shares intending to attend the EGM and the H Shareholders Class Meeting are therefore required to lodge their respective instrument(s) of transfer and the relevant share certificate(s) to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 4:30 p.m. on Friday, 18 September 2020.

Proxy forms

Whether or not you intend to attend the EGM or the class meetings, you are requested to complete and return the relevant proxy form(s) in accordance with the instructions thereon. The proxy form should be returned as soon as possible and in any event not later than 24 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the relevant meetings should you so wish.

4. RECOMMENDATION OF THE BOARD

The Directors believe that the Possible Merger, A Share Specific Mandate and related transactions are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM and the relevant class meetings.

5. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

The following is the letter from the Independent Board Committee to the Independent Shareholders in respect of the Possible Merger, A Share Specific Mandate and related transactions, which has been prepared for the purpose of inclusion in this circular.

大連港股份

Dalian Port (PDA) Company Limited*
大連港股份有限公司
(a sino-foreign joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 2880)

10 September 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE MERGER OF YINGKOU PORT LIABILITY CO., LTD.; AND (2) SPECIFIC MANDATE IN RELATION TO ISSUANCE OF NEW A SHARES

INTRODUCTION

We refer to the circular of the Company dated 10 September 2020 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Dalian Port (PDA) Company Limited* to consider the Possible Merger, A Share Specific Mandate and other related transactions, details of which are set out in the section headed "2. VERY SUBSTANTIAL ACQUISITION – MERGER OF TARGET COMPANY" in the "Letter from the Board" contained in the Circular.

Your attention is drawn to the "Letter from the Board", the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Possible Merger, A Share Specific Mandate and other related transactions as set out in the "Letter from the Independent Financial Adviser" as well as other additional information set out in other parts of the Circular.

* *For identification purposes only*

RECOMMENDATION

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that while the Possible Merger, A Share Specific Mandate and related transactions are in the ordinary and usual course of business of the Company, the terms of which are fair and reasonable, on normal commercial terms or better to the Group, and in the interests of the Company and its Shareholders as a whole. We therefore recommend that you vote in favour of the resolutions to be proposed at the EGM to approve aforementioned transactions.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Dalian Port (PDA) Company Limited*

LI Zhiwei	**LIU Chunyan**	**LAW Man Tat**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of the letter of advice from First Shanghai Capital Limited to the Independent Board Committee and the Independent Shareholders, for the purpose of incorporation into this circular.

第一上海
FIRST SHANGHAI GROUP

First Shanghai Capital Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

10 September 2020

To the Independent Board Committee and the Independent Shareholders of
Dalian Port (PDA) Company Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE MERGER OF YINGKOU PORT LIABILITY CO., LTD AND SPECIFIC MANDATE IN RELATION TO THE ISSUANCE OF NEW A SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser (the "**Independent Financial Adviser**") to advise the Independent Board Committee and the Independent Shareholders in relation to the Possible Merger and the listing of A Shares. Details of the Possible Merger are set out in the "Letter from the Board" contained in the circular of the Company dated 10 September 2020 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

On 7 July 2020, the Company entered into the Merger Agreement with the Target Company in relation to the Possible Merger. The Possible Merger, if fully implemented, will involve (among other things) the issue of A Shares by the Company to the TC Shareholders on a record date to be determined, in exchange for all the existing issued shares of the Target Company. Subject to the approval of the CSRC and the Shanghai Stock Exchange, the A Shares to be issued for the purpose of the Possible Merger will be listed on the Shanghai Stock Exchange. The Company also plans to raise fund by issuing A Shares with a value of not more than RMB2,100,000,000, by way of non-public offering, to not more than 35 specific investors.

LISTING RULES IMPLICATION

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Merger Agreement exceeds 100%, the transactions contemplated under the Merger Agreement constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CMG is the ultimate beneficial owner of both the Company and the Target Company. Therefore, the transactions contemplated under the Merger Agreement also constitute a connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. CMG and its associates will be required to abstain from voting at any Shareholders' meeting to approve the transactions contemplated under the Merger Agreement.

In addition, pursuant to the Articles of Association, the issue of A Shares under the A Share Specific Mandate is conditional upon completion of the Possible Merger and requires to be approved by the Shareholders at a general meeting and separate class meetings. CMG and its associates shall be required to abstain from voting at any Shareholder's meeting to approve the A Share Specific Mandate. Save as disclosed above, no other Shareholder is required to abstain from voting at any Shareholder's meeting to approve the A Share Specific Mandate.

Each of Mr. Wei Minghui, Mr. Sun Dequan, Mr. Cao Dong, Mr. Qi Yue, Mr. Yuan Yi, and Ms. Na Danhong, being a Director also holding a management position or directorship with CMG or its associates (other than the Group), has abstained from voting on the board resolution approving the Merger Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors attending the board meeting has a material interest in or is required to abstain from voting on the Merger Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Zhiwei, Mr. Liu Chunyan and Mr. Law Man Tat, has been established to consider the Merger Agreement and the transactions contemplated thereunder and to give advice and recommendation to the Independent Shareholders as to (i) whether the entering into the Merger Agreement is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Merger Agreement are fair and reasonable, on normal commercial terms or better to the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to be proposed at the EGM to approve on the transactions contemplated under the Merger Agreement.

INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into the Merger Agreement is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Merger Agreement are fair and reasonable, on normal commercial terms, or better to the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to be proposed at the EGM to approve on the transactions contemplated under the Merger Agreement.

We have previously acted as an independent financial adviser to the independent board committee with regards to the mandatory unconditional cash offer made by the offeror. Details of the transaction are set out in a circular of the Company dated 5 October 2019. Save for the aforesaid transaction, we have not acted as an independent financial adviser in relation to any transactions of the Company or its related parties in the last two years prior to the date of the Circular. Apart from normal professional fee paid to us in connection with this appointment in relation to the Possible Merger, no arrangements exist whereby we had received any fees or benefits from the Company or any other party related to the aforesaid transactions. Therefore, we consider we are independent of the Company and are accordingly eligible to give independent advice in respect of the Possible Merger.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among others, (i) the Merger Agreement; (ii) the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019; (iii) the financial information of the Target Group as set out in Appendix II to the Circular; (iv) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular; and (v) other information as set out in the Circular. We have also relied on the statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the "**Management**"). We have assumed that all statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us were reasonably made after due and careful enquiry and true, accurate, and complete at the time they were made and continued to be so as at the date of the Circular. The Shareholders will be informed when there are any material changes to the information contained or referred to herein or our opinion as soon as possible.

We have no reason to believe that any of the statements, information, opinions or representations on which we relied in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

The Directors will collectively and individually accept full responsibility for such statements, information, opinions and representations, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, information contained in the Circular are accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration, and there are no other facts the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Business and financial performance of the Group

According to the annual report of the Company for the year ended 31 December 2019, as the consolidated operational platform for port and logistics services in Dalian port, the Group is the biggest comprehensive port operator in the three northeastern provinces (namely, Heilongjiang Province, Jilin Province and Liaoning Province) of the PRC. The Group is principally engaged in the following businesses (i) container terminal and related logistics services (the "**Container Terminal Segment**"); (ii) oil/liquefied chemicals terminal and related logistics services (the "**Oil Terminal Segment**"); (iii) bulk and general cargo terminal and related logistics services and trading services; (iv) port value-added services and ancillary port operations; (v) bulk grain terminal and related logistics and trading services; (vi) automobile terminal and related logistics services and trading services (the "**Automobile Terminal Segment**"); and (vii) passenger and roll-on, roll-off terminal and related logistics services, where these segments accounted for approximately 40%, 24%, 15%, 14%, 2%, 2% and 3% of the total revenue of the Group, respectively, for the year ended 31 December 2019.

i. Historical financial performance of the Group

The following table summarises the income statement of the Group for each of the years ended 31 December 2017, 2018 and 2019 with reference to the annual reports of the Company:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB million	*RMB million*	*RMB million*
	(Audited)	*(Audited)*	*(Audited)*
Revenue	**9,032**	**6,754**	**6,646**
Cost of sales	(7,568)	(5,142)	(4,655)
Gross profit	**1,464**	**1,612**	**1,991**
Administrative expenses	(654)	(690)	(659)
Investment income	543	281	365
Financial expenses	(640)	(288)	(581)
Other items, net	(2)	(56)	20
Operating profit	**711**	**859**	**1,136**
Non-operating income, net	16	16	26
Total profit	**727**	**875**	**1,162**
Income tax expense	(153)	(193)	(267)
Profit for the period	**574**	**682**	**895**
Profit attributable to shareholders of the Company	**501**	**523**	**718**

Note: The auditors of the Company for the year ended 31 December 2017 was PricewaterhouseCoopers Zhong Tian LLP. The auditors of the Company for the years ended 31 December 2018 and 2019 was Ernst & Young Hua Ming LLP. Their opinions on the consolidated financial statements of the Group for each of the years ended 31 December 2018 and 2019 were unqualified and the opinion of PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2017 was qualified. The qualification was related to a provision of bad debt for certain accounts receivable of approximately RMB40 million and other receivables of approximately RMB158 million. For further details, please refer to the annual reports of the Company.

(a) Year ended 31 December 2018 compared with year ended 31 December 2017

Revenue declined from approximately RMB9,032 million for the year ended 31 December 2017 to approximately RMB6,754 million for the year ended 31 December 2018, representing a decline of approximately 25%, primarily due to the decrease of revenue from both the Oil Terminal Segment and the Automobile Terminal Segment. Nonetheless, gross profit increased from approximately RMB1,464 million for the year ended 31 December 2017 to approximately RMB1,612 million for the year ended 31 December 2018, which was mainly attributable to the increase in gross profit margin and gross profit recorded from the Container Terminal Segment due to factors including the increase in economies of scale, which lowered overall costs, along with the expansion of scale of income resulting from the consolidation of container terminals as advised by the management of the Group. Although the investment income of the Group decreased from approximately RMB543 million for the year ended 31 December 2017 to approximately RMB281 million for the year ended 31 December 2018 along with the lower income generated from equity investments, such decrease in income was offset by the decrease in financial expenses from approximately RMB640 million for the year ended 31 December 2017 to approximately RMB288 million for the year ended 31 December 2018 primarily attributable to exchange gains. Overall, profit attributable to shareholders of the Company increased from approximately RMB501 million for the year ended 31 December 2017 to approximately RMB523 million for the year ended 31 December 2018.

(b) Year ended 31 December 2019 compared with year ended 31 December 2018

Revenue declined from approximately RMB6,754 million for the year ended 31 December 2018 to approximately RMB6,646 million for the year ended 31 December 2019, representing a decline of approximately 2%, primarily due to the combined effect of increase in revenue from Oil Terminal Segment and decrease in revenue from both the Container Terminal Segment and the Automobile Terminal Segment. Nonetheless, gross profit increased from approximately RMB1,612 million for the year ended 31 December 2018 to approximately RMB1,991 million for the year ended 31 December 2019, which was mainly attributable to the growth of Oil Terminal Segment with high gross profit margin and the shrink of trading business with lower gross profit margin and reduction in total operating costs due to the implementation of new accounting standards on leases, as advised by the Management. Investment income of the Group increased from approximately RMB281 million for the year ended 31 December 2018 to approximately RMB365 million for the year ended 31 December 2019 along with the higher income generated from equity investments. Such increase in income was offset by the increase in financial expenses from approximately RMB288 million for the year ended 31 December 2018 to approximately RMB581 million for the year ended 31 December 2019 primarily attributable to the decrease in exchange gains. Overall, profit attributable to shareholders of the Company increased from approximately RMB523 million for the year ended 31 December 2018 to approximately RMB718 million for the year ended 31 December 2019.

ii. Historical financial position of the Group

The following table summarises the balance sheet of the Group as at 31 December 2017, 2018 and 2019 and with reference to the annual reports of the Company:

	As at 31 December		
	2017	**2018**	**2019**
	RMB million	*RMB million*	*RMB million*
	(Audited)	*(Audited)*	*(Audited)*
Non-current assets	26,146	25,756	28,207
Current assets	10,439	9,559	6,891
Total assets	**36,585**	**35,315**	**35,098**
Current liabilities	9,193	5,702	2,377
Non-current liabilities	6,772	8,753	11,317
Total liabilities	**15,965**	**14,455**	**13.694**
Net assets attributable to shareholders of the Company	18,060	18,276	18,770
Non-controlling interests	2,560	2,584	2,634
Net assets	**20,620**	**20,860**	**21,404**

Notes: Certain amounts have been subject to rounding adjustments

As at 31 December 2019, (i) fixed assets, which amounted to approximately RMB16,633 million, was the principal non-current asset; (ii) cash at bank and in hand, which amounted to approximately RMB4,051 million, was the principal current assets; (iii) other payables, which amounted to approximately RMB911 million, was the principal current liabilities; and (iv) bond payable, which amounted to approximately RMB5,884 million, was the principal non-current liabilities of the Group. The Group recorded net assets attributable to shareholders of the Company of approximately RMB18,770 million as at 31 December 2019.

2. Background information of the Target Company

The Target Company, namely Yingkou Port Liability Co., Ltd.* (營口港務股份有限公司), is a limited liability company established in the PRC, with its A shares listed on the Shanghai Stock Exchange and is a non-wholly-owned subsidiary of CMG as at the Latest Practicable Date. CMG is an enterprise wholly-owned by the PRC Government (the State Council of the PRC) and supervised by the SASAC. The Target Company is the port operator of the Port of Yingkou, being the second largest port in the Northeast China. The businesses of the Target

Company include provision of terminal and other port facility services, cargo stevedoring, warehousing services, ship port services, port facility equipment and port machinery rental and maintenance services, which is in the same industry as that of the Group as advised by the Management.

As stated in the "Letter from the Board", based on the audited financial information of the Target Company prepared in accordance with PRC accounting regulation, (i) the net asset value attributable to equity holders of the Target Company as at 31 December 2018 and 2019 amounted to approximately RMB11,639 million and RMB12,345 million, representing an increase of approximately 6%; and (ii) net profit after tax attributable to equity holders of the Target Company amounted to approximately RMB1,012 million for the year ended 31 December 2019, representing an increase of approximately 1% as compared to that of approximately RMB1,001 million for the year ended 31 December 2018.

3. Overview of the port industry in Liaoning Province

As stated in the "Letter from the Board", according to the "Plan for National Coastal Port Layout" prepared by the Ministry of Transport and the National Development and Reform Commission, the planning of the national coastal port layout is proposed. China will form five port groups in the Bohai Rim, Yangtze River Delta, Southeast Coast, Pearl River Delta and Southwest Coast to strengthen the main role of a comprehensive and large-scale port in the country. Among them, the port clusters in the Bohai Rim region are mainly composed of coastal port clusters in Liaoning, Tianjin-Hebei and Shandong.

We noted that Liaoning Province is the only gateway to the sea in Northeast China. Its coastal economic zone comprises coastal open cities such as Dalian, Dandong, Jinzhou, Yingkou, Panjin and Huludao. It is located in the prime area of Bohai Rim region and a crucial zone in the Northeast Asian economic circle, thus enjoying an irreplaceable geographical advantage. In the past decade, a series of policies have been promulgated to support the economic development in the Northeast part of the PRC. Such policies include: (i) "The State Council's opinions on certain key measures in the implementation of new strategies to facilitate the stabilization of economy in the Northeast region" and "13th Five-Year Plan on revitalization of the Northeast region", which set out the State's strategic initiatives to revitalize the coastal economic zone of Liaoning Province through the integration of the port management in Liaoning Province; and (ii) the State Council discussed and adopted the "Development Plan for Liaoning Coastal Economic Zone", which pointed out the need to integrate coastal port resources and comprehensively improve the service capacity and level of shipping and logistics. After years of extensive growth, the port industry in Liaoning Province has developed rapidly and become the driving force for sustained economic growth in Liaoning Province.

According to the statistics of the National Bureau of Statistics, the gross domestic product ("**GDP**") of Liaoning Province in 2019 was approximately RMB2.49 trillion (the GDP of Liaoning Province in 2018 was RMB2.35 trillion), representing a year-on-year growth of approximately 6.0%. Dalian Port and Yingkou Port are the two largest ports in Northeast China.

According to the statistic of the Ministry of Transport of the PRC, the total container throughput of Liaoning Province was approximately 16.9 million TEUs in 2019, of which, Dalian Port and Yingkou Port were approximately 8.8 million TEUs and 5.5 million TEUs, respectively, and in aggregate accounted for approximately 84.6% of the total container throughput of Liaoning Province. The total port cargo throughput of Liaoning Province was approximately 861.2 million tonnes in 2019, of which, Dalian Port and Yingkou Port were approximately 366.4 million tonnes and 238.2 million tonnes, respectively, and in aggregate accounted for approximately 70.2% of the total port cargo throughput of Liaoning Province.

4. Reason and benefit for the Possible Merger

According to the "Letter from the Board" in the Circular, China will form five port groups in the Bohai Rim, Yangtze River Delta, Southeast Coast, Pearl River Delta and Southwest Coast to strengthen the main role of a comprehensive and large-scale port in the country. Among them, the port clusters in the Bohai Rim region are mainly composed of coastal port clusters in Liaoning, Tianjin-Hebei and Shandong. In recent years, the overcapacity of the port industry in the Bohai Rim region, serious homogenization of services, and intensified competition between operations in Dalian Port and Yingkou Port have not only led to adverse impact on the profitability and development of Company, but also resulted in an increase in the total social costs, which is not conducive to the overall sound development of the regional economy. Through the rational integration of port resources of the Company and the Target Company, ports can fully utilize their respective superior resources, optimize the allocation of terminal resources, improve the comprehensive utilization of terminal resources, and avoid waste of resources and homogeneous competition. The Possible Merger is also in line with the guiding direction of China's port layout planning and intensive development.

It is notable that Dalian Port and Yingkou Port are the two largest ports in Northeast China. The geographical locations of Dalian Port and Yingkou Port are close and their principal business are overlapped, with consistent locations and overlapped economic hinterland which lead to a problem of horizontal competition. Peer competitiveness has resulted in difficulty in coordinating contradictions and conflict between Dalian Port and Yingkou Port in their strategic positioning and business operations, hindering them from independently implementing major capital operations and affecting their long-term development. Through the Possible Merger, the two ports will make full use of their resources to build a modern port logistics system through the in-depth integration of assets, personnel, management and other factors; and to build an international logistics center of Northeast Asia through utilization of the existing facilities and the distribution network of the two ports, thus, creating synergy effect, which would help to promote the resolution of overcapacity and vicious competition; promoting the expansion of Company's scale, revenue growth, and profitability; and continuing to enhance the overall competitiveness of the Company.

In terms of port cargo throughput, the Possible Merger will significantly increase the port cargo throughput capacity of the Group. In 2019, Dalian Port and Yingkou Port achieved total port cargo throughput of approximately 604.6 million tonnes. Upon completion of the transaction, the Group will include Dalian Port and Yingkou Port with a total port cargo throughput of over 600 million tones. In terms of profitability, the audited net profit margin of the Company for the year ended 31 December 2019 was approximately 13%. As stated in the financial information of the Target Group as set out in Appendix II of the Circular, the accounting policies adopted in the preparation of the Target Group Historical Track Record Accounts differ in certain material respects from the accounting policies adopted by the Company and the details of which was disclosed in the Appendix II. Had they been prepared in accordance with the accounting policies adopted by the Company, as set out in "Target Group's Unaudited Adjusted Financial Information under the Company's Policies" of Appendix II of the Circular, the adjusted net profit margin of the Target Company for the year ended 31 December 2019 would be approximately 21%. After the merger, the revenue and profitability of the Enlarged Group will be increased significantly. With reference to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III of the Circular, assuming completion of the Possible Merger had taken place on 1 January 2019, the Enlarged Group's revenue and net profit will be increased by approximately 72% and 95%, respectively, as compared to the former Group.

As stated in the "Letter from the Board" in the Circular, each of China Merchants Liaoning and CMG had undertaken that, in relation to the horizontal competition between Liaoning Port Group and the Company upon the completion of the Possible Merger, it will use its best endeavours to facilitate resolving such competition in a steady manner (through measures such as assets restructuring, business adjustment and entrusted management) before the end of 2022 in accordance with the relevant regulations and the requirements of relevant securities supervision and management departments. The Possible Merger is consistent with the Shareholders' undertaking and would help address any possible competition between the Company and the Target Company.

In addition, we noted that if the Company were to purchase all the TC Shares with cash at the closing price per TC Share on the Last Trading Date (i.e. RMB2.21 per TC Share), the maximum consideration payable by the Company for TC Shares would amount to approximately RMB14.3 billion. With reference to the Group's available cash and cash equivalents of approximately RMB4.0 billion and unutilized bank line of credit of approximately RMB7.3 billion as at 31 December 2019, the Group's financial resources may not be sufficient to finance the whole consideration payable. In addition, as at 31 December 2019, the Group's total liabilities amounted to approximately RMB13.7 billion, of which total outstanding borrowings amounted to approximately RMB8.2 billion. The Group's interest expenses was approximately RMB668.1 million for the year ended 31 December 2019, which represented an increase of approximately 12.1% or RMB72.0 million as compared to approximately RMB596.1 million for the year ended 31 December 2018. The Group's gearing ratios were approximately 40.9% and 39.0%, respectively as at 31 December 2018 and 2019; while the net debt-equity ratio was approximately 33.4% as at 31 December 2019 which represented an increase of approximately 11.4 percentage points as compared with approximately 22.0% as at 31 December 2018. It is considered that the issuance of debt securities and additional bank borrowings would inevitably increase the Group's costs of debt and expose the Group to higher gearing ratio and the inherent risk of higher interest rate which would further increase the interest expenses and adversely impair the profitability of the

Group. Given the size of the consideration, we are of the opinion that it would be more commercially practicable for the Company to settle this by issuing new A shares as compared to the settlement by its own cash resources or by loans or issuance of debt securities with the consideration of the a material impact on the liquidity, gearing position and profitability of the Group.

Taking into account the above, we are of the view that the implementation of the Possible Merger and the listing of the A Shares adhere to the Group's business strategy and is in the interests of the Company and the Shareholders as a whole.

5. The Possible Merger

5.1 The Merger Agreement

The Exchange Ratio

Pursuant to the terms of the Merger Agreement, subject to the fulfilment of the conditions precedent, the Company will exchange in aggregate 6,472,983,003 TC Shares in the issued share capital of the Target Company by an issue of 9,803,980,057 A Shares, meaning that for every TC Share, 1.5146 A Shares will be issued (subject to adjustments set out in the "Letter from the Board" of the Circular).

Such initial Exchange Ratio of 1.5146:1 was determined on the following basis:

(1) the price per TC Share was determined at RMB2.59 based on:

 (i) RMB2.16, which is the average trading price of TC Shares for a period of 20 trading days up to and including 19 June 2020, being the last trading day immediately before the suspension of trading of both TC Shares and A Shares on the Shanghai Stock Exchange pending release of an announcement in relation to the proposed negotiation on the terms of the Possible Merger (the "**Last Trading Date**"), and

 (ii) a premium of approximately 20%; and

(2) the price per A Share was determined at RMB1.71 based on the average trading price of A Shares for a period of 20 trading days up to and including the Last Trading Date.

For the avoidance of doubt, the above 20% premium is only available to TC Shareholders who elect to exchange their TC Shares for A Shares.

After the Last Trading Date, on 29 June 2020, the annual general meeting of the Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.21 (tax included) per ten Shares (i.e. RMB0.021 per Share) for the year ended 31 December 2019 based on the total 12,894,535,999 Shares. On 22 June 2020, the annual general meeting of the Target Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.48 (tax included) per ten TC Shares (i.e. RMB0.048 per TC Share) for the year ended 31 December 2019 based on the total 6,472,983,003 TC Shares.

As of the Latest Practicable Date, the aforementioned dividend distribution plans have been implemented and the Exchange Ratio was adjusted correspondingly. The price per A Share was adjusted to RMB1.69 and price per TC Share was adjusted to RMB2.54. For illustration purpose only, under the Exchange Ratio as adjusted by the above dividend payment by the Company and the Target Company respectively, for every TC Share, 1.5030 A Shares will be issued. Accordingly, the Company will exchange in aggregate 6,472,983,003 TC Shares in the issued share capital of the Target Company by an issue of 9,728,893,454 A Shares.

With reference to the "Letter from the Board", to effect the Possible Merger and to protect the interests of the minority shareholders of the Company and the Target Company, it is necessary to provide each of the Dalian Port Dissenting Shareholders and TC Dissenting Shareholders with Buy-back Alternative and Cash Alternative, respectively, in accordance with relevant rules and regulations. The Buy-back Alternative and Cash Alternative will be provided by Liaoning Port Group (including its subsidiaries) and/or its designated independent third party instead of the Company. In the circumstances, the consideration for the Possible Merger is approximately RMB16.4 billion, which comprises adjusted exchange price of RMB2.54 per TC Share multiplied by 6,472,983,003 TC Shares to be exchanged in the Possible Merger.

Rights of the TC Dissenting Shareholders

Subject to the Possible Merger becoming unconditional, the TC Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB2.16 per TC Share (i.e. the average trading price of the TC Shares for a period of 20 trading days up to and including the Last Trading Date) (subject to adjustments set out in the "Letter from the Board" of the Circular).

As mentioned above, the Target Company held an annual general meeting after the Last Trading Date to review and approve the dividend distribution plan of RMB0.48 (tax included) per ten TC Shares (i.e. RMB0.048 per TC Share) for the year ended 31 December 2019 based on the total 6,472,983,003 TC Shares. As of the Latest Practicable Date, the aforementioned dividend distribution plan has been implemented and the Cash Alternative was adjusted and exercised at the rate of RMB2.11 per TC Share.

The Cash Alternative is also subject to upward/downward adjustment with reference to the fluctuation of the SSE Index or Port Index during the Price Adjustment Period. The Target Company shall convene a board meeting to review and decide whether to adjust the Cash Alternative and the price of Cash Alternative after adjustment shall be the average trading price of the relevant 20 consecutive trading days. Details of the price adjustment mechanism for the Cash Alternative are set out in the "Letter from the Board" of the Circular.

Rights of the Dalian Port Dissenting Shareholders

Subject to the Possible Merger becoming unconditional, the Dalian Port Dissenting Shareholders may elect to exercise the Buy-back Alternative to receive cash at the rates of RMB1.71 per A Share and HK$0.67 per H Share (i.e. the average trading price of the A Shares and the H Shares for a period of 20 trading days up to and including the Last Trading Date) (subject to adjustments set out in the "Letter from the Board" of the Circular). The Dalian Port Dissenting Shareholders shall receive the cash consideration provided by the Buy-back Alternative Provider.

As mentioned above, the Company held an annual general meeting after the Last Trading Date to review and approve the dividend distribution plan of RMB0.21 (tax included) per ten Share (i.e. RMB0.021 per A Share or HK$0.02299 per H Share) for the year ended 31 December 2019 based on the total 12,894,535,999 Shares. As of the Latest Practicable Date, the aforementioned dividend distribution plans have been implemented, the Buy-back Alternative was adjusted and exercised at the rates of RMB1.69 per A Share and HK$0.65 per H Share.

The Buy-back Alternative for A Shares is also subject to upward/downward adjustment with reference to the fluctuation of the SSE Index or Port Index during the Price Adjustment Period while the Buy-back Alternative for H Shares is subject to adjustment with reference to the fluctuation of the Hang Seng Index or Hong Kong Transport Index during the Price Adjustment Period. The Company shall convene a board meeting to review and decide whether to adjust the Buy-back Alternative and the price of Buy-back Alternative of A Shares and H Shares after adjustment shall be the average trading price of the relevant 20 consecutive trading days. Details of the price adjustment mechanism for the Cash Alternative are set out in the "Letter from the Board" of the Circular.

5.2 Analyses of Exchange Ratio

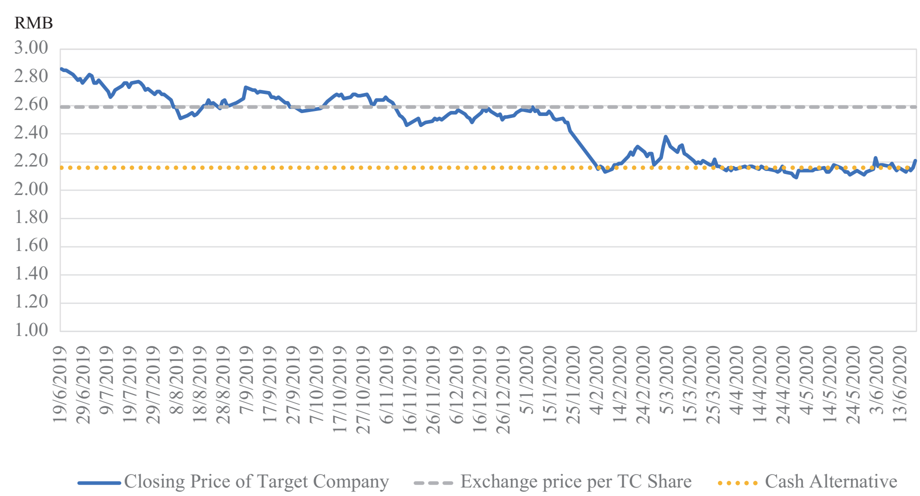
We have considered the basis of determining the Exchange Ratio, which is determined on the price per TC Share divided by the price per A Share, to assess the fairness and reasonableness of the Possible Merger under the Merger Agreement.

5.2.1 Share prices performance

(i) TC Shares price performance

We have reviewed the closing price performance of the TC Shares as quoted on the Shanghai Stock Exchange from 19 June 2019 (being the 12 months period prior to the Last Trading Date (the "**Review Period**"). We consider that the Review Period which covers a full year prior to the Last Trading Date is appropriate as it covers the period of the recent annual and interim financial result publications of the Company and the Target Company prior to the Last Trading Date and represents a reasonable period to provide a general overview of the recent trend of the share prices of both the Company and the Target Company. The following chart illustrates the closing price performances of TC Shares during the Review Period:

Target Company Share price performance



Source: Shanghai Stock Exchange Website

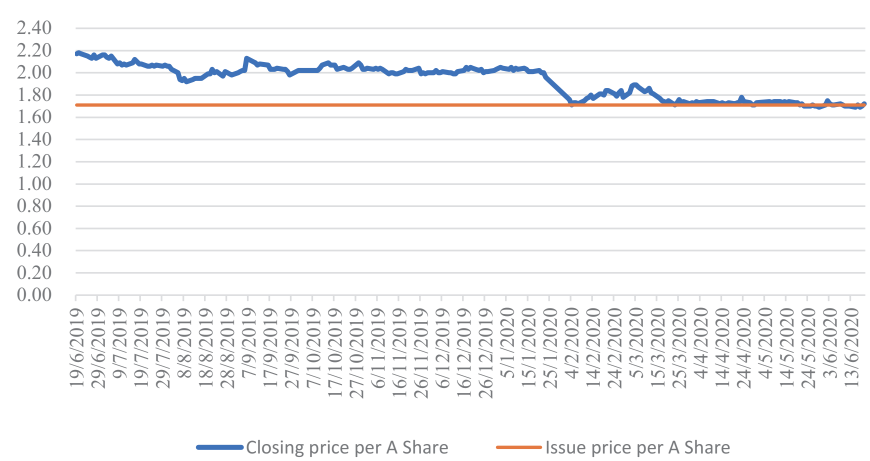
During the Review Period, the TC Shares have been traded between RMB2.09 (the lowest closing price per TC Share recorded on 29 April 2020) and RMB2.86 (the highest closing price per TC Share recorded on 19 June 2019) (the "**TC Shares Price Range**"). The closing price of TC Shares was on a declining trend during the Review Period. We noted that the closing price of the TC Share has further dropped after the outbreak of COVID-19 during the period from January 2020 to mid-February 2020. The exchange price per TC Share is within the TC Shares Price Range during the Review Period and we consider that the TC Shares Price Range is merely a reference on recent price trend of the Target Company which also shows fluctuation of the TC share price in the past one year prior to the Last Trading Date as well as any material deviation as compared to the exchange price per TC Share and the rate under Cash Alternative.

As mentioned in the "Letter from the Board", the initial exchange price per TC Share of RMB2.59 was determined at RMB2.16 (i.e. the average trading price of TC Shares for 20 trading days up to and including the Last Trading Date) plus a premium of 20% and the TC Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB2.16 per TC Share. Based on the above, we noted that the TC Share was trading close to RMB2.16 in the recent three months prior to the Last Trading Date, which indicates it is fair to apply TC Share price at RMB2.16 as reference in determining the exchange price per TC Share and the rate under Cash Alternative. We have performed further analysis to assess the fairness and reasonableness of Exchange Ratio and premium (as analysed below).

(ii) A Shares price performance

Set out below is the closing prices performance of A Share during the Review Period as quoted on the Shanghai Stock Exchange:

Company A Share price performance



Source: Shanghai Stock Exchange Website

During the Review Period, the price of A Shares experienced a downward trend. The highest and lowest closing prices of the A Shares as quoted on the Shanghai Stock Exchange was RMB$2.18 per A Share on 20 June 2019 and RMB$1.69 per A Share on 29 May 2020, 15 June 2020 and 17 June 2020, respectively (the "**A Shares Price Range**"). We noted that the closing price of A Share has experienced a sharp drop during the period from January 2020 to mid-February 2020 after the outbreak of COVID-19. The issue price per A Share is within the A Shares Price Range and we consider that the A Shares Price Range is merely a reference on recent price trend of the Company which also shows fluctuation of the A Share price in the past one year prior to the Last Trading Date and any material deviation as compared to the issue price per A Share and the rate under Buy-back Alternative.

Based on the above, we also noted that the A Share was trading close to RMB1.71 in the recent three months prior to the Last Trading Date, which indicates it is fair to apply A Share price at RMB1.71 as reference in determining the issue price per A Share and the rate under Buy-back Alternative. We have performed further analysis to assess the fairness and reasonableness of Exchange Ratio (as analysed below).

5.2.2 Market comparables analysis

As stated in the Letter from the Board, the Company has taken into consideration the valuation of the Company and the Target Company to determine the level of Exchange Ratio and the premium embedded. In order to assess the fairness and reasonableness of the Exchange Ratio, we have adopted the price-to-earnings multiple (the "**PE**") analysis and price-to-book (the **PB**") analysis, which are the most widely used and accepted methods for valuing a business in the industry. We have conducted a comparable analysis through identifying listed port and logistics companies whose A shares are traded on the domestic exchanges in the PRC. With reference to the market capitalisation of the Company and the Target Company (based on total issued shares and the closing price of A Share as quoted on the Shanghai Stock Exchange on the Last Trading Date) were approximately RMB22.2 billion and RMB14.3 billion, respectively, as at the Last Trading Date and, we have identified eight comparable companies which had a market capitalisation within RMB7 billion to RMB35 billion as at the Last Trading Date in the industry ("**Market Comparables**"), which we considered an exhaustive list of relevant companies based on the abovementioned criteria.

The following table ("**Table 1**") summarises the market capitalisation, PE and PB of the Market Comparables:

	Name of company	Stock code	Description of principal business	Market capitalisation	PE	PB
				(Note 1) *RMB billion*	*(Note 2)*	*(Note 3)*
1.	深圳市鹽田港股份有限公司 Shenzhen Yan Tian Port Holdings Co., Ltd.*	000088.SZ	Principally engaged in investment, development and operation of port business	11.1	30.9x	1.6x
2.	北部灣港股份有限公司 Beibu Gulf Port Co., Ltd.*	000582.SZ	Principally engaged in provision of loading and unloading, stockpiling service of containers and bulk cargoes, and harbour service	17.5	17.7x	1.8x

	Name of company	Stock code	Description of principal business	Market capitalisation	PE	PB
3.	招商局港口集團股份有限公司 China Merchants Port Group Co., Ltd.	001872.SZ	Principally engaged in the handling, warehousing and transportation of containers and bulk cargoes, as well as the provision of other ancillary services	26.6	9.2x	0.7x
4.	日照港股份有限公司 Rizhao Port Co., Ltd.*	600017.SH	Principally engaged in the handling, warehousing and transfer of bulk cargoes services	7.8	12.3x	0.7x
5.	天津港股份有限公司 Tianjin Port Co., Ltd*	600717.SH	Principally engaged in the handling, sales and logistics of containers and bulk cargoes, as well as the provision of other port supporting services	9.1	15.1x	0.6x
6.	唐山港集團股份有限公司 TangShan Port Group Co., Ltd.*	601000.SH	Principally engaged in the handling, warehousing and transportation of containers and bulk cargoes, as well as the provision of other port comprehensive services	13.3	7.5x	0.8x
7.	廣州港股份有限公司 Guangzhou Port Company Limited*	601228.SH	Principally engaged in the handling, warehousing, logistics, trading, financing, tugboat service and organization of containers and goods, as well as the provision of other port comprehensive services	19.6	23.0x	1.5x

	Name of company	Stock code	Description of principal business	Market capitalisation	PE	PB
8.	秦皇島港股份有限公司 Qinhuangdao Port Co., Ltd*	601326.SH	Principally engaged in provision of terminal facilities for vessels and provision of port services such as loading and discharging, stacking, warehousing, transportation, container stacking and less than container load services; other port related services such as tugboat service, lease and repair of harbour facilities, equipment and machinery, cargo weighing, freight forwarding, port tallying and provision of power and electrical engineering services; and import and export services of goods	14.2	15.3x	1.0x
			Maximum	26.6	30.9x	1.8x
			Minimum	7.8	7.5x	0.6x
			Median	13.8	15.2x	0.9x
			Average	14.9	16.4x	1.1x

Name of company	Stock code	Description of principal business	PE	PB
營口港務股份有限公司 Yingkou Port Liability Co., Ltd.*	600317.SH	Provision of terminal and other port facility services, cargo stevedoring, warehousing services, ship port services, port facility equipment and port machinery rental and maintenance services.		
		At price per TC Share of RMB2.59 and by reference to the profit attributable to the shareholders of the Target Company for the year ended 31 December 2019, the net asset value attributable to owners of the Target Company as at 31 December 2019 and the numbers of shares of the Target Company then in issue	16.6x	1.4x
		At the adjusted price per TC Share of RMB2.54 and by reference to the profit attributable to the shareholders of the Target Company for the year ended 31 December 2019, the net asset value attributable to owners of the Target Company as at 31 December 2019 and the numbers of shares of the Target Company then in issue	16.3x	1.3x

Name of company	Stock code	Description of principal business	PE	PB
The Company	2880.HK and 601880.SH	At price per A Share of RMB1.71 and by reference to profit attributable to the Shareholders of the Company for the year ended 31 December 2019, the net asset value attributable to owners of the Company as at 31 December 2019 and the numbers of shares of the Company then in issue	30.7x	1.0x
		At adjusted price per A Share of RMB1.69 and by reference to profit attributable to the Shareholders of the Company for the year ended 31 December 2019, the net asset value attributable to owners of the Company as at 31 December 2019 and the numbers of shares of the Company then in issue	30.4x	1.0x

Source: Bloomberg and their respective financial reports

Notes:

(1) Market capitalisation of the Market Comparables is calculated on the basis of their respective closing prices of the shares as quoted on the Last Trading Date and their total number of issued shares according to their respective most recent published annual reports prior to the date of the Merger Agreement.

(2) PE of the Market Comparables are calculated based on their respective market capitalisation as at the Last Trading Date divided by the audited profits attributable to owners from the respective latest annual reports of the Market Comparables for the most recent financial year prior to the date of the Merger Agreement.

(3) PB of the Market Comparables are calculated based on the closing price of the Market Comparables as quoted on the Last Trading Day and their total number of issued shares according to their respective most recent published annual report prior to the date of the Merger Agreement divided by the net asset values. Net asset value refers to net assets as per the respective Market Comparables' most recent published annual report prior to the date of the Merger Agreement.

As shown in Table 1 above, the PE of the Market Comparables ranged from approximately 7.5 times to approximately 30.9 times, with an average of approximately 16.4 times and a median of approximately 15.2 times, and the PB of the Market Comparables ranged from approximately 0.6 times to approximately 1.8 times, with an average of approximately 1.1 times and a median of approximately 0.9 times.

Based on the profit attributable to the shareholders of the Target Company for the year ended 31 December 2019, the net asset value attributable to owners of the Target Company as at 31 December 2019, the total number of issued shares of the Target Company and the adjusted exchange price of RMB2.54 per TC Share, the implied adjusted PE of the Target Company would be approximately 16.3 times which fall within the range of PE of the Market Comparables and below the average PE of the Market Comparables; and the implied adjusted PB of the Target Company would be approximately 1.3 times which also fall within the range of PB of the Market Comparables and comparable to the average PB of the Market Comparables.

For illustration purpose, based on the profit attributable to the shareholders of the Target Company for the year ended 31 December 2019, the net asset value attributable to owners of the Target Company as at 31 December 2019, the total number of issued shares of the Target Company and the initial exchange price of RMB2.59 per TC Share, the implied PE and PB of the Target Company would be approximately 16.6 times and 1.4 times, respectively, which both fall within the range of the Market Comparables and comparable to the average of the Market Comparables. Based on the profit attributable to the shareholders of the Company for the year ended 31 December 2019, the net asset value attributable to owners of the Company as at 31 December 2019, the total number of issued shares of the Company and the adjusted issue price of RMB1.69 per A Share, the implied adjusted PE of the Company would be approximately 30.4 times which fall within the range of PE of the Market Comparables and at the high end of the Market Comparables; and the implied adjusted PB of the Company would be approximately 1.0 times which also fall within the range of PB of the Market Comparables and comparable to the average PB of the Market Comparables.

For illustration purpose, based on the profit attributable to the shareholders of the Company for the year ended 31 December 2019, the net asset value attributable to owners of the Company as at 31 December 2019, the total number of issued shares of the Company and the initial issue price of RMB1.71 per A Share, the implied PE and PB of the Company would be approximately 30.7 times and 1.0 times, respectively, which both fall within the range of the Market Comparables.

Having considered (i) the implied PE of the Target Company based on initial and adjusted price per TC Share both fall within the range of Market Comparables and comparable to the average of Market Comparables and (ii) the implied PE of the Company based on initial and adjusted price per A Share both fall within the range of PE of Market Comparables and at the high end of Market Comparables, which is more favourable to the Group with a better valuation of the Company as compared to Market Comparables, we consider that the price per A Share and price per TC Share (with premium included) which in turn derive the Exchange Ratio are fair and reasonable.

5.2.3 Transaction comparables analysis

With regard to the proposal of the Possible Merger, we have also conducted an analysis through identifying companies with their H shares listed on the Main Board of the Stock Exchange and A shares listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange that had executed a merger of a target company listed in the PRC by similar share swap transactions by way of issuing new A shares (the "**Transaction Comparables**") from 2011 and up to the Last Trading Date (the "**Comparable Review Period**").

We have exhaustively identified four Transaction Comparables during the Comparable Review Period, whose details are set out below ("**Table 2**"). Given that there are only four similar transactions during the Comparable Review Period, we consider the Comparable Review Period is appropriate to provide us with the information on market practice and transactions features for the Possible Merger.

	Date	Name of the issuer company	Stock code	Name of the target company	Key features of the merger proposal					
					Seeking a listing of A shares to be issued by the issuer company	Issue of shares by the issuer company in exchange for the shares of the target company	Offer cash alternative	Delist and deregister the target company	Condition precedent include, among others, the approval by the board and the holders of the shares of the company at their respective extraordinary general meeting and the class meeting	Premium of the exchange price of the merger proposal to the average trading price of the A shares of the target company for the 20 consecutive trading days up to last trading day
1	18 April 2018	中國外運股份有限公司 Sinotrans Limited	598	Sinotrans Air Transportation Development Corporation Limited*	Yes	Yes	Yes	Yes	Yes	22.0%
2	4 September 2012	Guangzhou Pharmaceutical Company Limited 廣州藥業股份有限公司	874	廣州白雲山製藥股份有限公司 Guangzhou Baiyunshan Pharmaceutical Co., Ltd*	Yes	Yes	Yes	Yes	Yes	0.0%
3	11 June 2011	廣州汽車集團股份有限公司 Guangzhou Automobile Group Co., Ltd.*	2238	廣汽長豐汽車股份有限公司 GAC Changfeng Motor Co., Ltd.*	Yes	Yes	Yes	Yes	Yes	15.0%
4	10 March 2011	中國交通建設股份有限公司 China Communications Construction Company Limited*	1800	路橋集團國際建設股份有限公司 Road & Bridge International Co., Ltd.*	Yes	Yes	Yes	Yes	Yes	23.0%
		The Company	**2880**	**The Target Company**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**20.0%**

Source: Published circulars of the companies named above

* For the purpose of identification only

As set out in the table above, we noted that the key features of the four Transaction Comparables are the similar with the Possible Merger. The Exchange Ratio with the payment of premium has been determined at a manner consistent with the market practice. Taking into account of the premium for obtaining control of the Target Company via the Possible Merger, we are of the view that the premium included in determining the price per TC Share is justifiable.

5.3 The Buy-back Alternative

As stated in the "Letter from the Board", in order to protect the interests of the minority shareholders of the Company, subject to the Possible Merger becoming unconditional, the Dalian Port Dissenting Shareholders may elect to exercise the Buy-back Alternative to receive cash at the rates of RMB1.71 per A Share and HK$0.67 per H Share, subject to adjustments for cash dividends, stock dividends, capital reserve converted into share capital, allotment of shares, etc. occurred from the Price Base Day to the Buy-back Alternative Exercise Day. Such rates are determined by reference to the average trading prices of A Shares and average trading prices of H Shares respectively, for the 20 consecutive trading days up to and including the Last Trading Date of RMB1.71 per A Share and HK$0.67 per H Share as quoted on the Shanghai Stock Exchange and the Stock Exchange, respectively.

After the Last Trading Date, on 29 June 2020, the annual general meeting of the Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.21 (tax included) per ten Shares (i.e. RMB0.021 per A Share or HK$0.02299 per H Share) for the year ended 31 December 2019 based on the total 12,894,535,999 Shares. As of the Latest Practicable Date, the aforementioned dividend distribution plans have been implemented and accordingly, the Buy-back Alternative shall be adjusted and exercised to RMB1.69 per A Share and HK$0.65 per H Share, which approximately represents the initial Buy-back Alternatives less the dividend amounts for A Share and H Share, respectively.

The Buy-back Alternative for A Shares is also subject to upward/downward adjustment with reference to the fluctuation of the SSE Index or Port Index during the Price Adjustment Period while the Buy-back Alternative for H Shares is subject to adjustment with reference to the fluctuation of the Hang Seng Index or Hong Kong Transport Index during the Price Adjustment Period. The Company shall convene a board meeting to review and decide whether to adjust the Buy-back Alternative and the price of Buy-back Alternative of A Shares and H Shares after adjustment shall be the average trading price of the relevant 20 consecutive trading days. Details of the price adjustment mechanism for the Buy-back Alternatives are set out in the "Letter from the Board" of the Circular.

The Directors consider and we concur that the SSE Index, Hang Seng Index, Port Index and Hong Kong Transport Index to be appropriate benchmarks as they reflects the latest overall and industry stock market conditions in the two stock exchanges. Based on our independent research, we noted that the Port Index is a market capitalisation-weighted index tracking 21 A-share listed companies principally engaging in port and ports-related businesses (including the Company and the Target Company) and reflect the changes in the specific market environment of these A-share listed companies; and Hong Kong Transport Index is a market capitalisation-weighted index tracking 79 Hong Kong listed companies engaging in the transportation industry (including the Company), which reflect the changes in the market environment of these Hong Kong listed companies in a similar industry as the Company. We also noted that the price adjustment mechanism for Buy-back Alternative was determined with reference with relevant PRC regulatory requirement to fairly reflect the value of shares due to any material changes in the overall and industry stock market conditions during the period from the announcement date of Shareholders' general meeting where the resolution regarding the Possible Merger is passed to approval of the Possible Merger by CSRC, which is in the interest of minority Shareholders. Hence, we consider it is fair and reasonable to have the price adjustment mechanism for Buy-back Alternative.

After primarily taking into account that (i) the Buy-back Alternatives per A Share and H Share are same as the average closing price of A Shares and H Shares, respectively for the 20 consecutive trading days up to and including the Last Trading Date; (ii) the adjusted Buy-back Alternatives approximately represented the initial Buy-back Alternatives less dividend amounts; and (iii) the Buy-back Alternatives would provide protection to the Dalian Port Dissenting Shareholders, we consider the Buy-back Alternatives as fair and reasonable. Having considered the unpredictability and volatility of the stock market, the Buy-back Alternative provides downside protection to the Dalian Port Dissenting Shareholders. However, Independent Shareholders should take into account the then market price of A Share and H Share when considering whether to choose the Buy-back Alternative.

5.4 Cash Alternative

As stated in the "Letter from the Board", in order to protect the interest of the minority shareholders of the Target Company, subject to the Possible Merger becoming unconditional, the TC Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB2.16 per TC Share, subject to adjustments for cash dividends, stock dividends, capital reserve converted into share capital, allotment of shares, etc. occurred from the Price Base Day to the Cash Alternative Exercise Day. Such rate is determined by reference to the average trading price of the TC Shares for a period of 20 trading days up to and including the Last Trading Date as quoted on the Shanghai Stock Exchange.

After the Last Trading Date, on 22 June 2020, the Target Company held an annual general meeting to review and approve the dividend distribution plan of RMB0.48 (tax included) per ten TC Shares (i.e. RMB0.048 per TC Share) for the year ended 31 December 2019 based on the total 6,472,983,003 TC Shares. As of the Latest Practicable Date, the aforementioned dividend distribution plan has been implemented and the Cash Alternative was adjusted and exercised at the rate of RMB2.11 per TC Share, which approximately represents the initial Cash Alternative less the dividend amount for each TC Share.

The Cash Alternative is also subject to upward/downward adjustment with reference to the fluctuation of the SSE Index or Port Index during the Price Adjustment Period. The Target Company shall convene a board meeting to review and decide whether to adjust the Cash Alternative and the price of Cash Alternative after adjustment shall be the average trading price of the relevant 20 consecutive trading days. Details of the price adjustment mechanism for the Cash Alternative are set out in the "Letter from the Board" of the Circular.

As mentioned above, the price adjustment mechanism was determined with reference with relevant PRC regulatory requirement and protect the interest of minority Shareholders to fairly reflect the value of shares due to any material changes in the market conditions during the period from the announcement date of Shareholders' general meeting where the resolution regarding the Possible Merger is passed to approval of the Possible Merger by CSRC. The Directors consider and we concur that the SSE Index and Port Index to be appropriate benchmarks as they reflects the latest overall and industry stock market conditions. Hence, we consider it is fair and reasonable to have the price adjustment mechanism for Cash Alternative.

Considered that (i) the Cash Alternative per TC Share is same as the average closing price of TC Share for the 20 consecutive trading days up to and including the Last Trading Date; and (ii) the adjusted Cash Alternative approximately represented the initial Cash Alternative less dividend amount, we consider the Cash Alternative as fair and reasonable.

5.5 Effect of the Possible Merger

The Possible Merger will involve the issue of A Shares at the adjusted Exchange Ratio by the Company to the TC Shareholders in exchange for TC Shares held by them. Subject to the approval of the CSRC and the Shanghai Stock Exchange, the A Shares to be issued for the purpose of the Possible Merger will be listed on the Shanghai Stock Exchange.

As stated in the "Letter from the Board", after the completion of the Possible Merger, the Target Company will merge into and become absorbed by the Company and will cease to exist. All the assets, business, staff and rights of the Target Company will be absorbed into, and all the liabilities of the Target Company will be assumed by, the Company pursuant to the Possible Merger. Both the Company and the Target Company shall perform the creditor notice and announcement procedures in accordance with the requirements of the relevant laws and regulations, and as required by their respective creditors within the legal duration, to have the third parties or themselves pay off debts in advance or provide additional guarantees to their respective creditors.

Dilution effects

As stated in the "Letter from the Board", if the Possible Merger is implemented, a total of 9,728,893,454 A Shares will be issued in exchange for TC Shares. Upon full implementation of the Possible Merger (assuming no other shares of the Company are to be issued between the Latest Practicable Date and implementation of the Possible Merger, and without taking into account the new A Shares that may be issued pursuant to the A Share Specific Mandate), the total issued share capital of the Company will be 22,623,429,453 shares.

At the completion of the Possible Merger, it is anticipated that the public float will be maintained at all times at not less than 25% by the completion of the A Share Specific Mandate or disposal of existing shares by the controlling Shareholder(s). The Company will ensure compliance with public float requirement before and after the completion of the Possible Merger. The expected number of new A Shares that may be issued pursuant to the A Share Specific Mandate is calculated based on an understanding and estimation of the prevailing market price of the Company's A Shares at present and at time of such issue, upon which the Company believes that the minimum number of new A Shares to be issued under the A Share Specific Mandate will be able to cover any public float shortfall resulting from the Possible Merger.

For illustration purpose only, the number of A Shares to be issued under the A Share Specific Mandate will be able to cover any public float shortfall:

(a) if fundraising is up to RMB2.1 billion, and the placing price is at the same price of the share exchange price (i.e. RMB1.69 for each A Share) or at up to 50% premium; or

(b) if the placing price is at the same price of the share exchange price (i.e. RMB1.69 for each A Share), and fundraising is up to RMB720 million.

Shareholding structure of above (a) scenario (i.e. A Shares fundraising of up to RMB2.1 billion with placing price up to 50% premium of the share exchange price) is as below:

	Shareholder	Number of Shares	Shareholding percentage	Total number of Shares
	A Shares			
1	Dalian Group*	5,310,255,162	22.64%	18,291,485,107
2	YKP*	7,616,325,313	32.48%	
3	Liaoning Gangwan*	67,309,590	0.29%	
4	Public Shareholders	4,470,823,389	19.07%	
5	Investors#	826,771,653	3.53%	
	H Shares			
1	Dalian Group*	722,166,000	3.08%	5,158,715,999
2	Broadford*	856,346,695	3.65%	
3	Team Able*	2,714,736,000	11.58%	
4	Public Shareholders	865,467,304	3.69%	

Shareholding structure of above (b) scenario (i.e. A Shares fundraising of up to RMB720 million with placing price same as the share exchange price) is as below:

	Shareholder	Number of Shares	Shareholding percentage	Total number of Shares
	A Shares			
1	Dalian Group*	5,310,255,162	23.04%	17,890,748,956
2	YKP*	7,616,325,313	33.04%	
3	Liaoning Gangwan*	67,309,590	0.29%	
4	Public Shareholders	4,470,823,389	19.40%	
5	Investors#	426,035,502	1.85%	
	H Shares			
1	Dalian Group*	722,166,000	3.13%	5,158,715,999
2	Broadford*	856,346,695	3.72%	
3	Team Able*	2,714,736,000	11.78%	
4	Public Shareholders	865,467,304	3.75%	

Shareholding structure immediately after the completion of the Possible Merger, assuming that no other Shares will be issued after the Latest Practicable Date until the completion of the Possible Merger, and assuming no relevant shareholder will exercise the Cash Alternative and the Buy-back Alternative, and assuming the A Share Specific Mandate will be issued to the maximum extent of RMB2,100,000,000 at the price of RMB1.69 per Share is as below:

	Shareholder	Number of Shares	Shareholding percentage	Total number of Shares
	A Shares			
1	Dalian Group*	5,310,255,162	22.25%	18,707,317,004
2	Liaoning Gangwan*	67,309,590	0.28%	
3	YKP*	7,616,325,313	31.91%	
4	Public Shareholders	4,470,823,389	18.73%	
5	Investors#	1,242,603,550	5.21%	
	H Shares			
1	Dalian Group*	722,166,000	3.03%	5,158,715,999
2	Broadford*	856,346,695	3.59%	
3	Team Able*	2,714,736,000	11.37%	
4	Public Shareholders	865,467,304	3.63%	

* Associates of CMG under the Listing Rules

\# The A Share Specific Mandate will be issued to investors who are independent third parties of the Company within the meaning of the Listing Rules, and their shareholding will be counted towards public float

With a view to ensuring public float compliance, the Company will continue to consult its financial and legal advisers before the completion of the Possible Merger in order to ensure the public float compliance. After the poll results are known for the Company's EGM, A Shareholders Class Meeting and H Shareholders Class Meeting and the shareholders' meeting of Target Company convened for the purpose of approving the Possible Merger, the Company can ascertain the maximum extent of public float shortfall to be addressed before the completion of the Possible Merger. Such maximum possible public float shortfall will be calculated assuming all Dalian Port Dissenting Shareholders and TC Dissenting Shareholders will elect to transfer their Shares and TC Shares to the respective Buy-back Alternative Provider and Cash Alternative Provider (both being connected persons of the Company). Subject to the Possible Merger becoming unconditional, the Company will then seek to issue new A Shares to independent third parties pursuant to the A Share Specific Mandate as soon as possible, to such extent as to pre-empt the maximum possible public float shortfall resulting from the Possible Merger. In the event such issue is not practicable due to market condition or otherwise or unable to fully pre-empt the public float shortfall, Liaoning Port Group (as a controlling shareholder of the Company) has undertaken to the Company that, upon the Company's request on the basis that all other means to fully pre-empt the maximum possible public float shortfall are not practicable, it will procure its relevant subsidiary(ies) to dispose of as soon as possible such number of existing shares as will be necessary to ensure that the Company will meet the minimum public float requirement under the Listing Rules immediately upon completion of the Possible Merger subject to compliance with applicable PRC laws and regulations.

For illustration purpose only, shareholding structure immediately after the completion of the Possible Merger (assuming that no other Shares will be issued after the Latest Practicable Date until the completion of the Possible Merger, and assuming no relevant shareholder will exercise the Cash Alternative and the Buy-back Alternative, and assuming there is no issue pursuant to the A Share Specific Mandate*Note*) is as below:

	Shareholder	Number of Shares	Shareholding percentage	Total number of Shares
	A Shares			
1	Dalian Group*	5,310,255,162	23.47%	17,464,713,454
2	YKP*	67,309,590	0.30%	
3	Liaoning Gangwan*	7,296,758,642	32.25%	
4	Public Shareholders	4,790,390,060	21.17%	
	H Shares			
1	Dalian Group*	722,166,000	3.19%	5,158,715,999
2	Broadford*	856,346,695	3.79%	
3	Team Able*	2,714,736,000	12.00%	
4	Public Shareholders	865,467,304	3.83%	

Note: The table assumes the disposal by Liaoning Port Group's subsidiary(ies) to be solely in the form of TC Shares. The disposal by Liaoning Port Group's subsidiary(ies) can also be in the form of A Shares or H Shares of the Company, or a combination of two or more of those three manners, with the common result of maintaining the Company's public float at not less than 25% immediately upon completion of the Possible Merger in any event.

* Associates of CMG under the Listing Rules

With the above in place, the Company confirms that public float compliance will be ensured before and immediately upon completion of the Possible Merger. The Company will not proceed to complete the Possible Merger unless and until all necessary steps have been taken to the effect that, immediately upon completion of the Possible Merger, the Company will continue to comply with the public float requirement under the Listing Rules.

Financial effects

Net asset value

As at 31 December 2019, the Group's audited net asset value amounted to approximately RMB21,404 million. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, it is expected that the net asset value of the Enlarged Group would increase to approximately RMB37,035 million at the completion of the Possible Merger.

Earnings per Share

Upon completion of the Possible Merger, as the Target Group will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Company. Accordingly, the revenue and net profit attributable to owners of the Company is expected to increase. Taking into account the historical profitable track record of the Target Group, the Directors expected that the Possible Merger would potentially enhance the earnings of the Group.

As set out in the unaudited pro forma financial information, assuming the issuance of A Shares by the Company to the TC Shareholders in exchange for all the existing issued shares of the Target Company as at 1 January 2019, the unaudited pro forma consolidated profit attributable to Shareholders would be approximately RMB1,539 million. Based on the total number of issued Shares of 22,623,429,453 Shares, after the full implementation of the Possible Merger (assuming no other Shares of the Company are to be issued between the Latest Practicable Date and the implementation of the Possible Merger and not taking into account the effect of the Cash Alternative, the Buy-back Alternative and the A Share Specific Mandate or disposal of existing shares by the controlling Shareholder(s)), the earnings per Share shall be increased from approximately RMB0.0557 to approximately RMB0.0680.

Equity attributable to Shareholders per Share

The Group's audited consolidated equity attributable to Shareholders as at 31 December 2019 was approximately RMB18,770 million. Based on the total number of issued Shares of 12,894,535,999 Shares of the Company as at 31 December 2019, the Group's equity attributable to Shareholders per Share was approximately RMB1.4556. As set out in the unaudited pro forma financial information, the Enlarged Group's unaudited pro forma consolidated equity attributable to Shareholders would be approximately RMB33,803 million. Based on the total number of issued Shares of 22,623,429,453 Shares, after the full implementation the Possible Merger (assuming no other Shares of the Company are to be issued between the Latest Practicable Date and the implementation of the Possible Merger and not taking into account the effect of the Cash Alternative, the Buy-back Alternative and the A Share Specific Mandate or disposal of existing shares by the controlling Shareholder(s)), the equity attributable to Shareholders per Share shall be increased to approximately RMB1.4941.

Although the shareholding interest of the existing Public Shareholders will be diluted upon the completion of Possible Merger, we consider that profitability is more relevant in the current assessment. The Possible Merger is expected to enhance the profitability of the Group and is accretive to the earning per Share as mentioned above.

RECOMMENDATION

Having considered the principal factors above, in particular,

(i) reasons for and benefits of the Possible Merger as mentioned under paragraph "Reason and benefit for the Possible Merger" in this letter, in particular, the revenue and profitability of the Enlarged Group will be enhanced by approximately 72% and 95%, respectively and the earnings per Share shall be increased from approximately RMB0.0557 to approximately RMB0.0680 upon the implementation of Possible Merger;

(ii) based on the initial price of RMB2.59 per TC Share and by reference to the financial results of the Target Company for the year ended 31 December 2019 (being the latest available financial results of the Target Company prior to the Last Trading Date), the implied PE and PB of the Target Company would both fall within the range of the Market Comparables and comparable to the average of Market Comparables;

(iii) based on the adjusted price of RMB2.54 per TC Share and by reference to the financial results of the Target Company for the year ended 31 December 2019 (being the latest available financial results of the Target Company prior to the Last Trading Date), the implied adjusted PE of the Target Company would fall also within the range of PE of the Market Comparables and below the average of that of Market Comparables; and the implied adjusted PB of the Target Company would also fall within the range of PB of the Market Comparable and comparable to the average PB of the Market Comparables;

(iv) the implied PE of the Company based on initial and adjusted price per A Share both fall within the range of PE of Market Comparables and at the high end of Market Comparables, which is more favourable to the Group with a better valuation of the Company as compared to Market Comparables;

(v) the Exchange Ratio derived from the price per A Share and price per TC Share;

(vi) we noted that the key features of the Transaction Comparables are similar to the Possible Merger and at a manner consistent with the market practice. We also consider that it is justifiable to apply a premium for control in light of that the Company is acquiring a substantial stake in the Target Company through the merger proposal to attain 100% equity interest of the Target Company;

(vii) the Buy-back Alternative and the Cash Alternative together would provide protection to the Dalian Port Dissenting Shareholders and the TC Dissenting Shareholders; and

(viii) the Company confirms that public float compliance will be ensured before and immediately upon completion of the Possible Merger,

we consider that profitability is more relevant in the current assessment. We also note that the Possible Merger is accretive to the earnings per Share we are of the view that the Possible Merger is in the interests of the Company and the Shareholders as a whole and the Merger Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM and the relevant class meeting to approve the Merger Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Edmond Kwan	**Kenneth Yam**
Managing Director	*Director*
	Corporate Finance

Mr. Edmond Kwan and Mr. Kenneth Yam are licensed persons registered with the Securities and Futures Commission of Hong Kong and the responsible officers of First Shanghai Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. Mr. Edmond Kwan and Mr. Kenneth Yam have more than thirteen and eight years of experience in corporate finance industry, respectively.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively and the unaudited consolidated financial statements of the Group for the first six months of 2020, together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.dlport.cn):

- the annual report of the Company for the year ended 31 December 2017 published on 24 April 2018 (pages 100 to 112) at https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0424/ltn20180424341.pdf;

- the annual report of the Company for the year ended 31 December 2018 published on 24 April 2019 (pages 112 to 126) at the https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424476.pdf;

- the annual report of the Company for the year ended 31 December 2019 published on 27 April 2020 (pages 103 to 118) at the https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700607.pdf; and

- the interim results announcement of the Company for the six months ended 30 June 2020 published on 27 August 2020 (pages 2 to 31) at https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0827/2020082701264.pdf.

For PRC regulatory purpose, a report has been prepared including the audited consolidated financial statements of the Group for the first six months of 2020, among other things, as published on both the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.dlport.cn):

- the PRC regulatory report (pages 46 to 218 at http://static.cninfo.com.cn/finalpage/2020-08-28/1208274640.PDF)

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 July 2020, being the latest practicable date for the purpose of this statement of indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following indebtedness:

Borrowings

The borrowings of the Enlarged Group as at 31 July 2020 were as follows:

	At 31 July 2020
	RMB'000
Bank loans	
– Unsecured and unguaranteed	1,500,803
Loans from related parties	
– Unsecured and unguaranteed	44,053
Bonds	
– Unsecured and guaranteed	2,372,234
– Unsecured and unguaranteed	4,592,983
	8,510,073

As at 31 July 2020, the Enlarged Group had outstanding bank loans and loans from related parties all unsecured and unguaranteed. Unsecured and guaranteed bonds 31 July 2020 were issued with an unconditional and irrevocable guarantee provide by the parent company of the Company, Dalian Group.

Lease liabilities

The Group has adopted CAS 21 Leases (revised in 2018) (the "New Leases Standard") using a modified retrospective approach on 1 January 2019 and uses the exemptions allowed by the New Leases Standard on short-term leases and leases of low-value assets. Short-term leases are leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Leases of assets with cost less than RMB50,000 are considered to be of low value. The Group measures the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate and the measures the right-of-use assets at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments. As at 31 July 2020, the Group has current and non-current lease liabilities amounted to RMB54,155,000 and RMB3,106,981,000, respectively.

As at 31 July 2020, the Target Group would have current and non-current lease liabilities amounted to RMB86,918,000 and RMB1,731,562,000, respectively, had the Target Group adopted the New Leases Standard and applied the above exemptions on short-term leases and leases of low-value assets allowed by the standard on 1 January 2019.

Provision

As disclosed in the Target Group's annual report for the year ended 31 December 2019, the Target Group had made provision to potential litigation loss amounted to RMB32,760,000 as at 31 July 2020.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, at the close of business on 31 July 2020, the Enlarged Group did not have any debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, bank overdrafts, mortgages, charges or similar indebtedness, hire purchase or finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Enlarged Group, as at 31 July 2020, the Enlarged Group did not have any other outstanding mortgages, charges, debentures, loan capital issued or agreed to be issued, bank loans and overdrafts, debt securities issued and outstanding, and authorised or otherwise created but unissued or other similar indebtedness, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, liabilities under acceptance (other than normal trade bills) or acceptance credits, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

As at the Latest Practicable Date, after due enquiry and taking into account the effect of the Possible Merger, the internal resources of the Enlarged Group and the banking facilities available to the Enlarged Group, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up pursuant to the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Trading Prospects

Dalian Port and Yingkou Port are the two most important ports in Liaoning. After the Possible Merger,the Enlarged Group shall enjoy sources of goods from the former Dalian Port and Yingkou Port, and its throughput indicators of many businesses have been significantly improved. Based on the sum of the business index data of both parties to the merger, after the Possible Merger, the Enlarged Group's steel, bulk grain, ore and other cargo throughput have been increased by 359.78%, 216.15% and 127.97%, respectively, as compared to the Company before the Possible Merger. There are also significant increases in containers, coal, etc. The transaction will greatly improve the business scale of the Enlarged Group. Moreover, the Possible Merger will further exert synergies, optimize the business structure, and strengthen the resilience of the Enlarged Group and its sustainability.

Financial Outlook

Upon completion of the Possible Merger, the Enlarged Group will see the improvement in each of profit margins. The significantly enhanced indicators such as earnings per share, net assets per share and weighted average return on net assets, and the improved profitability will be conducive to protect the interests of minority shareholders. The Enlarge Group's liquidity and solvency will improve due to the significant increase of the current ratio and the quick ratio, and the decrease of the gearing ratio upon completion of the transaction.

With the release of business synergies between the Company and the Target Company in the future, the Enlarged Group's core competitiveness will be significantly promoted, and the Company's financial indicators are expected to continue to improve.

I. TARGET COMPANY ACCOUNTS

The following is (i) the audited consolidated financial statements of the Target Company for the financial year ended 31 December 2017, prepared in accordance with China Accounting Standard for Business Enterprise ("**CAS**") and audited by Huapu Tianjian Accounting Firm (華普天健會計師事務所), as published by the Target Company on the Shanghai Stock Exchange website, and (ii) the audited consolidated financial statements of the Target Company for the financial year ended 31 December 2018, 2019 and six months ended 30 June 2020, prepared in accordance with CAS and audited by ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)) (collectively referred to the "**Target Group Historical Track Record Accounts**"), as part of a regulatory report prepared in accordance with PRC regulatory requirements and as published by the Target Company on the Shanghai Stock Exchange website.

2017 Financial Report

Section XI Financial Statements

I. AUDITOR'S REPORT

√ Applicable ☐ Not applicable

Kuai Shen Zi [2018] No. 0211

Auditor's Report

To all Shareholders of Yingkou Port Liability Co., Ltd.,

I. OPINION

We have audited the accompanying financial statements of Yingkou Port Liability Co., Ltd. (hereinafter referred to as "Yingkou Port"), which comprise the consolidated and parent company balance sheets as at 31 December 2017, the consolidated and parent company income statements for the year then ended, the consolidated and parent company cash flow statements for the year then ended, the consolidated and parent company statements of changes in owners' equity for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company's financial position of Yingkou Port as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Yingkou Port in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

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

(I) Provision for bad debts of accounts receivable

1. Description

As stated in note III. (XI) to the financial statements and note V. (III) to the financial statements, as of 31 December 2017, the balance of accounts receivable of Yingkou Port was RMB376,636,300, and the balance of provision for bad debts was RMB19,571,600. Determination of closing amount of accounts receivable requires management to identify the items and objective evidence of impairment, evaluate expected future available cash flow and determine its value, which involves significant accounting estimates and judgments of the management. Provision for bad debts of accounts receivable is important to financial statements, we therefore identify it as a key audit matter.

2. How our audit addressed the key audit matter

Our procedures in relation to provision for bad debts of accounts receivable included:

(1) Evaluating and testing management's internal control on reviewing, assessing and identifying impairment of receivables.

(2) Reviewing the reasonableness of the accounting policies and accounting estimates in relation to provision for bad debts of accounts receivable.

(3) For individually significant accounts receivable, reviewing the basis for management's estimate and judgment of the expected future recoverable cash flows.

(4) For accounts receivable with provision for bad debts made on the grouping basis of credit risk characteristics, evaluating the reasonableness of provision for bad debts with reference to credit risk characteristics and aging analysis.

(5) Requesting confirmations for significant balance of accounts receivable, and reconciling the result for the returned confirmation with the company's account.

(6) Performing confirmation procedures and inspecting the accounts receivable recovered subsequent to the year end date to evaluate the reasonableness of management's provision for bad debt.

(7) Performing research on information about the debtor or its industry development status through public sources to identify whether there is any situation that affects the assessment results of provision for bad debts of accounts receivable.

Based on the above procedures performed, we believe that the judgement made by the management of Yingkou Port in assessing the provision for bad debts of accounts receivable is appropriate.

(II) Related parties and related transactions

1. Description

As stated in note IX to the financial statements, as of 31 December 2017, Yingkou Port had large transactions with its related parties. Since the truthfulness of related transactions and the fairness of transaction prices have a significant impact on fair presentation of the financial statements, we identified related transactions as key audit matters.

2. How our audit addressed the key audit matters

Our procedures in relation to the related parties and related transactions included:

(1) Evaluating and testing the internal controls of Yingkou Port on identifying and disclosing of related party relationships and related transactions.

(2) Obtaining a list of related parties and related transactions provided by the management, and implementing the following procedures:

① Checking the list of related parties against the information obtained from other public sources.

② Inquiring and analyzing whether the main customers or suppliers are related parties through public sources such as National Enterprise Credit Information Publicity System to identify whether there are undisclosed related transactions.

③ Carrying out audit procedures such as inspection, confirmation, inventory count and inquiry to verify the truthfulness of related transactions.

④ Judging the fairness of related transaction prices by comparing sales prices of related parties with purchase prices of similar products of non-related parties or market prices of similar products.

⑤ Reviewing the presentation and disclosure of related transactions in the financial statements.

Based on the above procedures performed, we believe that the disclosure of related parties and related transactions by the management of Yingkou Port is appropriate.

(III) Pending litigation

1. Description

As stated in note XI. (II) to the financial statements, Kunlun International Trading Limited (昆侖國際貿易有限公司) filed a lawsuit with Dalian Maritime Court on the rejection of its application for delivery of goods, requesting Yingkou Port to compensate for a loss of RMB285.60 million and accrued interest. In view of the fact that the possible outcome of the case and its possible impact on the financial statements involves significant judgments and estimates by the management before such case has been decided or withdrawn, we identify it as a key audit matter.

2. How our audit addressed the key audit matter

Our procedures in relation to the above pending litigation included:

(1) Obtaining the indictment and all kinds of responses and defense documents related to the above outstanding litigation.

(2) Communicating the particulars of the lawsuit with the management and legal personnel of Yingkou Port, and assessing whether the management's judgment on the possible outcome of the case is reasonable and based on sufficient evidence.

(3) Obtaining professional advice from external lawyers on such pending litigation.

(4) Reviewing the presentation and disclosure of the relevant information of the above litigation in financial statements.

Based on the above procedures performed, we believe that the presentation and disclosure of the above pending litigation in the financial statements by the management of Yingkou Port is appropriate.

IV. OTHER INFORMATION

The management of Yingkou Port (hereinafter referred to as the "Management") is responsible for other information. Other information comprises all of the information included in the 2017 annual report of Yingkou Port other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the CASs, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Yingkou Port's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Yingkou Port or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of Yingkou Port (hereinafter referred to as "Those Charged with Governance") are responsible for overseeing the financial reporting process of Yingkou Port.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yingkou Port's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw the attention of users in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yingkou Port to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Yingkou Port to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Huapu Tianjian Accounting Firm (LLP)
Beijing, the People's Republic of China

Chinese Certified Public Accountant (Project partner): 陸紅
Chinese Certified Public Accountant: 佟海光
Chinese Certified Public Accountant: 王天玥

25 April 2018

II. FINANCIAL STATEMENTS

Consolidated Balance Sheet

31 December 2017

Prepared by: Yingkou Port Liability Co., Ltd.

Currency: RMB

Items	*Notes*	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		2,927,845,577.26	2,297,816,388.52
Settlement reserves for balance		–	–
Loans to banks and other financial institutions		–	–
Financial assets at fair value through profit or loss		–	–
Derivative financial assets		–	–
Notes receivable		355,393,828.57	537,395,848.24
Accounts receivable		357,064,770.22	629,301,034.14
Advances to suppliers		5,301,316.41	3,492,886.63
Premium receivables		–	–
Reinsurance receivables		–	–
Reinsurance contract reserves receivable		–	–
Interest receivable		–	–
Dividends receivable		–	–
Other receivables		5,306,390.48	5,791,689.32
Financial assets purchased with agreement to re-sale		–	–
Inventories		31,580,890.42	31,792,048.23
Assets held for sale		–	–
Non-current assets due within one year		–	–
Other current assets		28,522,971.52	8,812,563.67
Total current assets		3,711,015,744.88	3,514,402,458.75
Non-current assets:			
Loans and advances to customers		–	–
Available-for-sale financial assets		–	–
Held-to-maturity investments		–	–
Long-term receivables		–	–
Long-term equity investments		799,181,079.03	715,616,883.08
Investment properties		–	–
Fixed assets		10,332,693,790.20	10,925,735,509.17
Construction in progress		144,501,482.25	79,259,041.50
Construction materials		5,766.00	198,044.01
Disposal of fixed assets		–	–
Bearer biological assets		–	–
Oil and gas assets		–	–
Intangible assets		1,085,004,987.30	1,083,936,281.96
Research and development expenses		–	–
Goodwill		–	–
Long-term prepaid expenses		–	–
Deferred tax assets		190,474,201.44	204,675,846.29
Other non-current assets		61,656,616.12	3,781,200.00
Total non-current assets		12,613,517,922.34	13,013,202,806.01
Total assets		16,324,533,667.22	16,527,605,264.76

Currency: RMB

Items	*Notes*	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		300,000,000.00	200,000,000.00
Borrowings from central bank		–	–
Receipts of deposits and deposits from other banks		–	–
Loans from other banks		–	–
Financial liabilities at fair value through profit or loss		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable		349,394,981.00	257,312,245.13
Advances from customers		124,095,428.59	60,168,578.05
Funds from selling out and repurchasing financial assets		–	–
Fee and commission payable		–	–
Employee benefits payable		36,687,636.75	28,414,138.33
Taxes payable		16,064,095.91	73,106,599.28
Interest payable		73,108,621.54	74,301,961.16
Dividends payable		–	–
Other payables		30,177,554.21	59,621,878.67
Reinsurance accounts payables		–	–
Reserves for insurance contracts		–	–
Brokerage for trading securities		–	–
Brokerage for consigning securities		–	–
Liabilities held for sale		–	–
Non-current liabilities due within one year		1,466,800,000.00	1,301,800,000.00
Other current liabilities		–	–
Total current liabilities		2,396,328,318.00	2,054,725,400.62
Non-current liabilities:			
Long-term borrowings		1,609,200,000.00	1,076,000,000.00
Bonds payable		1,000,000,000.00	2,200,000,000.00
Including: Preference shares		–	–
Perpetual bond		–	–
Long-term payables		–	–
Long-term employee benefits payable		–	–
Special payables		–	–
Provision		–	–
Deferred income		–	–
Deferred tax liabilities		–	–
Other non-current liabilities		–	–
Total non-current liabilities		2,609,200,000.00	3,276,000,000.00
Total liabilities		5,005,528,318.00	5,330,725,400.62

Currency: RMB

Items	*Notes*	**Closing balance**	**Opening balance**
Owners' equity:			
Share capital		6,472,983,003.00	6,472,983,003.00
Other equity instruments		–	–
Including: Preference shares		–	–
Perpetual bond		–	–
Capital reserve		1,537,045,501.44	1,553,880,976.05
Less: Treasury shares		–	–
Other comprehensive income		–	–
Special reserve		53,091,458.52	42,136,858.76
Surplus reserve		512,320,984.75	465,582,590.76
General risk reserve		–	–
Undistributed profits		2,223,429,684.81	1,883,864,495.75
Total equity attributable to owners of the parent company		10,798,870,632.52	10,418,447,924.32
Minority interests		520,134,716.70	778,431,939.82
Total owners' equity		11,319,005,349.22	11,196,879,864.14
Total liabilities and owners' equity		16,324,533,667.22	16,527,605,264.76

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Li Hezhong	Zhang Zhenyu	Wu Yinghong

Balance Sheet of the Parent Company*

31 December 2017

Prepared by: Yingkou Port Liability Co., Ltd.

Currency: RMB

Items	*Notes*	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		989,594,273.99	683,230,121.39
Financial assets at fair value through profit or loss		–	–
Derivative financial assets		–	–
Notes receivable		136,490,110.90	350,508,064.36
Accounts receivable		245,208,382.07	435,050,028.45
Advances to suppliers		3,459,983.81	3,288,886.63
Interest receivable		–	–
Dividends receivable		–	–
Other receivables		5,261,615.48	3,864,658.82
Inventories		15,801,093.92	15,215,104.66
Assets held for sale		–	–
Non-current assets due within one year		–	–
Other current assets		20,204,316.84	6,254,923.29
Total current assets		1,416,019,777.01	1,497,411,787.60
Non-current assets:			
Available-for-sale financial assets		–	–
Held-to-maturity investments		–	–
Long-term receivables		–	–
Long-term equity investments		6,529,898,218.70	6,155,678,922.75
Investment properties		–	–
Fixed assets		7,077,034,221.35	7,528,601,966.24
Construction in progress		128,593,051.68	18,651,768.54
Construction materials		5,766.00	198,044.01
Disposal of fixed assets		–	–
Bearer biological assets		–	–
Oil and gas assets		–	–
Intangible assets		768,822,133.96	758,635,841.29
Research and development expenses		–	–
Goodwill		–	–
Long-term prepaid expenses		–	–
Deferred tax assets		4,308,984.27	4,545,700.42
Other non-current assets		60,157,816.12	3,781,200.00
Total non-current assets		14,568,820,192.08	14,470,093,443.25
Total assets		15,984,839,969.09	15,967,505,230.85

* Parent Company refers to Yingkou Port Liability Co., Ltd.

Currency: RMB

Items	*Notes*	**Closing balance**	**Opening balance**
Current liabilities:			
Short-term borrowings		300,000,000.00	200,000,000.00
Financial liabilities at fair value through profit or loss		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable		332,834,300.34	249,373,922.53
Advances from customers		114,587,375.59	57,251,595.23
Employee benefits payable		29,654,117.18	23,068,036.34
Taxes payable		14,606,098.55	58,171,542.88
Interest payable		73,108,621.54	74,301,961.16
Dividends payable		–	–
Other payables		26,863,902.16	39,956,863.47
Liabilities held for sale		–	–
Non-current liabilities due within one year		1,466,800,000.00	1,301,800,000.00
Other current liabilities		–	–
Total current liabilities		2,358,454,415.36	2,003,923,921.61
Non-current liabilities:			
Long-term borrowings		1,609,200,000.00	1,076,000,000.00
Bonds payable		1,000,000,000.00	2,200,000,000.00
Including: Preference shares		–	–
Perpetual bond		–	–
Long-term payables		–	–
Long-term employee benefits payable		–	–
Special payables		–	–
Provision		–	–
Deferred income		–	–
Deferred tax liabilities		–	–
Other non-current liabilities		–	–
Total non-current liabilities		2,609,200,000.00	3,276,000,000.00
Total liabilities		4,967,654,415.36	5,279,923,921.61

Currency: RMB

Items	*Notes*	**Closing balance**	**Opening balance**
Owners' equity:			
Share capital		6,472,983,003.00	6,472,983,003.00
Other equity instruments		–	–
Including: Preference shares		–	–
Perpetual bond		–	–
Capital reserve		1,553,880,976.05	1,553,880,976.05
Less: Treasury shares		–	–
Other comprehensive income		–	–
Special reserve		44,298,878.32	33,218,397.46
Surplus reserve		512,320,984.75	465,582,590.76
Undistributed profits		2,433,701,711.61	2,161,916,341.97
Total owners' equity		11,017,185,553.73	10,687,581,309.24
Total liabilities and owners' equity		15,984,839,969.09	15,967,505,230.85

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Li Hezhong	Zhang Zhenyu	Wu Yinghong

Consolidated Income Statement

January to December 2017

Currency: RMB

Items	*Notes*	Amount for the current period	Amount for the previous period
I. Total revenue		3,818,303,047.73	3,665,585,852.11
Including: Revenue		3,818,303,047.73	3,665,585,852.11
Interest income		–	–
Premium earned		–	–
Fee and commission income		–	–
II. Total cost of service		3,197,682,531.19	2,946,194,933.02
Including: Cost of service		2,750,150,877.06	2,471,618,174.50
Interest expenses		–	–
Fee and commission expenses		–	–
Surrender payment		–	–
Net expenditure for compensation		–	–
Net provision for insurance contracts		–	–
Policyholder dividend expenses		–	–
Reinsurance costs		–	–
Taxes and surcharges		29,031,934.69	25,762,925.91
Selling and distribution expenses		–	–
General and administrative expenses		193,576,038.89	194,167,352.66
Financial expenses		226,294,047.01	253,517,452.26
Assets impairment losses		-1,370,366.46	1,129,027.69
Add: Gains on changes in fair value (loss represented by "-")		–	–
Investment income (loss represented by "-")		91,225,709.93	-37,627,610.39
Including: Share of profit of associates and joint ventures		91,225,709.93	-37,627,610.39
Gains on disposals of assets (loss represented by "-")		2,938,104.86	–
Exchange gain (loss represented by "-")		–	–
Other income		1,521,400.00	
III. Operating profit (loss represented by "-")		716,305,731.33	681,763,308.70
Add: Non-operating income		4,449,971.36	3,846,418.21
Less: Non-operating expenses		9,469,246.80	12,461,147.27
IV. Total profit (total loss represented by "-")		711,286,455.89	673,148,579.64
Less: Income tax expenses		148,496,674.84	164,460,492.44
V. Net profit (net loss represented by "-")		562,789,781.05	508,688,087.20
(I) Classified by continuity of operations			
1. Net profit from continuing operations (net loss represented by "-")		562,789,781.05	508,688,087.20
2. Net profit from discontinued operations (net loss represented by "-")		–	–
(II) Classified by ownership of the equity			
1. Minority interests		27,626,021.69	17,112,517.69
2. Net profit attributable to shareholders of the parent company		535,163,759.36	491,575,569.51

Currency: RMB

Items	*Notes*	**Amount for the current period**	**Amount for the previous period**
VI. Other comprehensive income, net of tax			
Other comprehensive income attributable to owners of the parent company, net of tax			
(I) Other comprehensive income that will not be subsequently reclassified to profit or loss			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		–	–
2. Share of other comprehensive income of investees that will not be subsequently reclassified to profit or loss under equity method		–	–
(II) Other comprehensive income that will be subsequently reclassified to profit or loss			
1. Share of other comprehensive income of investees that will be subsequently reclassified to profit or loss under equity method		–	–
2. Gain or loss arising from changes in fair value of available-for-sale financial assets		–	–
3. Gain or loss arising from held-to-maturity investments reclassified as available-for-sale financial assets		–	–
4. Effective portion of hedging gain or loss arising from cash flows		–	–
5. Translation differences on translation of foreign currency financial statements		–	–
6. Others		–	–
Other comprehensive income attributable to minority interests, net of tax			
VII. Total comprehensive income		562,789,781.05	508,688,087.20
Attributable to owners of the parent company		535,163,759.36	491,575,569.51
Attributable to minority interests		27,626,021.69	17,112,517.69
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.0827	0.0759
(II) Diluted earnings per share (RMB/share)		0.0827	0.0759

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Li Hezhong	Zhang Zhenyu	Wu Yinghong

Income Statement of the Parent Company

January to December 2017

Currency: RMB

Items	*Notes*	Amount for the current period	Amount for the previous period
I. Revenue		2,998,847,490.02	2,888,381,122.34
Less: Cost of service		2,129,967,285.74	1,863,729,395.11
Taxes and surcharges		24,950,880.81	21,164,355.19
Selling and distribution expenses			
General and administrative expenses		146,869,369.43	150,390,026.91
Financial expenses		231,635,242.21	258,179,082.33
Assets impairment losses		-946,864.59	845,933.35
Add: Gains on changes in fair value (loss represented by "-")			
Investment income (loss represented by "-")		109,405,552.84	-14,061,798.21
Including: Share of profit of associates and joint ventures		91,225,709.93	-37,627,610.39
Gains on disposals of assets (loss represented by "-")		2,957,063.67	–
Other income		1,521,400.00	–
II. Operating profit (loss represented by "-")		580,255,592.93	580,010,531.24
Add: Non-operating income		983,109.32	3,754,878.34
Less: Non-operating expenses		9,244,042.58	11,603,572.99
III. Total profit (total loss represented by "-")		571,994,659.67	572,161,836.59
Less: Income tax expenses		104,610,719.73	131,707,660.40
IV. Net profit (net loss represented by "-")		467,383,939.94	440,454,176.19
(I) Net profit from continuing operations (net loss represented by "-")		467,383,939.94	440,454,176.19
(II) Net profit from discontinued operations (net loss represented by "-")		–	–
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that will not be subsequently reclassified to profit or loss			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans		–	–
2. Share of other comprehensive income of investees that will not be subsequently reclassified to profit or loss under equity method		–	–

Currency: RMB

Items	*Notes*	**Amount for the current period**	**Amount for the previous period**
(II) Other comprehensive income that will be subsequently reclassified to profit or loss			
1. Share of other comprehensive income of investees that will be subsequently reclassified to profit or loss under equity method		–	–
2. Gain or loss arising from changes in fair value of available-for-sale financial assets		–	–
3. Gain or loss arising from held-to-maturity investments reclassified as available-for-sale financial assets		–	–
4. Effective portion of hedging gain or loss arising from cash flows		–	–
5. Translation differences on translation of foreign currency financial statements		–	–
6. Others			
VI. Total comprehensive income		467,383,939.94	440,454,176.19
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		–	–
(II) Diluted earnings per share (RMB/share)		–	–

Legal representative: Li Hezhong   Principal in charge of accounting: Zhang Zhenyu   Head of accounting department: Wu Yinghong

Consolidated Cash Flow Statement

January to December 2017

Currency: RMB

Items	*Notes*	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		3,958,566,613.54	2,940,975,179.80
Net increase in deposits from customers and other banks		–	–
Net increase in borrowings from central bank		–	–
Net increase in placements from other financial institutions		–	–
Cash received from premiums under original insurance contracts		–	–
Net cash received from reinsurance business		–	–
Net increase in deposits from policyholders and investment funds		–	–
Net increase in disposal of financial assets at fair value through profit or loss		–	–
Cash received from interest, fee and commission		–	–
Net increase in placements		–	–
Net increase in capital from repurchase business		–	–
Refund of taxes and surcharges		–	–
Cash received relating to other operating activities		26,908,029.87	34,133,873.17
Sub-total of cash inflows		3,985,474,643.41	2,975,109,052.97
Cash paid for goods and services		1,268,015,078.96	1,058,201,555.03
Net increase in loans and advances to customers		–	–
Net increase in deposits with central bank and other banks		–	–
Cash paid for compensation payments under original insurance contracts		–	–
Cash paid for interest, fee and commission		–	–
Cash paid for policyholder dividends		–	–
Cash paid to and on behalf of employees		593,938,027.26	520,708,042.98
Payments of taxes and surcharges		323,420,827.91	241,594,782.32
Cash paid relating to other operating activities		96,352,218.60	84,550,652.19
Sub-total of cash outflows		2,281,726,152.73	1,905,055,032.52
Net cash flows from operating activities		1,703,748,490.68	1,070,054,020.45

Currency: RMB

Items	*Notes*	**Amount for the current period**	**Amount for the previous period**
II. Cash flows from investing activities:			
Cash received from disposal of investments		–	–
Cash received from returns on investments		7,661,513.98	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		11,860.00	–
Net cash received from disposal of subsidiaries and other business units		–	–
Cash received relating to other investing activities		–	–
Sub-total of cash inflows		7,673,373.98	–
Cash paid to acquire fixed assets, intangible assets and other long-term assets		108,399,398.94	81,931,756.54
Cash paid to acquire investments		–	–
Net increase in pledged loans		–	–
Net cash paid to acquire subsidiaries and other business units		–	–
Cash paid relating to other investing activities		–	–
Sub-total of cash outflows		108,399,398.94	81,931,756.54
Net cash flows from investing activities		-100,726,024.96	-81,931,756.54
III. Cash flows from financing activities:			
Cash received from capital contributions		–	–
Including: Cash received from capital contributions by minority shareholders of subsidiaries		–	–
Cash received from borrowings		1,100,000,000.00	650,000,000.00
Cash received from issuance of bonds		–	–
Cash received relating to other financing activities		0.00	–
Sub-total of cash inflows		1,100,000,000.00	650,000,000.00
Cash repayments of borrowings		1,501,800,000.00	864,800,000.00
Cash payments for distribution of dividends or profits or interest expenses		280,332,849.43	342,073,790.86
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		12,119,895.27	15,710,541.45
Cash paid relating to other financing activities		290,860,427.55	–
Sub-total of cash outflows		2,072,993,276.98	1,206,873,790.86
Net cash flows from financing activities		-972,993,276.98	-556,873,790.86
IV. Effect of foreign exchange rate changes on cash and cash equivalents:			
V. Net increase in cash and cash equivalents:		630,029,188.74	431,248,473.05
Add: Cash and cash equivalents at the beginning of the period		2,297,816,388.52	1,866,567,915.47
VI. Cash and cash equivalents at the end of the period:		2,927,845,577.26	2,297,816,388.52

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Li Hezhong	Zhang Zhenyu	Wu Yinghong

Cash Flow Statement of the Parent Company

January to December 2017

Currency: RMB

Items	Notes	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		3,030,940,256.43	1,983,804,641.23
Refund of taxes and surcharges		–	–
Cash received relating to other operating activities		85,113,026.62	299,092,254.40
Sub-total of cash inflows		3,116,053,283.05	2,282,896,895.63
Cash paid for goods and services		1,012,373,331.69	791,558,683.31
Cash paid to and on behalf of employees		442,208,152.71	408,493,054.12
Payments of taxes and surcharges		255,828,576.23	178,029,351.94
Cash paid relating to other operating activities		72,756,313.76	59,168,032.07
Sub-total of cash outflows		1,783,166,374.39	1,437,249,121.44
Net cash flows from operating activities		1,332,886,908.66	845,647,774.19
II. Cash flows from investing activities:			
Cash received from disposal of investments		–	–
Cash received from returns on investments		25,841,356.89	23,565,812.18
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		11,000.00	–
Net cash received from disposal of subsidiaries and other business units		–	–
Cash received relating to other investing activities		–	–
Sub-total of cash inflows		25,852,356.89	23,565,812.18
Cash paid to acquire fixed assets, intangible assets and other long-term assets		91,501,731.24	66,575,616.84
Cash paid to acquire investments		290,655,100.00	–
Net cash paid to acquire subsidiaries and other business units		–	–
Cash paid relating to other investing activities		205,327.55	–
Sub-total of cash outflows		382,362,158.79	66,575,616.84
Net cash flows from investing activities		-356,509,801.90	-43,009,804.66
III. Cash flows from financing activities:			
Cash received from capital contributions		–	–
Cash received from borrowings		1,100,000,000.00	650,000,000.00
Cash received from issuance of bonds		–	–
Cash received relating to other financing activities		–	–
Sub-total of cash inflows		1,100,000,000.00	650,000,000.00
Cash repayments of borrowings		1,501,800,000.00	864,800,000.00
Cash payments for distribution of dividends or profits or interest expenses		268,212,954.16	326,363,249.41
Cash paid relating to other financing activities		–	–
Sub-total of cash outflows		1,770,012,954.16	1,191,163,249.41
Net cash flows from financing activities		-670,012,954.16	-541,163,249.41
IV. Effect of foreign exchange rate changes on cash and cash equivalents:			
V. Net increase in cash and cash equivalents:		306,364,152.60	261,474,720.12
Add: Cash and cash equivalents at the beginning of the period		683,230,121.39	421,755,401.27
VI. Cash and cash equivalents at the end of the period:		989,594,273.99	683,230,121.39

Legal representative: Li Hezhong   Principal in charge of accounting: Zhang Zhenyu   Head of accounting department: Wu Yinghong

Consolidated Statement of Changes in Owners' Equity

January to December 2017

Currency: RMB

							Current period						
				Equity attributable to owners of the parent company									
		Other equity instruments											
Items	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total owners' equity
I. Balance as at 31 December 2016	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	42,136,858.76	465,582,590.76	–	1,883,864,495.75	778,431,939.82	11,196,879,864.14
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–	–	–
Business combinations under common control	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance as at 1 January 2017	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	42,136,858.76	465,582,590.76	–	1,883,864,495.75	778,431,939.82	11,196,879,864.14
III. Changes for the period (decrease represented by "-")	–	–	–	–	-16,835,474.61	–	–	10,954,599.76	46,738,393.99	–	339,565,189.06	-258,297,223.12	122,125,485.08
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	535,163,759.36	27,626,021.69	562,789,781.05
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares invested by shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	46,738,393.99	–	-195,598,570.30	-12,119,895.27	-160,980,071.58
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	46,738,393.99	–	-46,738,393.99	–	–
2. Appropriation to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Profit distribution to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	-148,860,176.31	-12,119,895.27	-160,980,071.58
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–
(IV) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–
(V) Special reserve	–	–	–	–	–	–	–	10,954,599.76	–	–	–	16,275.85	10,970,875.61
1. Accrued in the current period	–	–	–	–	–	–	–	30,006,210.23	–	–	–	1,448,900.38	31,455,110.61
2. Utilized in the current period	–	–	–	–	–	–	–	19,051,610.47	–	–	–	1,432,624.53	20,484,235.00
(VI) Others	–	–	–	–	-16,835,474.61	–	–	–	–	–	–	-273,819,625.39	-290,655,100.00
IV. Balance as at 31 December 2017	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	53,091,458.52	512,320,984.75	–	2,223,429,684.81	520,134,716.70	11,319,005,349.22

Previous period

Items	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total owners' equity
	Equity attributable to owners of the parent company												
I. Balance as at 31 December 2016	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	25,693,135.52	421,537,173.14	–	1,501,064,173.89	776,146,186.09	10,751,304,647.69
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–	–	–
Business combinations under common control	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance as at 1 January 2017	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	25,693,135.52	421,537,173.14	–	1,501,064,173.89	776,146,186.09	10,751,304,647.69
III. Changes for the period (decrease represented by "-")	–	–	–	–	–	–	–	16,443,723.24	44,045,417.62	–	382,800,321.86	2,285,753.73	445,575,216.45
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	491,575,569.51	17,112,517.69	508,688,087.20
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares invested by shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	44,045,417.62	–	-108,775,247.65	-15,710,541.45	-80,440,371.48
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	44,045,417.62	–	-44,045,417.62	–	–
2. Appropriation to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Profit distribution to owners (or shareholders)	–	–	–	–	–	–	–	–	–	–	-64,729,830.03	-15,710,541.45	-80,440,371.48
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–
(IV) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–
(V) Special reserve	–	–	–	–	–	–	–	16,443,723.24	–	–	–	883,777.49	17,327,500.73
1. Accrued in the current period	–	–	–	–	–	–	–	33,449,917.32	–	–	–	2,071,250.57	35,521,167.89
2. Utilized in the current period	–	–	–	–	–	–	–	17,006,194.08	–	–	–	1,187,473.08	18,193,667.16
(VI) Others	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance as at 31 December 2017	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	42,136,858.76	465,582,590.76	–	1,883,864,495.75	778,431,939.82	11,196,879,864.14

Legal representative: Li Hezhong

Principal in charge of accounting: Zhang Zhenyu

Head of accounting department: Wu Yinghong

Statement of Changes in Owners' Equity for the Parent Company

January to December 2017

Currency: RMB

Items	Current period										
	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
I. Balance as at 31 December 2016	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	33,218,397.46	465,582,590.76	2,161,916,341.97	10,687,581,309.24
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–
II. Balance as at 1 January 2017	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	33,218,397.46	465,582,590.76	2,161,916,341.97	10,687,581,309.24
III. Changes for the period (decrease represented by "-")	–	–	–	–	–	–	–	11,080,480.86	46,738,393.99	271,785,369.64	329,604,244.49
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	467,383,939.94	467,383,939.94
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares invested by shareholders	–	–	–	–	–	–	–	–	–	–	–
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	46,738,393.99	-195,598,570.30	-148,860,176.31
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	46,738,393.99	-46,738,393.99	–
2. Profit distribution to owners (or shareholders)	–	–	–	–	–	–	–	–	–	-148,860,176.31	-148,860,176.31
3. Others	–	–	–	–	–	–	–	–	–	–	–
(IV) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–
(V) Special reserve	–	–	–	–	–	–	–	11,080,480.86	–	–	11,080,480.86
1. Accrued in the current period	–	–	–	–	–	–	–	23,901,939.72	–	–	23,901,939.72
2. Utilized in the current period	–	–	–	–	–	–	–	12,821,458.86	–	–	12,821,458.86
(VI) Others	–	–	–	–	–	–	–	–	–	–	–
IV. Balance as at 31 December 2017	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	44,298,878.32	512,320,984.75	2,433,701,711.61	11,017,185,553.73

Items	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
	Previous period										
I. Balance as at 31 December 2016	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	21,680,724.16	421,537,173.14	1,830,237,413.43	10,300,319,289.78
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–
II. Balance as at 1 January 2017	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	21,680,724.16	421,537,173.14	1,830,237,413.43	10,300,319,289.78
III. Changes for the period (decrease represented by "-")	–	–	–	–	–	–	–	11,537,673.30	44,045,417.62	331,678,928.54	387,262,019.46
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	440,454,176.19	440,454,176.19
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares invested by shareholders	–	–	–	–	–	–	–	–	–	–	–
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	44,045,417.62	-108,775,247.65	-64,729,830.03
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	44,045,417.62	-44,045,417.62	–
2. Profit distribution to owners (or shareholders)	–	–	–	–	–	–	–	–	–	-64,729,830.03	-64,729,830.03
3. Others	–	–	–	–	–	–	–	–	–	–	–
(IV) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital (or share capital)	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–
(V) Special reserve	–	–	–	–	–	–	–	11,537,673.30	–	–	11,537,673.30
1. Accrued in the current period	–	–	–	–	–	–	–	23,369,179.42	–	–	23,369,179.42
2. Utilized in the current period	–	–	–	–	–	–	–	11,831,506.12	–	–	11,831,506.12
(VI) Others	–	–	–	–	–	–	–	–	–	–	–
IV. Balance as at 31 December 2017	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	33,218,397.46	465,582,590.76	2,161,916,341.97	10,687,581,309.24

Legal representative: Li Hezhong

Principal in charge of accounting: Zhang Zhenyu

Head of accounting department: Wu Yinghong

III. GENERAL INFORMATION ON THE COMPANY

1. Company profile

√ Applicable ☐ Not applicable

Yingkou Port Liability Co., Ltd. (hereinafter referred to as the Company) is a joint stock company approved by the People's Government of Liaoning Province (Document Liao Zheng [2000] No. 46), and established by five promoters including, among others, Yingkou Port Authority (later converted into Yingkou Port Group Co., Ltd., hereinafter referred to as Port Group Corporation). The Company was registered with the Administration for Industry and Commerce of Liaoning Province on 22 March 2000, and obtained the business license for legal person at No. 210000004925657. The registered capital of the Company at the time of establishment was RMB150 million. On 16 January 2002, the Company publicly issued 100 million RMB-denominated ordinary shares, and was listed on the Shanghai Stock Exchange. On 15 May 2002, the Company changed its registration with the Administration for Industry and Commerce of Liaoning Province, and the registered capital was changed to RMB250 million.

On 20 May 2004, the Company issued RMB700 million of convertible corporate bonds. As of 31 December 2007, the conversion was completed, and a total of RMB693,661,000.00 of convertible corporate bonds were converted into shares with a cumulative increase of 98,785,813 shares.

As approved by China Securities Regulatory Commission (Document Zheng Jian Xu Ke [2008] No. 616), the Company issued 200 million RMB-denominated ordinary shares to Port Group Corporation on 31 May 2008, and the total share capital increased to RMB548,785,813.00.

According to the resolutions of the 2009 third extraordinary general meeting and the amended Articles of Association, the Company converted capital reserve of RMB548,785,813.00 into its share capital, and the total share capital increased to RMB1,097,571,626.00.

On 31 August 2012, according to the resolutions of the 2010 annual general meeting of the Company, and as approved by the Reply on Approval of Yingkou Port Liability Co., Ltd. to Issue Shares to Yingkou Port Group Co., Ltd. for Purchasing Assets (Zheng Jian Xu Ke [2012] No. 1012) from China Securities Regulatory Commission, the Company issued 1,060,089,375 RMB-denominated ordinary shares to Port Group Corporation to purchase its relevant assets and businesses, and the Company's total share capital increased to RMB2,157,661,001.00.

According to the resolutions of the 2013 annual general meeting and the amended Articles of Association of the Company, the Company converted capital reserve of RMB4,315,322,002.00 into its share capital, and the total share capital increased to RMB6,472,983,003.00.

As of 31 December 2017, the registered capital of the Company was RMB6,472,983,003.00, and the paid-in capital was RMB6,472,983,003.00.

Registered address of the Company: No. 1 Yinggang Road, Bayuquan District, Yingkou City

Legal representative of the Company: Li Hezhong

Business scope of the Company: terminals and other port facility services, cargo handling, warehousing services, ship and port services, leasing and repair services of port facilities and equipment and port machinery, steel structure engineering, machine parts processing and sales, sales of port machinery, auto parts, steel, building materials and rubber products, manufacturing and sales of mats and labour protection supplies, production and sales of nylon ropes, car repair, production and sales of rollers, manufacturing, installation and sales of machinery and equipment for lifting and transport at ports, manufacturing, installation and sales of belt conveyors, bucket wheel machine and trailer equipment, repair and maintenance services of lifting equipment, heating service, property management, sales of hardware appliance, plumbing equipment, daily necessities, office supplies, woodwork and chemical products (except for dangerous goods), car rental service, house rental service, oil fence operation, ship garbage recovery. (The items that are subject to approval according to laws shall commence only after being approved by relevant departments.)

The date authorized for issue of the financial report: this financial report will be approved and authorized for issue by the board of directors on 25 April 2018.

2. Scope of consolidated financial statements

√ Applicable ☐ Not applicable

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%) Direct	Shareholding percentage (%) Indirect	Way of acquisition
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	Yingkou	Yingkou	Terminal services	88.00	–	Investment
Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司)	Yingkou	Yingkou	Terminal services	100.00	–	Investment
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	Yingkou	Yingkou	Terminal services	6.00	–	Business combinations under common control

There is no change in the Company's consolidation scope for the reporting period as compared with that for the previous year.

IV. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis for preparation

The financial statements of the Company have been prepared on the going concern basis.

2. Continuing operation

√ Applicable □ Not applicable

The Company has assessed its ability to continue operations within 12 months from the end of the reporting period and has not found any matter which would affect the Company's ability as a going concern, therefore, it is reasonable for the Company to prepare its financial statements as a going concern.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates are presented as follows:

√ Applicable □ Not applicable

The following significant accounting policies and accounting estimates of the Company have been made in accordance with the Accounting Standards for Business Enterprises. The businesses unmentioned shall be treated in accordance with the relevant accounting policies in the Accounting Standards for Business Enterprises.

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

The financial statements of the Company have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, which truly and completely present the financial position, operating results, changes in shareholders' equity, cash flows and other relevant information of the Company.

2. Accounting period

The Company's accounting year commences from 1 January to 31 December of the Gregorian calendar.

3. Operating cycle

√ Applicable ☐ Not applicable

The Company's normal operating cycle is one year.

4. Reporting currency

The Company's reporting currency is Renminbi ("RMB").

5. Accounting methods for business combinations under and not under common control

√ Applicable ☐ Not applicable

1. Business combinations under common control

The assets and liabilities which are obtained by the Company in a business combination shall be measured at the carrying amount of the combined party in the consolidated financial statements of the ultimate controller on the combination date. For the accounting policies adopted by the combined party which are different from those of the Company before the business combination, they shall be unified based on the principle of importance, i.e. the carrying amount of the combined party's assets and liabilities shall be adjusted in accordance with the accounting policies of the Company. In case of a difference between the carrying amount of the net asset obtained by the Company in a business combination and the carrying amount of the paid consideration, the capital reserve (capital premium or share capital premium) shall be first adjusted. The surplus reserve and undistributed profits shall be offset in turn if the capital reserve (capital premium or share capital premium) is insufficient to be written off.

2. Business combinations not under common control

Each of the identifiable assets and liabilities of the acquiree which are obtained by the Company in a business combination shall be measured at fair value on the acquisition date. For the accounting policies adopted by the acquire which are different from those of the Company before the business combination, they shall be unified based on the principle of importance, i.e. the carrying amount of the acquiree's assets and liabilities shall be adjusted in accordance with the accounting policies of the Company. In case that the combination cost of the Company on the acquisition date is higher than the difference between the fair values of the identifiable assets and liabilities obtained from the acquiree in a business combination, it shall be recognized as goodwill; if the combination cost is lower than the difference between the fair values of the identifiable assets and liabilities obtained from the acquiree in a business combination, the combination cost and the fair values of the identifiable assets and liabilities obtained from the acquiree in the business combination shall be first reviewed, and if the reviewed combination cost is still lower than the fair values of the identifiable assets and liabilities obtained from the acquiree, the difference shall be recognized as the consolidated profit and loss for the current period.

6. Preparation method for consolidated financial statements

√ Applicable ☐ Not applicable

1. Determination of consolidation scope

The consolidation scope of consolidated financial statements shall be determined on the basis of control, including not only subsidiaries determined according to the voting right (or similar voting rights) or in combination with other arrangements, but also the structured entities determined based on the arrangement of one or more contracts.

Control refers to the power of the Company over the investee. Through the control, the Company can obtain variable returns by participating in relevant activities of the investee and has the ability to use its power over the investee to affect the return amount. A subsidiary refers to an entity that is controlled by the Company (including enterprises, separable parts in the investee, and structured entities controlled by enterprises), and a structured entity refers to an entity designed when the voting right or similar rights are not considered as the decisive factors during determination of the controller (note: sometimes it is also referred to as the special purpose entity).

2. Preparation method for consolidated financial statements

The Company shall prepare the consolidated financial statements based on its own and its subsidiaries' financial statements according to other relevant information.

During the preparation of consolidated financial statements, the Company shall consider the whole enterprise group as an accounting entity on the basis of the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and in accordance with the unified accounting policies, reflecting the enterprise group's overall financial position, operating results and cash flows.

(1) Combine the assets, liabilities, owners' equity, revenues, expenses, cash flows, etc. of the parent company and its subsidiaries.

(2) Offset the parent company's long-term equity investments in its subsidiaries and the share of the parent company in the owners' equity of those subsidiaries.

(3) Offset the impact of internal transactions between the parent company and its subsidiaries and among those subsidiaries. In case that the internal transaction suggests impairment losses of relevant assets, such losses shall be fully recognized.

(4) Make adjustments in respect of the special transactions from the perspective of enterprise group.

3. Increase or decrease in subsidiaries in the reporting period

(1) Increase in subsidiaries or businesses

(1) Increase in subsidiaries or businesses in a business combination under common control

(a) During the preparation of consolidated balance sheet, the opening balance of consolidated balance sheet shall be adjusted and the relevant items in the comparative statement shall also be adjusted accordingly, and the reporting entity after combination shall be regarded as having been in existence since the commencement of control by the ultimate controller.

(b) During the preparation of consolidated income statement, the income, expense and profit of the subsidiary and business from the beginning of the current period of combination to the end of the reporting period shall be included in the consolidated income statement and the relevant items in the comparative statement shall be adjusted accordingly, and the reporting entity after combination shall be regarded as having been in existence since the commencement of control by the ultimate controller.

(c) During the preparation of consolidated cash flow statement, the cash flow of the subsidiary and business from the beginning of the current period of combination to the end of the reporting period shall be included in the consolidated cash flow statement and the relevant items in the comparative statement shall be adjusted accordingly, and the reporting entity after combination shall be regarded as having been in existence since the commencement of control by the ultimate controller.

(2) Increase in subsidiaries or businesses in a business combination not under common control

(a) Do not adjust the opening balance of the consolidated balance sheet when preparing a consolidated balance sheet.

(b) Include the income, expense and profit of the subsidiary and business from the acquisition date to the end of the reporting period into the consolidated income statement when preparing a consolidated income statement.

(c) Include the cash flow of the subsidiary from the acquisition date to the end of the reporting period into the consolidated cash flow statement when preparing a consolidated cash flow statement.

(2) Disposal of subsidiaries or businesses

(1) Do not adjust the opening balance of the consolidated balance sheet when preparing a consolidated balance sheet.

(2) Include the income, expense and profit of the subsidiary and business from the beginning of the period to the disposal date into the consolidated income statement when preparing a consolidated income statement.

(3) Include the cash flow of the subsidiary and business from the beginning of the period to the disposal date into the consolidated cash flow statement when preparing a consolidated cash flow statement.

4. Special consideration in combination offset

(1) The long-term equity investment of the Company held by a subsidiary shall be regarded as the treasury shares of the Company and as deduction item of the owner's equity. It should be stated as "Less: Treasury shares" under owner's equity in the consolidated balance sheet.

Long-term equity investments held among subsidiaries shall be offset with the corresponding share of the owner's equity of the subsidiaries according to the Company's offset method for subsidiaries' equity investments.

(2) "Special reserve" and "general risk reserve" shall be recovered according to the shares attributable to owners of the parent company after the long-term equity investment is offset mutually with the owner's equity of the subsidiaries as they are not paid-in capital (or share capital) or capital reserve and also different from retained earnings and undistributed profits.

(3) If the carrying amount of the assets and liabilities in the consolidated balance sheet temporarily differs from the tax basis of the subject of tax payment it belongs because of the neutralization of the unrealized internal transaction gains and losses, the deferred tax assets or deferred tax liabilities shall be recognized in the consolidated balance sheet, and the income tax expenses in the consolidated income statement shall be adjusted accordingly, except for the deferred income taxes which are related to the transactions or matters that are directly included into the owners' equity, and the business combination.

(4) Gains or losses on internal transaction unrealized when the Company sells assets to a subsidiary shall be fully offset with the "net profit attributable to owners of the parent company". Gains or losses on internal transaction unrealized when the subsidiary sells assets to the Company shall be offset between the "net profit attributable to owners of the parent company" and the "minority interests" in accordance with the allocation proportion of the Company for the subsidiary. Gains or losses on internal transaction unrealized when subsidiaries sell assets to each other shall be offset between the "net profit attributable to owners of the parent company" and "minority interests" in accordance with the allocation proportion of the Company for the selling subsidiary.

(5) If the loss shared by minority shareholders in a subsidiary for the current period exceeds the share enjoyed by minority shareholders in the owner's equity of the subsidiary at the beginning of the period, the balance shall be written down from the minority interests.

5. Accounting treatment of special transactions

(1) Acquisition of equity of minority shareholders

When the Company acquires a subsidiary's equity owned by the subsidiary's minority shareholders, in an individual financial statement, the investment cost of the long-term equity investment newly obtained from acquisition of minority equity shall be measured at fair value of the paid consideration. In the consolidated financial statements, the difference between the newly obtained long-term equity investment due to acquisition of minority equity and the share of the subsidiary's net assets continuously calculated based on the newly increased shareholding ratio from the acquisition date or combination date shall be offset against the capital reserve (capital premium or share capital premium). The surplus reserve and undistributed profits shall be offset in turn if the capital reserve is insufficient to be written off.

(2) Obtaining control over a subsidiary by several transactions in stages

(1) Business combination under common control achieved by several transactions in stages

If it belongs to a package deal, the Company shall deal with various transactions as a transaction to obtain control over the subsidiary. In the individual financial statement, for each transaction conducted before the combination date, the equity investment shall be recognized as long-term equity investment and its initial investment cost shall be determined as per the share of carrying amount of the net assets of the combined party calculated at the corresponding shareholding ratio in consolidated financial statements of the ultimate controller. The capital reserve (capital premium or share capital premium) shall be adjusted according to the difference between the initial cost of the long-term equity investment and the carrying amount of paid consideration. The surplus reserve and undistributed profits shall be offset in turn if the capital reserve (capital premium or share capital premium) is insufficient to be written off. In the subsequent measurement, the long-term equity investment shall be measured in accordance with the cost method, but the preparation of consolidated financial statements is not involved. The initial cost of the Company for long-term equity investment in subsidiary on the combination date shall be determined as per the share of carrying amount of the net assets of the combined party calculated at the cumulative shareholding ratio for subsidiary in the consolidated financial statements of the ultimate controller. The capital reserve (capital premium or share capital premium) shall be adjusted according to the difference between the initial investment cost and the sum of carrying amount of long-term equity investment before the combination and carrying amount of newly paid consideration for shares further obtained on the combination date. The surplus reserve and undistributed profits shall be offset in turn if the capital reserve (capital premium or share capital premium) is insufficient to be written off. Meanwhile, the preparation of the consolidated financial statements on the combination date and the presentation of the Company in the consolidated financial statements shall be deemed that all parties involved in the combination had made adjustments based on the current state when the ultimate controller began to control it.

If the clauses, conditions and economic impact of each transaction conform to one or more of the following cases, these transactions shall be deemed as a "package deal" for accounting treatment:

(a) These transactions are concluded simultaneously or after the consideration of the mutual influence.

(b) These transactions can lead to a complete commercial result only when they are in their entirety.

(c) The occurrence of a transaction relies on the occurrence of at least another transaction.

(d) A transaction alone is deemed uneconomic but economic when together with other transactions.

If it does not belong to the package deal, each transaction of the Company conducted before the combination date shall be recognized as a financial asset (a financial asset at fair value through profit or loss or available-for-sale financial asset) in accordance with the fair value of paid consideration or long-term equity investment measured in accordance with the equity method. The initial investment cost of the Company for the long-term equity investment in the individual financial statement on the combination date shall be determined as per the share of carrying amount of net assets of the subsidiary in the consolidated financial statements of the ultimate controller after the combination. The capital reserve (capital premium or share capital premium) shall be adjusted according to the difference between the initial investment cost of long-term equity investment on the combination date and the sum of carrying amount of long-term equity investment before the combination and carrying amount of newly paid consideration for shares further obtained on the combination date. The surplus reserve and undistributed profits shall be offset in turn if the capital reserve is insufficient to be written off.

The presentation of the Company in the consolidated financial statements shall be deemed that all parties involved in the combination have made adjustments based on the current state when the ultimate controller began to control it. When the consolidated financial statements are prepared, the time point not earlier than the control of the combining party and the combined party by ultimate controller shall be taken, relevant assets and liabilities of the combined party shall be included into the comparative statement in consolidated financial statements of the combining party, and the increased net assets due to combination shall be used to adjust the relevant item under owner's equity in comparative statement. If the part of retained earnings realized by the combined party before the combination attributable to the combining party is not recovered in full amount in the consolidated financial statements because the balance of capital reserve (capital premium or share capital premium) of the combining party is insufficient, the Company shall give an explanation in the notes to the financial statements, including the retained earnings realized by the combined party before the combination, amount attributable to the Company and the amount in the consolidated balance sheet not transferred to the retained earnings due to insufficient balance of capital reserve.

For equity investment held by the combining party before the control over the combined party is obtained and accounted for using equity method, profit or loss, other comprehensive income and other changes in owners' equity recognized from the later of the acquisition of the original equity interest and the date when the combining party and the combined party are placed under common control until the combination date shall be offset against the opening retained earnings during the period of the comparative financial statements, respectively.

(2) Business combination not under common control achieved by several transactions in stages

Where transactions belong to "a package deal", the Company treats each of the transactions as a transaction to obtain control over a subsidiary. In the individual financial statements, for each transaction conducted before the combination date, the equity investment shall be recognized as long-term equity investment and its initial investment cost shall be determined at the fair value of the consideration paid. In the subsequent measurement, the long-term equity investment shall be accounted for using cost method without preparation of the consolidated financial statements. At the combination date, the sum of the carrying amount of the originally held long-term equity investment and new investment cost (the fair value of the consideration paid for further acquiring shares) in the individual financial statements shall be recorded as the initial cost of long-term equity investment on the combination date. In the consolidated financial statements, initial investment cost shall be used to offset against the share of the fair value of subsidiary's identifiable net assets, and the balance shall be recognized as goodwill or included in the consolidated profit or loss for the current period.

Where transactions do not belong to "a package deal", each of the transactions conducted by the investor before the combination date shall be recognized as a financial asset (financial asset at fair value through profit or loss or available-for-sale financial asset) or long-term equity investment accounted for using equity method at the fair value of the consideration paid. At the combination date, the sum of the carrying amount of the originally held equity investment (financial asset or long-term equity investment accounted for using equity method) and new investment cost shall be recorded as the initial cost of long-term equity investment accounted for using cost method in the individual financial statements. In the consolidated financial statements, for equity interest held in the acquiree before the acquisition date, it shall be remeasured at its fair value on the acquisition date, and the difference between the fair value and its carrying amount shall be included in investment income for the current period. For equity interest held in the acquiree before the acquisition date which involves other comprehensive income accounted for using equity method, its related other comprehensive income shall be transferred to the current income on the acquisition date, except for other comprehensive income arising from remeasurement of changes in net assets or liabilities under defined benefit plans by the combined party. The Company shall disclose the acquisition date fair value of equity interest held in the acquiree before the acquisition date, and the amount of related gains or losses arising from the remeasurement of fair value in notes.

(3) Disposal of long-term equity investment in a subsidiary by the Company without loss of control

The parent company can dispose the long-term equity investment in a subsidiary partially without loss of control. In the consolidated financial statements, the difference between the disposal price and the net assets of the subsidiary continuously calculated from the acquisition date or combination date attributable to the disposal of the long-term equity investment shall be adjusted against capital reserve (capital premium or share premium). If the capital reserve is not sufficient to charge against the difference, any excess shall be adjusted against retained earnings.

(4) Disposal of long-term equity investment in a subsidiary by the Company with loss of control

(1) Disposal by a transaction

If the Company loses control over an investee due to partial disposal of equity investment or other reasons, in preparation of the consolidated financial statements, the remaining equity interest shall be remeasured at its fair value on the date when losing control. The difference between the sum of consideration received from disposal of equity interest and the fair value of the remaining equity interest less the share of the net assets of the original subsidiary continuously calculated from the acquisition date or combination date based on original shareholding percentage is included in investment income in the period when the control is lost and offset against goodwill (note: if the original business combination is not under common control and there is goodwill). Other comprehensive income related to the equity investment in the original subsidiary shall be transferred to investment income for the current period at the time of loss of control.

Besides, changes in other comprehensive income related to the equity investment in the original subsidiary and other owners' equity shall be transferred to profit or loss for the current period at the time of loss of control, except for other comprehensive income arising from remeasurement of changes in net liabilities or assets under defined benefit plans by the investee.

(2) Disposal in steps by transactions

In the consolidated financial statements, whether transaction by steps belongs to "a package deal" shall be determined first.

If the transaction by steps does not belong to "a package deal", each of the transactions conducted before the loss of control over the subsidiary shall be treated in accordance with relevant regulations under "disposal of long-term equity investment in a subsidiary by parent company without loss of control".

If the transaction by steps belongs to "a package deal", each transaction shall be accounted for as a transaction for disposal of subsidiary with loss of control. For each transaction conducted before loss of control, the difference between the disposal price and the net assets of the subsidiary attributable to the disposal of investment shall be recognized as other comprehensive income in the consolidated financial statements and transferred to profit or loss for the current period at the time of loss of control.

(5) Dilution of shareholding percentage of parent company due to capital increase by subsidiary's minority shareholders

Where a subsidiary's other shareholders (minority shareholders) increase their capital in the subsidiary, the shareholding percentage of parent company in the subsidiary is diluted. In the consolidated financial statements, the difference between parent company's share of carrying amount of subsidiary's net assets before capital increase calculated based on its shareholding percentage before capital increase and parent company's share of carrying amount of the subsidiary's net assets after capital increase calculated based on its shareholding percentage after capital increase shall be adjusted against capital reserve (capital premium or share premium). If the capital reserve (capital premium or share premium) is not sufficient to charge against the difference, any excess shall be adjusted against retained earnings.

7. Classification of joint arrangement and accounting treatment of joint operation

√ Applicable ☐ Not applicable

A joint arrangement is an arrangement jointly controlled by two or more parties. The Company's joint arrangement is classified into joint operation and joint venture.

1. Joint operations

A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities relating to the arrangement.

The Company recognizes the following items in relation to its interest in a joint operation, and makes corresponding accounting treatment in accordance with relevant requirements of accounting standards for business enterprises:

(1) its solely-held assets, including its share of any assets held jointly;

(2) its solely-assumed liabilities, including its share of any liabilities incurred jointly;

(3) its revenue from the sale of its share of the output arising from the joint operation;

(4) its share of the revenue from the sale of the output by the joint operation;

(5) its solely-incurred expenses, including its share of any expenses incurred jointly.

2. Joint ventures

A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company accounts for its investments in joint ventures in accordance with the requirements relating to accounting treatment using equity method for long-term equity investments.

8. Determination of cash and cash equivalents

Cash equivalents are short-term (generally due in three months from the acquisition date) and highly liquid investments held by enterprise which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

9. Translation of foreign currency transactions and foreign currency financial statements

√ Applicable □ Not applicable

1. Determination of the exchange rate for translation of foreign currency transactions

Foreign currency transactions of the Company are translated into the recording currency upon initial recognition by applying the spot exchange rate or its approximate exchange rate on the transaction date.

2. Translation of monetary items in foreign currencies at the balance sheet date

At the balance sheet date, monetary items in foreign currencies are translated using the spot exchange rate on the same date. The exchange differences arising from the difference between the spot exchange rate at the balance sheet date and those spot rates at the time of initial recognition or at the previous balance sheet date are included in profit or loss for the current period.

3. Translation of foreign currency financial statements

Before the translation of the financial statements of its foreign operations, the Company shall first adjust the accounting periods and accounting policies of the foreign operations so that they are in line with its accounting periods and accounting policies, and prepare the financial statements in corresponding currencies (other than the recording currency) according to the adjusted accounting periods and accounting policies, and then translate the financial statements of the foreign operations in accordance with the following methods:

(1) asset and liability items in the balance sheet are translated using the spot exchange rate at the balance sheet date, and owners' equity items other than "undistributed profits" are translated using the spot exchange rate at the time when they occur.

(2) income and expense items in the statement of profit or loss are translated using the spot exchange rate or its approximate exchange rate on the transaction date.

(3) in preparation of the consolidated financial statements, the exchange differences arising from the translation of foreign currency financial statements are separately presented as "other comprehensive income" under owners' equity items in the consolidated balance sheet.

(4) foreign currency cash flows and cash flows of foreign subsidiaries are translated using the spot exchange rate or its approximate exchange rate at the date on which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

10. Financial instruments

√ Applicable ☐ Not applicable

1. Classification of financial assets

(1) Financial assets at fair value through profit or loss

These assets include financial assets held for trading and those directly designated as financial assets at fair value through profit or loss, and the former mainly refers to stocks, bonds, funds and investments in derivative instruments not used as effective hedging instruments held by the Company for sale in the near future. Such assets are initially recognized at the fair value when obtained during the initial measurement, and relevant transaction costs are included in profit or loss for the current period when they occur. If considerations paid include the cash dividends declared but not distributed, or bond interests due but uncollected, such cash dividends and bond interests shall be separately recognized as receivables. Interests or cash dividends received during the period in which such assets are held shall be recognized as investment income. The Company classifies such financial assets as those at fair value through profit or loss at the balance sheet date. When disposed of, the difference between the fair value and initially recorded amount of such financial assets shall be recognized as investment income, and concurrently adjustment shall be made to gains or losses on changes in fair value.

(2) Held-to-maturity investments

These investments mainly refer to national bonds and corporate bonds with fixed maturity and fixed or determinable recoverable amounts which the Company holds for a definite purpose or is able to hold until their maturity. Such financial assets are initially recognized at the sum of the fair value when obtained and related transaction costs. If considerations paid include bond interests due but not distributed, such bond interests shall be separately recognized as receivables. Interest income received during the period in which such held-to-maturity investments are held shall be calculated based on the amortized cost and effective interest rate and included in investment income. When disposed of, the difference between the received price and the carrying amount of held-to-maturity investments shall be included in investment income.

(3) Receivables

Receivables mainly include accounts receivable and other receivables. Accounts receivable refer to receivables from sales of goods or rendering of services by the Company, and are initially recognized at the contractual or agreed payments from buyers.

(4) Available-for-sale financial assets

These financial assets mainly refer to those not classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans or receivables by the Company. Available-for-sale financial assets are initially recognized at the sum of the fair value when such financial assets are obtained and related transaction costs. If considerations paid include bond interests due but uncollected or cash dividends declared but not distributed, such bond interests and cash dividends shall be separately recognized as receivables. Interests or cash dividends received during the period in which such available-for-sale financial assets are held shall be included in investment income.

If available-for-sale financial assets are monetary financial assets in foreign currencies, their exchange gains or losses generated shall be included in profit or loss for the current period. Interests on investments in available-for-sale debt instruments measured by using effective interest method are included in profit or loss for the current period. Cash dividends on investments in available-for-sale equity instruments are included in profit or loss for the current period when the investee announces the distribution of dividends. At the balance sheet date, available-for-sale financial assets are measured at fair value with their changes included in other comprehensive income. When disposed of, the difference between the received price and the carrying amount of available-for-sale financial assets shall be included in investment income; meanwhile, the cumulative changes in fair value originally recorded in owners' equity attributable to the part disposed of shall be transferred to investment income.

2. Classification of financial liabilities

(1) Financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those directly designated as financial liabilities at fair value through profit or loss. Such financial liabilities are initially recognized at fair value, and relevant transaction costs are directly charged to profit or loss for the current period with changes in fair value included in profit or loss for the current period at the balance sheet date.

(2) Other financial liabilities, being financial liabilities other than those at fair value through profit or loss.

3. Reclassification of financial assets

Where an investment is no longer suitable to be classified as a held-to-maturity investment as a result of changes in intention or ability for holding, such investment shall be reclassified as an available-for-sale financial asset, and subsequently measured at fair value. Where the amount of partial sale or reclassification of a held-to-maturity investment is relatively significant, which is not the exceptions specified in Article 16 of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and makes the remaining part of the investment no longer suitable to be classified as a held-to-maturity investment, such part shall be reclassified as an available-for-sale financial asset and subsequently measured at fair value, while such financial asset shall not be classified as a held-to-maturity investment within the current accounting year and the following two full accounting years.

The difference between the carrying amount and fair value of the investment at the reclassification date shall be included in other comprehensive income and transferred to profit or loss for the current period when the available-for-sale financial asset is impaired or derecognized.

4. Differentiation between financial liabilities and equity instruments

Financial liabilities and equity instruments are differentiated according to the following criteria except under exceptional circumstances:

(1) if the Company cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liability. Some financial instruments, although not explicitly containing the terms and conditions in respect of the obligation to pay cash or deliver other financial assets, may indirectly form contractual obligations through other terms and conditions.

(2) if a financial instrument must or may be settled with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument is a substitute for cash or other financial assets, or is used to entitle the instrument holder with remaining interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, it is an equity instrument of the issuer. Under certain circumstances where a financial instrument contract requires that the Company must or may settle the financial instrument with its own equity instruments, and the amount of contractual rights or obligations equals to the number of equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract is classified as a financial liability, regardless of whether the amount of the contractual rights or obligations is fixed or is dependent, in

whole or in part, on changes in variables other than the market price of the Company's own equity instruments (such as interest rates, a commodity price or the price of a financial instrument).

5. *Transfer of financial assets*

Transfer of a financial asset refers to the following two circumstances: transfer the contractual rights to receive cash flows from the financial asset to another party; transfer the financial asset, in whole or in part, to another party, but reserve the contractual rights to receive cash flows from the financial asset and undertake the contractual obligations to pay the cash flows received to one or more payees.

(1) Derecognition of transferred financial assets

A financial asset is derecognized when the Company has transferred substantially all the risks and rewards of ownership of the financial asset to the transferee or when the Company neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but waived its control over the financial asset.

When judging whether its control over the transferred financial asset has been waived, the enterprise shall pay more attention to the transferee's actual ability to sell the financial asset. If the transferee is able to independently sell the transferred financial asset in whole to a third party not related to it and there are no additional conditions to limit the sale, it shows that the enterprise has waived its control over the financial asset.

The Company shall pay more attention to the nature of transfer of financial asset when it determines whether the transfer of financial asset meets the conditions of derecognition of financial asset.

If the full transfer of a financial asset satisfies the conditions of derecognition, the difference between the following two items is recorded in profit or loss for the current period:

(1) the carrying amount of the transferred financial asset;

(2) the sum of the consideration received from the transfer and the cumulative changes in the fair value that had been recorded directly in owners' equity (if the transferred financial asset is an available-for-sale financial asset).

If the partial transfer of a financial asset satisfies the conditions of derecognition, the gross carrying amount of the transferred financial asset shall be allocated between the derecognized portion and the portion not derecognized (in this case, the retained service asset shall be deemed as a part of the financial asset not derecognized) in proportion to their respective relative fair value, and the difference between the following two items is recorded in profit or loss for the current period:

(1) the carrying amount of the derecognized portion;

(2) the sum of the consideration of the derecognized portion and the cumulative changes in the fair value that had been recorded directly in owners' equity attributable to the derecognized portion (if the transferred financial asset is an available-for-sale financial asset).

(2) Continuous involvement in transferred financial assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, but retains its control over the financial asset, such financial asset is recognized to the extent of its continuous involvement in the transferred financial asset and an associated liability is recognized.

The extent of the continuous involvement in the transferred financial asset refers to the risk exposure to the enterprise resulting from changes in value of the financial asset.

(3) Continuous recognition of transferred financial assets

If substantially all the risks and rewards of ownership of the transferred financial asset are retained, the transferred financial asset as a whole shall be recognized continuously and the consideration received shall be recognized as a financial liability.

The financial asset shall not offset against the associated financial liability recognized. In subsequent accounting periods, the enterprise shall continue to recognize the income generated from the financial asset and the cost arising from the financial liability. For transferred financial asset measured at amortized cost, the associated financial liability recognized shall not be designated as a financial liability at fair value through profit or loss.

6. Derecognition of financial liabilities

A financial liability or a part of financial liability is derecognized when its current obligation is fully or partially discharged.

Where an asset to be used for repayment of a financial liability is transferred to certain organization or used to set up a trust and there is still current obligation to repay the liability, both of the financial liability and the transferred asset shall not be derecognized.

Where an agreement is entered into with a creditor to replace an existing financial liability with a new financial liability with substantially different contractual terms, the existing financial liability shall be derecognized while the new financial liability shall be recognized.

Where substantial revisions are made to all or part of the contractual terms of an existing financial liability, the existing financial liability shall be fully or partially derecognized, and the financial liability after the modification of terms shall be recognized as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the carrying amount of the derecognized portion and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in profit or loss for the current period.

7. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset against each other. However, they are offset and the net amount is reported in the balance sheet when both of the following conditions are satisfied:

the Company currently has a legally enforceable right to offset the recognized amounts;

the Company intends to settle on the net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

Where transfer of a financial asset does not satisfy the conditions of derecognition, the transferor shall not offset the transferred financial asset and the associated liability.

8. *Method for impairment test and impairment provision for financial assets*

(1) Objective evidences indicating impairment of financial assets:

(1) a serious financial difficulty occurs to the issuer or debtor;

(2) the debtor breaches any of the contractual provisions, such as default or delinquency in interest or principal payments;

(3) the creditor makes any concession to the debtor in financial difficulties for economic or legal factors;

(4) the debtor is likely to enter bankruptcy or other financial reorganization;

(5) the financial asset can no longer continue to be traded in an active market due to serious financial difficulties of the issuer;

(6) it is impossible to identify whether there is a decrease in the cash flows from an asset within a group of financial assets, but after making an overall evaluation based on the public data available, it is found that there is a measurable decrease in the expected future cash flows from the group of financial assets since initial recognition;

(7) there are material and adverse changes in the technological, market, economic or legal environment where the debtor operates, which makes the investor of an equity instrument unable to recover its investment cost;

(8) there is a significant or prolonged decline in the fair value of investment in equity instrument;

(9) other objective evidences indicate the impairment of the financial asset.

(2) Impairment test for financial assets (other than receivables)

(1) Impairment test for held-to-maturity investments

Where a held-to-maturity investment is impaired, its carrying amount shall be written down to the present value of expected future cash flows (excluding future credit losses that have not been incurred), and the amount as written down shall be recognized as impairment loss on assets and included in profit or loss for the current period.

The present value of expected future cash flows shall be determined by discounting at the original effective interest rate of the held-to-maturity investment, taking into account the value of related collateral (after deducting the expenses arising from the acquisition or sale of the collateral). The original effective interest rate is the rate determined based on the calculation at the initial recognition of the held-to-maturity investment. As for held-to-maturity investment with floating interest rate, the current effective interest rate as stipulated in the contract shall be adopted as the discount rate in the calculation of the present value of future cash flows.

Even if the contractual terms are renegotiated or modified due to financial difficulties of the debtor or issuer of the financial asset, the impairment loss shall be still recognized at the original effective interest rate of the financial asset calculated before the modification of the terms.

If, after the recognition of impairment loss of a held-to-maturity investment, there is any objective evidence indicating that the value of such investment has been restored, and it is objectively related to an event occurring after the recognition of such loss (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed and included in profit or loss for the current period.

After an impairment of a held-to-maturity investment, the interest income shall be calculated at the rate used to discount the future cash flows when measuring the impairment loss.

(2) Impairment test for available-for-sale financial assets

The Company analyzes the impairment of an available-for-sale financial asset at the balance sheet date to determine whether the fair value of the financial asset has continued to decline. Generally, if the closing fair value of an available-for-sale financial asset has declined by 50% or over 50% as compared with its cost or if the decline duration has reached or exceeded 12 months and it is expected that this decline is not temporary after taking into account relevant factors, the available-for-sale financial asset can be considered to be impaired and the impairment loss shall be recognized. Where an available-for-sale financial asset is impaired, the cumulative losses arising from the decline in fair value that had been recognized directly in owners' equity shall be transferred out and recognized in the impairment loss of asset at the time of the recognition of impairment loss.

The Company may refer to the aforementioned investments in available-for-sale equity instruments to analyze and determine whether an available-for-sale debt instrument financial asset is impaired.

Impairment loss of investments in available-for-sale equity instruments shall not be reversed through profit or loss.

Where an available-for-sale debt instrument financial asset is impaired, the interest income shall be calculated at the rate used to discount the future cash flows when measuring the impairment loss.

As for the available-for-sale debt instruments whose impairment loss has been recognized, if, in subsequent accounting periods, the fair value has increased and it is objectively related to an event occurring after the recognition of original impairment loss, the previously recognized impairment loss shall be reversed and included in profit or loss for the current period.

9. Determination of fair value of financial assets and financial liabilities

The Company measures the fair value of relevant assets or liabilities based on the price in principal market. In the absence of a principal market, the Company will measure the fair value of relevant assets or liabilities based on the price in the most favorable market.

Principal market refers to the market in which both of the trading volume and activity of relevant assets or liabilities are the highest; the most favorable market refers to the market in which relevant assets can be sold at the highest price or relevant liabilities can be transferred at the lowest price after taking into account the transaction and transportation costs. The Company adopts the assumptions that market participants would use to maximize their economic benefits when pricing the assets or liabilities.

(1) Valuation techniques

The Company adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, which include market approach, income approach and cost approach. The Company measures fair value by using the approaches which are in line with one or more valuation techniques above. Where multiple valuation techniques are used to measure fair value, the amount that is the most representative of fair value in the current situation shall be selected as the fair value after taking into account the rationalities of each of the valuation results.

In application of valuation techniques, the Company gives priority to relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted. Observable inputs are inputs developed using market data, which reflect the assumptions that market participants would use when pricing relevant assets or liabilities. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing relevant assets or liabilities.

(2) Fair value hierarchy

The Company categorizes inputs for fair value measurement into three levels and uses the inputs by the order of Level 1, Level 2 and Level 3. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: unobservable inputs for the asset or liability.

11. Receivables

(1) Receivables that are individually significant and subject to separate provision for bad debts

√ Applicable □ Not applicable

Basis or criteria for determining individually significant receivables	Receivable of more than RMB1 million or other receivable of more than RMB0.5 million is considered as individually significant receivable by the Company.
Method of provision for bad debts for individually significant receivables on individual basis	Individually significant receivables are subject to separate impairment test. If there exist objective evidences indicating that they are impaired, the impairment loss is recognized at the excess amount of their carry amount over the present value of their future cash flows, and provision for bad debts is made accordingly. For short-term receivables, if the difference between their expected future cash flows and their present value is minimal, no discount is made to their expected future cash flows when determining the relevant impairment loss.

(2) Receivables that are subject to provision for bad debts by portfolio of credit risk characteristics

√ Applicable □ Not applicable

Method of provision for bad debts by portfolio of credit risk characteristics (aging analysis method, balance percentage method and other methods)

Basis for determination of portfolio:	For receivables that are individually significant but not impaired after separate test and receivables that are individually insignificant, the Company uses balance as portfolio of credit risk characteristics.
Method of provision for bad debts on portfolio basis:	Balance percentage method.

In the portfolio, provision for bad debts is made by using aging analysis method

☐ Applicable √ Not applicable

In the portfolio, provision for bad debts is made by using balance percentage method

☐ Applicable √ Not applicable

In the portfolio, provision for bad debts is made by using other methods

☐ Applicable √ Not applicable

(3) Receivables that are individually insignificant but subject to separate provision for bad debts

√ Applicable ☐ Not applicable

Reason for making separate provision for bad debts	For receivables that are individually insignificant and there exist objective evidences indicating that they are impaired, provision for bad debts by using balance percentage method does not reflect the actual situation.
Method of provision for bad debts	The Company conducts separate impairment test, and the impairment loss is recognized at the excess amount of their carry amount over the present value of their future cash flows, and provision for bad debts is made accordingly.

12. Inventories

√ Applicable □ Not applicable

1. Classification of inventories

Inventories refer to finished products or merchandise held for sale in the ordinary course of business of the Company, unfinished products in the process of production, and materials and supplies to be consumed in the process of production or provision of services, including raw materials, unfinished products, finished products, merchandise inventory and turnover materials.

2. Valuation method of inventories delivered

The individual valuation method is adopted for valuation of the Company's inventories upon delivery.

3. Inventory system for inventories

The Company adopts the perceptual inventory system for its inventories and conducts inventory checking at least once a year. Inventory overage and shortage are recognized in profit or loss for the current year.

4. Provision for inventory write down

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for inventory write down is recognized in profit or loss for the current period.

The net realizable value of the inventory is calculated based on reliable evidences acquired, considering factors including the purposes of holding the inventory and the influences of events after the balance sheet date.

(1) In the regular production and operation process, the calculation of the net realizable value of inventory for direct sales, including finished goods, merchandises and materials for sales purposes, is based on the estimated selling price of inventory subtracting the estimated selling expenses and related taxes. The calculation of the net realizable value of inventory held for the purposes of executing sales contract or employment contract is based on the contract price. If the inventory exceeds the amount ordered by the sales contract, the net realizable value of the excess part is estimated based on the selling price. The net realizable value of materials for sales purposes is calculated based on the market price.

(2) In the regular production and operation process, the net realizable value of the inventory of materials requiring processing is calculated based on the estimated selling price of the finished goods subtracting the estimated costs to be incurred until the completion of processing, the estimated selling expenses and related taxes. If the net realizable value of the finished goods is higher than the cost, the material is calculated at cost. A fall in the price means that the net realizable value of the finished goods is lower than the cost and that the material shall be calculated based on the net realizable value. Provision for inventory write down can be made based on the difference in the values.

(3) Provision for inventory write down is generally made on an individual basis. For items of inventories in large quantity and with lower price, provision for inventory write down can be made by categories of inventory.

(4) At the balance sheet date, if the previous influencing factors of inventory write down have been eliminated, the amount of write-down shall be recovered and be reversed from the provision for inventory write down previously made. The reversed amount is recognized in profit or loss for the current period.

5. Amortization methods for turnover materials

(1) Amortization method for low value consumables: immediate write-off method upon receipt.

(2) Amortization method for packaging materials: immediate write-off method upon receipt.

13. Assets held for sale

√ Applicable ☐ Not applicable

1. Classification of non-current assets or disposal groups held for sale

Non-current assets or disposal groups that meet the following conditions are classified as held for sale:

(1) based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) the sale is very likely to happen, that is, the Company has already made a resolution on a sales plan and obtained a certain purchase commitment, and it is expected that the sale will be completed within one year. If the relevant regulations require that approval shall be obtained from the relevant authorities or supervision department of the Company, such approval has been obtained.

The non-current assets or disposal groups that the Company has acquired specially for resale are classified as held for sale on the acquisition date when they meet the condition that "it is expected that the sale will be completed within one year" on the acquisition date, and are likely to satisfy other conditions of being classified as held for sale in a short-term (usually being 3 months).

Where the Company has lost control of a subsidiary due to reasons such as disposal of investment in the subsidiary, regardless of the Company retains any part of equity investment after disposal, upon the investment in the subsidiary intended to be disposed satisfying the criterion for classification as held for sale, the investment in the subsidiary will be entirely classified as held for sale in the separate financial statements of the parent company, and all assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.

2. Measurement of non-current assets or disposal groups held for sale

Measurement of investment properties subsequently measured at fair value model, biological assets measured at the net amount of fair value less selling expenses, assets generated from staff's remuneration, deferred income tax assets, financial assets regulated by the relevant accounting standards of financial instruments and rights arising from insurance contracts regulated by the relevant accounting standards of insurance contracts is applicable to other relevant accounting standards, respectively.

For the initial measurement or remeasurement of non-current assets or the disposal groups held for sale on the balance sheet date, if their book value is higher than the net amount of fair value less selling expenses, the book value shall be reduced to the net amount of their fair value less selling expenses, and the reduced amount is recognized as asset impairment loss and recorded in profit or loss for the current period with provision made for assets impairment held for sale.

A non-current asset or disposal group that does not meet criteria for held for sale and no longer classified as held for sale, or a non-current asset that removed from a disposal group as held for sale shall be measured at the lower of:

(1) its carrying amount before it was classified as held for sale, adjusted for any depreciation, amortisation or impairment that would have been recognised had it not been classified as held for sale;

(2) the recoverable amount.

3. Presentation

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets and the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale should not be offset against the liabilities of a disposal group classified as held for sale, and shall be presented as current assets and current liabilities separately.

14. Long-term equity investments

√ Applicable □ Not applicable

The Company's long-term equity investments include the equity investments for exerting control or significant influences on investees and the equity investments in joint ventures. Investees on which the Company can exert significant influence are considered as associates of the Company.

1. Basis for determining the joint control and significant influence on the investees

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In determining whether there is a joint control, the first judgement is to determine whether the relevant arrangement is controlled collectively by all the parties involved or the group of the parties involved, if the parties involved or the group of the parties involved must act in concert to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement; and then determine whether the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control, if there are two or more participant groups that can collectively control certain arrangement, it does not constitute joint control. When determining if there is any joint control, the relevant protection rights will not be taken into consideration.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over the formulation of those policies. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into consideration.

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in or substantially influence the production and operation decision-making of the investee.

2. Determination of initial investment cost

(1) For long-term equity investment through a business combination, the investment cost should be determined as follows:

(1) The initial investment cost of a long-term equity investment acquired through a business combination involving entities under common control shall be the Company's share of the carrying amount of shareholders' equity of the party being combined at the combination date, if the consideration for such combination is settled in cash, by way of transfer of non-cash assets or assumption of liabilities. The difference between the initial investment cost of the long-term equity investment and the total amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits;

(2) For a long-term equity investment acquired through a business combination involving entities under common control, if the consideration for such combination is settled by issuance of equity securities by the combining party, the initial investment cost of the long-term equity investment is the combining party's share of the carrying amount of combined party's equity at the combination date in the consolidated financial statements of ultimate holding party. If the capital is taken to be the total par value of the shares issued, the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits;

(3) For a long-term equity investment acquired through a business combinations not involving entities under common control, the fair value of assets paid, liabilities produced/assumed and equity securities issued on the date of acquisition on the purpose of obtaining control of the acquiree is deemed as the cost of combination and will be recognised as the initial investment cost of the long-term equity investment. The audit, legal service and appraisal consultation fees and other intermediary fees as well as other relevant management fees of the combining party for business combination shall be included in the profit or loss for the period in which they are incurred.

(2) For long-term equity investments acquired other than through a business combination, the investment cost is determined as follows:

(1) for long-term equity investment acquired by cash payment, the investment cost is the amount actually paid for the purchase. The initial investment cost includes fees, taxes and other necessary expenses, which are directly related to the long-term equity investment;

(2) for long-term equity investment acquired through issuing equity securities, the initial investment cost is the fair value of the equity securities issued;

(3) for long-term equity investment acquired by non-monetary asset exchange, the initial investment cost is the sum of the fair values and related taxes on condition that the exchange has commercial natures and that the fair values of exchanged assets can be reliably measured. The difference between the fair values and the carrying amount of exchanged assets shall be included in profit and loss for the current period. If either of the two conditions cannot be satisfied, the initial investment cost is the sum of the carrying amount of exchanged assets and related taxes;

(4) for long-term equity investment acquired by debt restructuring, the initial investment cost is the fair value of the stock rights acquired. The difference between the initial investment cost and the carrying amount of creditor's rights shall be included in profit and loss for the current period.

3. Methods for follow-up measurement and profit and loss recognition

When the Company controls the investee, a long-term equity investment is accounted for using the cost method. The long-term equity investment in associates and joint ventures is accounted for using the equity method.

(1) The cost method

For long-term equity investments accounted for using the cost method, the long-term equity investment cost shall be adjusted in case of additional investment or disinvestment. The cash dividends or profits that the investee declares to distribute shall be recognised as the current investment income.

(2) The equity method

The general accounting treatment for the long-term equity investments accounted for using the equity method is as follows:

Where the investment cost of a long-term equity investment exceeds the Company's share of fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the Company's share of fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

The gain on investment and other comprehensive income shall be recognised at the Company's share of the net profit or loss and other comprehensive income realised by the investee, respectively, and carrying amount of the long-term equity investment shall be adjusted accordingly. Carrying amount of the long-term equity investment shall be reduced by the Company's share of the profit or cash dividend declared by the investee. In respect of the changes in owners' equity of the investee other than in net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and included in the owners' equity. The Company recognises its share of the investee's net profit or loss based on fair value of the investee's identifiable net assets at the time of acquisition, after making appropriate adjustments thereto. In the case of any inconsistency between the accounting policies and accounting periods adopted by the investee and by the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the gain on investment and other comprehensive income shall be recognised accordingly. In respect of the transactions between the Company and its associates and joint ventures, the share of unrealised gain or loss arising from inter-group transactions shall be offset by the portion attributable to the Company, and the gain or loss on investment shall be recognised accordingly. Any unrealised loss arising from inter-group transactions between the Company and an investee should be recognised in full to the extent that the loss is impairment loss of the assets.

If an entity has significant influences or can implement joint control over investees without resulting in control due to additional investment, the initial investment cost is recognised as the sum of the fair value of the original portion of equity investment and the additional investment cost under equity method. For the original portion of equity investment classified as available for sale, the difference between the fair value and carrying amount and cumulative changes in fair value recognised as other comprehensive income shall be recognised as current profit of loss under equity method.

If an entity loses joint control or has no significant influences over investees due to the elimination of parts of the equity investment, the surplus equity after disposal shall be recognised as the difference between fair value and carrying amount at the date of loss of joint control or significant influence. Other comprehensive income of original equity investment recognised under equity method shall be recognised on the same basis used by the investees when disposing the relevant assets or liabilities directly in the termination of equity method.

15. Investment properties

1. Classification of investment properties

Investment properties, defined as properties held for earning rental income or capital appreciation, or both, primarily include:

(1) land use rights that have already been leased out;

(2) land use rights held for transfer after appreciation;

(3) buildings that have already been leased out.

2. Measurement mode of investment properties

The Company adopts the cost model for subsequent measurement of investment properties.

Depreciation or amortisation of investment properties are provided at cost less accumulated impairment and net residual value using the straight-line method.

16. Fixed assets

(1) Recognition conditions

√ Applicable □ Not applicable

Fixed assets refer to tangible assets with a higher unit value that have a service life of more than one year and are held for the purpose of providing port cargo handling and warehousing and vessel services, producing commodities, providing labor services, leasing or operating management.

1. Recognition conditions

Fixed assets are recognised at actual costs upon acquisition if all of the following conditions are satisfied:

(1) when the economic benefits associated with the asset will probably flow into the Company.

(2) the cost of the asset can be measured reliably.

Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, otherwise, such expenditure shall be recognised in the profit or loss for the period in which it is incurred.

(2) Method of depreciation

√ Applicable □ Not applicable

Category	**Method of depreciation**	**Depreciation life (year)**	**Residual value rate**	**Annual depreciation rate**
Terminal facilities	Straight-line method	20-40	5	4.75-2.38
Storage facilities	Straight-line method	20-40	5	4.75-2.38
Buildings	Straight-line method	8-35	5	11.88-2.71
Vessels	Straight-line method	12	5	7.92
Loading equipment	Straight-line method	10-15	5	9.50-6.33
Vehicles	Straight-line method	8-10	5	11.88-9.50
Machinery and equipment	Straight-line method	6-12	5	15.83-7.92
Communication and navigation equipment	Straight-line method	4-6	5	23.75-15.83
Automation controls and instruments	Straight-line method	8	5	11.88

(3) Basis of recognition, valuation method and depreciation method for fixed assets under finance lease

√ Applicable ☐ Not applicable

A lease of leased fixed assets is classified as a finance lease when substantially all the risks and rewards of the assets have been transferred. The costs of fixed assets acquired by finance lease is determined at the lower of the fair value of the leased asset on the lease starting date and the present value of the minimum lease payments. Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy adopted for fixed assets that are self-owned. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over its estimated useful life; otherwise, and the leased asset is depreciated over the shorter period of the lease term and its estimated useful life.

17. Construction in progress

√ Applicable ☐ Not applicable

1. Constructions in progress are accounted for by individual projects.

2. Criteria and time point for construction in progress being transferred to the fixed asset.

Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. It comprises construction cost, original cost of machines and equipment, other expenditures necessary for the purpose of preparing the construction in progress for its intended use, borrowing costs arising from specific borrowings before the construction assets get for their intended use and borrowing costs for general purpose. Construction in progress is transferred to the fixed assets when the assets are ready for their intended use upon the completion of engineering installation or construction. If the fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, they should be transferred to fixed assets at estimated costs according to the construction budget, construction price or actual cost, and depreciation should be provided according to the Company's deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated costs will be adjusted according to the actual costs, while the depreciation provided will not be adjusted.

18. Borrowing costs

√ Applicable ☐ Not applicable

1. Principles of recognition for capitalisation of the borrowing costs and capitalisation period

The borrowing costs incurred by the Company directly attributable to the acquisition and construction or production of assets eligible for capitalisation are capitalised as part of the relevant cost of assets when all of the following conditions are satisfied:

(1) the capital expenditure has been incurred;

(2) the borrowing costs have been incurred; and

(3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use have commenced.

Other interests, discounts or premiums related to borrowings and exchange differences arising from foreign currency borrowings are included in profit or loss for the current period.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted for a continuous period of more than 3 months.

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

2. Capitalisation rate and calculation of capitalisation of borrowing costs

For the borrowings that are made specifically for the acquisition and construction or production of a qualified asset, the amount of borrowing costs to be capitalised is calculated by actual interest expense during the period that it occurred less any interest income earned from outstanding borrowings deposited in the bank or any investment income on the temporary investment made from such borrowings.

For the borrowings that are made for a general purpose and used for the acquisition and construction or production of a qualified asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

19. Biological assets

☐ Applicable √ Not applicable

20. Oil and gas assets

☐ Applicable √ Not applicable

21. Intangible assets

(1) Measurement, useful life and impairment test

√ Applicable ☐ Not applicable

1. Intangible assets are recorded at actual cost at the time of acquisition.

2. The useful life and amortisation of intangible assets

(1) Estimate of useful life for the intangible assets with limited useful life:

Project	Estimated useful life	Basis
Land use rights	40-50 years	Legal term of use
Computer software	10 years	The useful life is determined based on the period over which it is expected to generate economic benefits for the Company

For intangible assets with limited useful life, the Company reviews the useful life and the amortisation method at the end of each year. After review, the useful life and amortisation method of intangible assets at the end of the period remain the same as the previous period.

(2) An intangible asset is regarded as having an indefinite useful life when the term over which the asset is expected to generate economic benefits for the company cannot be estimated. For an intangible asset with indefinite useful life, the Company reviews the useful life of the asset at the end of each year. If the useful life remains indefinite after the review, an impairment test shall be conducted on the balance sheet date.

(3) Amortisation of intangible assets

For intangible assets with limited useful life, the Company shall determine the useful life upon acquisition. It shall be amortised within its useful life systematically and reasonably by using straight-line method. The amortisation amount shall be included in the profit and loss for the current year under the benefited item. The reasonable amortisation amount of intangible assets shall be its cost minus the expected residual value. For intangible assets with an impairment provision, the accumulative amount of impairment provision shall be deducted from the cost as well with a residual value of zero except in the following circumstances: a third party promises to purchase the intangible asset at the end of its useful life, or an estimation of residual value information can be obtained from an active market and the market is very likely to exist at the end of the useful life of the intangible asset.

Intangible assets with indefinite useful life shall not be amortised. The useful life of intangible assets with indefinite useful life shall be reviewed at the end of each year. If there is any evidence showing that the useful life of the intangible asset is limited, its useful life shall be estimated and the assets should be amortised systematically and reasonably in its useful life.

3. *Specific criteria for defining research stage and development stage of in-house research and development projects:*

(1) The Company regards the preparation activities of information and other related aspects for further development activities as the research stage. Expenditure on the research phase is recognised in in the profit and loss for the period in which it is incurred.

(2) The Company regards subsequent development activities after the work at research stage is completed as the development stage.

4. *Conditions for the capitalisation of expenditure at development stage*

Expenditure at development phase is recognised as intangible assets when all of the following conditions are satisfied:

(1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(2) the intention to complete the intangible asset and use or sell it;

(3) how the intangible asset will generate probable future economic benefits. Among other things, the company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and

(5) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

(2) Accounting policies for expenditure on internal research and development

□ Applicable √ Not applicable

22. Impairment of long-term assets

√ Applicable □ Not applicable

1. Impairment test method and accounting treatment method for long-term equity investments

The Company reviews long-term equity investments item by item at the balance sheet date and determines whether there is any indication that the long-term equity investments may be impaired according to changes in investees' operation policies, legal environment, market needs, the industry and the profitability, etc. If the recoverable amount of long-term equity investment is lower than the carrying amount, the difference between the recoverable amount and the carrying amount of long-term equity investment shall be provided for impairment of the long-term equity investment. Once the impairment loss is recognised, it cannot be reversed in the subsequent accounting periods.

2. Impairment test method and accounting treatment method for investment properties

Investment properties are measured at costs or recoverable amount, whichever is lower at the balance sheet date. If the recoverable amount is lower than the costs, the Company shall make provision for impairment based on the difference. If the value of investment properties that has been provided for impairment is reversed, the impairment provision made may not be reversed.

3. *Impairment test method and accounting treatment method for fixed assets*

The Company determines whether there is any indication that the fixed assets may be impaired at the balance sheet date. If there is any indication of impairment, when the estimated recoverable amount of an asset is less than its carrying amount, the carrying amount shall be written down to the recoverable amount. The amount that has been written down shall be recognised as impairment loss in profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly. Once the impairment loss is recognised, it cannot be reversed in the subsequent accounting periods. The provision for impairment shall be made in full amount by individual item of fixed asset when any of the following indications exists:

(1) fixed assets which are unused for a long time, not to be used in foreseeable future and have no transfer value;

(2) fixed assets which can no longer be used for reasons including progress in technology;

(3) fixed assets which could still be used but will produce a large quantity of unqualified goods;

(4) fixed assets which are damaged and thus without use and transfer values.

(5) other fixed assets which could not bring actual economic benefits to the enterprise.

4. *Impairment test method and accounting treatment method for construction in progress*

The Company carries out a comprehensive inspection of construction in progress and determines whether there is any indication that the construction in progress may be impaired at the balance sheet date. If there is any indication of impairment, when the estimated recoverable amount of an asset is less than its carrying amount, the carrying amount shall be written down to the recoverable amount. The amount that has been written down shall be recognised as impairment loss in profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly. Once the impairment loss is recognised, it cannot be reversed in the subsequent accounting periods. Impairment test shall be conducted for construction in progress in any of the following situations:

(1) construction in progress suspended for a long time and will not commence operation in the next three years;

(2) the project to be constructed is backward in terms of functions and technology and there is great uncertainness in bringing economic benefits to the enterprise;

(3) other evidence to prove that the construction in progress has been impaired.

5. Impairment test method and accounting treatment method for intangible assets

When the recoverable amount of intangible assets is less than carrying amount, the carrying amount shall be written down to the recoverable amount. The amount that has been written down shall be recognised as impairment loss in profit or loss for the current period. A provision for impairment loss of the intangible assets is recognised accordingly. Once the impairment loss is recognised, it cannot be reversed in the subsequent accounting periods. Impairment test shall be conducted for intangible assets in any of the following situations:

(1) The intangible asset has been replaced by other new technologies, etc., and its ability to create economic benefits for the company has been materially and adversely affected;

(2) The market price of the intangible asset decreases significantly in the current period, and may not recover in the remaining years;

(3) Other circumstances that can prove the carrying value of the intangible asset has exceeded the recoverable amount.

6. Impairment test of goodwill

Goodwill arising from a business combination is tested for impairment at least once at each year-end. In testing an asset group or a set of asset groups containing goodwill for impairment, if there is any indication of impairment of asset groups or sets of asset groups related to goodwill, the following steps shall be taken:

The Company firstly tests the asset group or set of asset groups excluding goodwill allocated for impairment, calculating the recoverable amount and comparing against the carrying value of related assets to recognize impairment loss accordingly; After that, the Company tests the asset group or set of asset groups including goodwill for impairment, comparing the carrying value of the asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. If the recoverable amount of the relevant asset groups or sets of the asset groups is lower than the carrying value thereof, it shall recognize impairment loss for the differences. The amount of the impairment loss firstly reduces the carrying value of the goodwill allocated to the asset group or sets of asset groups, and then reduces the carrying value of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying value of each asset.

23. Long-term prepaid expenses

√ Applicable ☐ Not applicable

Long-term prepaid expenses account for all expenses which have occurred with amortization period over 1 year and shall be borne by the current period and subsequent periods.

The long-term prepaid expenses of the Company are amortized equally over the benefit periods.

24. Employee benefits

(1) Accounting treatment method for short-term employee benefits

√ Applicable ☐ Not applicable

(1) Basic employee benefits (wages and salaries, bonus, allowances and subsidies)

In the accounting period in which the service is provided by the employees of the Company, the short-term employee benefits actually incurred are recognized as liabilities, and included in the profit or loss for the current period, except for those required or allowed by other accounting standards to be included in the cost of assets.

(2) Employee welfare expenses

Employee welfare incurred by the Company are included in the profit or loss for the current period or cost of relevant assets based on the actual amount incurred when actually incurred. Non-currency employee welfare expenses are measured at fair value.

(3) Social insurance contributions (including medical insurance, work injury insurance, maternity insurance), housing funds, labour union funds and employee education funds

The Company pays for the employees' social insurance contributions (including medical insurance, work injury insurance, maternity insurance), housing funds, as well as the labour union funds and employee education funds withdrawn according to the regulations. In the accounting period in which the service is provided by the employees, the corresponding employee benefits shall be determined according to the required withdrawal basis and the withdrawal proportion, and the corresponding liability shall be recognized and included in the profit or loss for the current period or cost of relevant assets.

(4) Short-term compensated absences

When employees provide services to the Company, thus obtaining the right to enjoy compensated absences in the future, the Company shall recognize employee benefits relating to accumulative compensated absences and measure according to the increased expected payable amount due to the accumulative unexercised right. In the accounting period when employees exercise the right of compensated absences, the Company shall recognize employee benefits relating to noncumulative compensated absences.

(5) Short-term profit sharing plan

If the profit sharing plan meets all of the following conditions, the Company shall recognize related employee benefits payable:

(1) The company currently undertakes legal obligations or constructive obligations for the payment of employee benefits due to past events;

(2) The amount of the obligations for employee benefits payable arising from the profit sharing plan can be reliably estimated.

(2) Accounting treatment method for post-employment benefits

√ Applicable □ Not applicable

(1) Defined contribution plan

The amount payable calculated based on the defined contribution plan are recognized as liabilities in the accounting period in which the service is provided by the employees of the Company, and included in the profit or loss for the current period or cost of relevant assets.

According to the defined contribution plan, if it is estimated that the amount payable may not be paid in full within 12 months after the annual report period corresponding to the related services provided by employees, the Company shall measure the employee benefits payable by the discounted amount of the full amount payable according to the corresponding discount rate (which is determined based on the market yield of the government bonds or high-quality corporate bonds in an active market that matches the period and currency of such obligation under the defined contribution plan on the balance sheet date).

(2) Defined benefit plan

(1) Determine the present value of the obligations under the defined benefit plan and the service cost of the current period

According to the expected cumulative welfare unit method, the Company adopted unbiased and mutually agreed actuarial assumptions to estimate the relevant demographic variables and financial variables, measure the obligations arising from the defined benefit plan and determine the period to which the relevant obligations belong. The Company shall discount the obligations arising from the defined benefit plan according to the corresponding discount rate (which is determined based on the market yield of the government bonds or high-quality corporate bonds in an active market that matches the period and currency of such obligation under the defined contribution plan on the balance sheet date) for the purpose of determining the present value of such obligation under the defined benefit plan and the service cost of the current period.

(2) Recognize the net liability or net asset of defined benefit plan

Where there are assets in the defined benefit plan, the deficit or surplus from the present value of the defined benefit plan less the fair value of the assets under the defined benefit plan is recognized as a net liability or net asset of a defined benefit plan.

Where there are surplus in the defined benefit plan, the lower of the surplus of the defined benefit plan and the upper limit of the assets will be used to measure the net assets of the defined benefit plan.

(3) Determine the amount that shall be included in the cost of assets or the profit or loss for the current period

Service costs include the service costs of the current and past periods and the gains or losses on settlements. In which, except for the service costs of the current period required or allowed by other accounting standards to be included in the cost of assets, other service costs are included in the profit or loss for the current period.

Net interest of net liabilities or net assets of defined benefit plan, including interest income of assets in the plan, the interest cost of obligations under the defined benefit plan and the interest of the impact of the asset cap, shall be included in the profit or loss for the current period.

(4) Determine the amount to be included in other comprehensive income

Changes arising from re-measurement of net liabilities or net assets of defined benefit plan include:

(a) actuarial gains or losses, that is the increases or decreases in the present value of the previously measured obligations under the defined benefit plan due to actuarial assumption and experience adjustment;

(b) return on the asset in the plan, deducting the amount included in the net interest of net liabilities or net assets of the defined benefit plan;

(c) changes in the impact of the asset cap, deducting the amount included in the net interest of net liabilities or net assets of the defined benefit plan.

The above changes arising from re-measurement of net liabilities or net assets of defined benefit plan are directly included in other comprehensive income, and are not allowed to be transferred to profit or loss in subsequent accounting periods. However, the Company may transfer such amount recognized in other comprehensive income within its scope of equity.

(3) Accounting treatment method for termination benefits

√ Applicable ☐ Not applicable

If the Company provides termination benefits to its employees, the Company will recognize a liability of employee benefits arising from termination benefits, which will be included in the profit or loss for the current period at the earlier of the following dates:

(1) when the company cannot unilaterally withdraw the offer of termination benefits due to an employment termination plan or a curtailment proposal;

(2) when the company recognizes costs or expenses for a restructuring that involves the payment of termination benefits.

If it is estimated that the termination benefits may not be paid in full within 12 months after the annual report period, the termination benefits shall be discounted according to the corresponding discount rate (which is determined based on the market yield of the government bonds or high-quality corporate bonds in an active market that matches the period and currency of such obligation under the defined contribution plan on the balance sheet date), and the Company shall measure the employee benefits payable by the discounted amount.

(4) Accounting treatment method for other long-term employee benefits

√ Applicable □ Not applicable

(1) Satisfying the conditions of the defined contribution plan

For other long-term employee benefits provided by the Company satisfying the conditions of the defined contribution plan, the employee benefits payable should be measured as per the discounted amount for all the amount payable.

(2) Satisfying the conditions of defined benefit plan

At the end of the reporting period, the Company recognized the cost of employee benefits arising from other long-term employee benefits as the following components:

(1) Service cost;

(2) Net interest of net liabilities or net assets of other long-term employee benefits;

(3) Changes arising from the remeasurement of net liabilities or net assets of other long-term employee benefits.

In order to simplify the relevant accounting treatment, the total net amount of the above components is recorded in current profit or loss or the relevant cost of asset.

25. Provisions

√ Applicable □ Not Applicable

1. Recognition principles for provisions

The Company recognizes the obligations pertinent to contingencies as a provision if the following conditions are satisfied simultaneously:

(1) the obligation is the present obligation of the Company;

(2) it is probable that an outflow of economic benefits will be required to settle the obligation;

(3) the amount of the obligation can be reliably measured.

2. Measurement method of provisions

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation and factors pertinent to contingencies such as the risks, uncertainties and the time value of money shall be taken into account as a whole. The carrying value of provisions is reviewed at each balance sheet date. If there is conclusive evidence to prove that the carrying value cannot reflect the current best estimate, the carrying value shall be adjusted based on the current best estimate.

26. Share-based payment

√ Applicable □ Not Applicable

1. Types of share-based payment

The share-based payments of the Company consist of cash-settled share-based payments and equity-settled share-based payments.

2. Measures for the confirmation of the fair value of the equity instruments

(1) For shares granted to employees, the fair value is measured at the marketing price of the Company's shares, and adjusted in accordance with the terms and conditions of the granted shares at the same time (excluding the vesting conditions apart from the market condition).

(2) For stock options granted to employees, it is not easy to obtain the market price in most conditions. If no trade options with similar terms and conditions exist, the Company estimates the fair value of the granted options by selecting the applicable option pricing models.

3. Basis for determining optimal estimation of exercisable equity instruments

On each balance sheet date within vesting period, the Company will make the best estimation according to the latest number of exercisable staff and other following-up information and modify the number of exercisable equity instruments, to make optimal estimation of exercisable equity instruments.

4. Accounting treatment for implementation of share-based payment plan

(1) As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs

or expenses, and the liabilities shall be increased accordingly. On each balance sheet date and each account date prior to the settlement, the fair values of the liabilities shall be re-measured and the changes shall be included in the current profits and losses.

(2) As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

(3) As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly.

(4) As to an equity-settled share-based payment in return for employee services, if the right cannot be exercised until services in the vesting period are completed or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

5. Accounting treatment for modification of share-based payment plan

When the Company modifies the share-based payment plan, if the fair value of the granted equity instrument is increased due to the modification, the increment of the obtained services shall be confirmed accordingly; and if the quantity of the granted equity instrument is increased due to the modification, the increment of obtained services shall be confirmed accordingly. The increment of fair value for equity instrument refers to the difference in fair value of the equity instrument before and after the modification on the modification date. If the terms and conditions of share-based payment plan is modified through decreasing the total share-based payment fair value or applying other ways not good for the employees, the accounting treatment shall be still carried out for the obtained service regardless of the occurrence of the modification unless the Company cancels all or part of the granted equity instruments.

6. Accounting treatment for termination of share-based payment plan

If the granted equity instruments are canceled or settled within the vesting period (except that canceled due to failure to meet the vesting conditions), the Company shall:

(1) Regard the canceling or settlement as acceleration of exercisable rights, and immediately confirm the amount supposed to be determined within the residual vesting period.

(2) Regard all funds paid to employees as equity buy-back treatment during cancellation or settlement period, and the excess of paid buy-back amount over the fair value of the equity instrument on the buy-back date shall be included into the expenses of current period.

If the Company buys back the equity instrument of exercisable rights of its employees to write down the owner's right of enterprise, the excess of paid buy-back amount over the fair value of the equity instrument on the buy-back date shall be recorded in the current profit or loss.

27. Other financial instruments including preferred shares and perpetual bonds

√ Applicable □ Not Applicable

1. Basis of classification for other financial instruments including preferred shares and perpetual bonds

The Company determines whether the preferred shares (or perpetual bonds, hereinafter inclusive) issued by the Company is classified as financial liability or equity instrument based on the "substance over form" principle according to the specific content of the relevant contract or agreement.

(1) Redemption option

The preferred share issued by the Company is financial liability if it requires to be redeemed by the Company on a specific date; If the purchaser has a redemption option, the preferred share remains financial liability and if the purchaser waives the option, it is reclassified as equity instrument; If the redemption option belongs to the Company, the preferred share is equity instrument, but the Company reclassifies the equity instrument as financial liability once it chooses to redeem the preferred share and issues announcement for such redemption option.

(2) Dividend distribution

If the payment of cash dividends depends entirely on the willness of the Company, then the preferred share is classified as equity instrument; If the cash dividend is mandatory and the dividend payout rate is greater than or equal to the market interest rate for the corresponding period, the preferred share is classified as financial liability. If the dividend payout rate is lower than the market interest rate, the preferred share is a compound financial instrument and needs to be split.

(3) Conversion into ordinary shares

If the preferred share issued by the Company is subject to the conditions of conversion into an ordinary share, whether the preferred share is classified as financial liability or equity instrument depends on whether the number of preferred shares to be converted into ordinary shares is fixed or not: if the number of preferred shares to be converted into ordinary shares in the future is not fixed, the preferred share issued is financial liability; otherwise if such number is fixed, it is classified as equity instrument.

2. Accounting treatment for other financial instruments including preferred shares and perpetual bonds

The Company determines the accounting treatment for interest expenses or dividend distributions of the financial instrument issued based on the classification of such instrument. For financial instruments classified as equity instruments (whether or not the word "bond" is contained in its name), their interest expenses or dividend distributions are treated as profit distribution of the Company(as an issuer), and their repurchases and cancellations are treated as changes in equity; for financial instruments classified as financial liabilities (whether or not the word "share" is contained in its name), their interest expenses or dividend distributions are in principle accounted for as borrowing costs, and the gains or losses arising from their repurchases or redemption are included in the profit or loss for the current period.

28. Revenue

√ Applicable □ Not Applicable

1. Revenue from sales of goods

The Company has transferred the significant risks and rewards of ownership of the goods to the buyer; the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the amount of revenue can be measured in a reliable way; relevant economic benefits may flow into the Company; when relevant cost incurred or to be incurred can be reliably measured, recognize the sales revenue.

2. Revenue from rendering of services

If the outcome of transaction concerning rendering of services can be reliably estimated on the balance sheet date, the revenue from rendering of services shall be recognized by using the percentage-of-completion method. The schedule of rendering of services determined as per the proportion of the cost incurred to estimated total costs.

The service transaction results can be reliably estimated when meeting the conditions: (1) Reliable measuring of income amount; (2) Possible inflow of relevant economic interest; (3) Reliable determination of transaction completion progress; (4) Reliable measuring of cost incurred and to be incurred cost during transaction at same time.

The Company ascertains the total revenue from the rendering of services in accordance with the received or receivable price as stipulated in the contract or agreement, unless the received or receivable price as stipulated in the contract or agreement is unfair. The Company shall, on the balance sheet date, ascertain the current revenue from rendering of services in accordance with the amount of multiplying the total amount of revenues from rendering of services by the schedule of completion then deducting the accumulative revenues from the rendering of services that have been recognized in the previous accounting periods. At the same time, the Company shall carry forward the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the rendering of services by the schedule of completion and then deducting the accumulative revenues from the rendering of services that have been recognized in the previous accounting periods.

If the service transaction results cannot be reliably estimated on the balance sheet date, the following conditions shall be considered respectively:

(1) If the cost of labor services incurred is expected to be compensated, the revenue from the rendering of services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount.

(2) If the cost of labor services incurred is not expected to be compensated, the cost incurred shall be included in the current profits and losses, and no revenue from the rendering of service shall be recognized.

3. Revenue from transfer of asset use right

When the amount can be reliably measured, it is likely that economic benefits relating to trades will flow into the Company, the amount of revenue resulting from transferring asset-use right shall be determined respectively in the following situations:

(1) The amount of interest income shall be measured and recognized in accordance with the length of time for which the Company's monetary capital is used by others and the actual interest rate.

(2) The amount of royalty income should be measured and recognized in accordance with the period and method of charging as stipulated in relevant contract or agreement.

4. Construction contract revenue

Where the outcome of the construction contract can be estimated reliably, the contract revenue and contract costs are recognized on the balance sheet date according to the percentage-of-completion method. Such revenue and costs are recognized according to the completion progress of the contract by using the percentage-of-completion method. The completion progress of the contract shall be determined according to the proportion of the accumulated actual contract cost to the total estimated contract cost.

If the outcome of the construction contract cannot be estimated reliably, but the expected contract cost can be recovered, the contract revenue shall be recognized according to the actual contract cost that can be recovered, and the contract cost shall be recognized as the contract expenses in the current period. If the estimated contract cost cannot be recovered, it shall be recognized as contract expenses (instead of contract income) immediately upon occurrence.

If the total estimated contract cost exceeds the total contract revenue, the expected loss will be recognized as the current expenses.

5. Recognition policy for specific income

The Company's revenue is mainly from loading and discharging, storage and port management.

(1) Loading and discharging income refers to the income derived by the Company from providing port cargo handling services. According to the flow of goods, it can be divided into loading and discharging income for foreign trade and loading and discharging income for domestic trade. The loading and discharging income for foreign trade is the income from providing port loading and discharging services for international trade goods. The loading and discharging income for domestic trade is the income from providing port

loading and discharging services for domestic trade goods. The Company recognizes the revenue when the loading and discharging service is completed and the operation volume related thereto is confirmed by both parties.

(2) Storage income refers to the income received by the Company from providing customers with storage services in the port. The Company charges according to the tonnages and days of storage in the port and the corresponding billing standards, and recognizes the revenue during the corresponding period.

(3) Revenue from port management services refers to the service fee from shippers such as berthing fee, mooring and unmooring fee, and the Company recognizes the revenue when relevant services are completed.

29. Government grants

(1) Basis and accounting treatment for determining asset-related government grants

√ Applicable □ Not Applicable

Government grants obtained by the Company for the purchase, construction or otherwise formation of long-term assets are classified as asset-related government grants. The government grants related to the assets are recognized as deferred income, and are recorded into profit and loss in a reasonable and systematic way during the useful life of the relevant assets. The government grants measured according to the nominal amount shall be directly recorded into the current profit and loss. If the relevant assets are sold, transferred, scrapped or damaged before the end of its useful life, the balance of the undistributed deferred income shall be transferred to the profit and loss of the current period in which the disposal occurred.

(2) Basis and accounting treatment for determining revenue-related government grants

√ Applicable □ Not Applicable

1. The government grants other than the relevant government grants are divided into those related to income. The government grants related to income shall be accounted for according to the following requirements:

Those grants used for compensating the related future expenses or losses of the Company shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses or losses are recognized;

Those grants used for compensating the related expenses or losses incurred to the Company shall be directly included in the current profits and losses.

For the government grants that include both asset-related part and income-related part, the different parts shall be separately accounted for. However, if they are difficult to distinguish, the whole parts shall be classified as the government grants related to revenue.

The government grants related to daily activities of the Company shall be recognized in other income based on the nature of business. The government grants not related to daily activities of the Company shall be recognized as non-operating revenues and expenditures.

2. Interest subsidy for policy-related preferential loans

Where the interest subsidy is paid to the lending bank which in turn provides a loan to the Company at the policy-related preferential interest rate, the Company shall recognize the loan at the actual amount of the loan received and the interest expense shall be calculated on the principal of the loan at the policy-related preferential interest rate.

Where the interest subsidy is directly paid to the Company, the interest subsidy shall be utilized to offset the relevant interest expense.

3. Return of government grant

Where any government grant recognized by the Company is required to be returned, the carrying value of the assets shall be adjusted if the government grant is utilized to offset the carrying value of the relevant assets at initial recognition. Any balance of the relevant deferred income shall be utilized to offset the book balance of the relevant deferred income, and any excess shall be included in the current profit or loss. Under any other circumstances, they shall be directly included in the current profit or loss.

30. Deferred income tax assets/deferred income tax liabilities

√ Applicable □ Not Applicable

In accordance with the temporary difference between the carrying value and tax base of assets and liabilities on the balance sheet date, the Company usually determines and measures the impact of taxable temporary difference or deductible temporary difference on the amount of income tax as the deferred income tax liability or deferred income tax asset by using the balance sheet liability method. The Company does not conduct discounting of any deferred income tax asset and deferred income tax liability.

1. Recognition of deferred income tax asset

As for any deductible temporary difference, its impact on income tax is calculated at the income tax rate during the estimated switch-back period and recognized as deferred income tax asset, to the extent that it is probable that the amount of future taxable income will be available against which the deductible temporary differences, the deductible tax losses and tax reduction can be utilized.

The impact of deductible temporary difference on the amount of income tax, which is arisen from the initial recognition of assets or liabilities during a transaction or event which is simultaneously featured by the following, shall not be recognized as deferred income tax assets:

(1) The transaction is not a business combination;

(2) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

If the deductible temporary difference related to the Company's investments in the subsidiaries, associates and joint ventures can meet the following requirements simultaneously, its impact on income tax can be recognized as deferred income tax assets:

(1) The temporary differences is likely to be reversed in the expected future;

(2) It is likely to obtain taxable income that may be used for offsetting the deductible temporary difference;

On the balance sheet date, if there is conclusive evidence that it is likely to obtain sufficient taxable income to offset the deductible temporary difference in the future, the deferred income tax assets not recognized in the previous period shall be recognized.

The carrying value of deferred income tax assets shall be reviewed by the Company on balance sheet date. If it is unlikely to obtain sufficient taxable income to offset the benefit of the deferred income tax assets in the future, the carrying value of the deferred income tax assets shall be written down. When adequate taxable income is likely to obtain, the deducted amount shall be reversed.

2. Recognition of deferred income tax liabilities

The impact of all taxable temporary difference on income tax of the Company shall be measured at the income tax rate in the estimated switch-back period, and this impact shall be determined as the deferred income tax liability, except for the following conditions:

(1) The impact of taxable temporary difference resulted from the following transactions and events on income tax shall not be recognized as the deferred income tax liability:

(1) Initial recognition of business reputation;

(2) Initial confirmation of assets or liabilities generated in transactions with the following characteristics: the transaction is not a business combination and, at the time of transaction, the accounting profits will not be affected, nor will the taxable amount or the deductible loss be affected.

(2) The impact of taxable temporary difference related to the Company's investments in the subsidiaries, associates and joint ventures on income tax is generally recognized as deferred income tax liability, excluding the ones which satisfy the following two conditions at the same time:

(1) The Company can control the time of the reverse of temporary differences;

(2) The temporary differences are unlikely to be reversed in the foreseeable future.

3. Recognition of deferred income tax liabilities or assets related to special transactions and events

(1) Deferred income tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference generated in a business combination not under the same control, the relevant deferred income tax fees (or gains) are generally used to adjust the goodwill recognized in a business combination while the deferred income tax liabilities or assets are confirmed.

(2) Items directly included into owner's equity

The income taxes for the current period and deferred income tax related to the transactions or events directly recorded in the owner's equity shall be included in the owner's equity. The impact of temporary difference on income tax is included in the transactions and events of the owner's equity, including: other comprehensive income generated from the changes in the fair value of available-for-sale financial assets, the retrospective adjustment method, or the difference retrospective restatement for correction of previous (important) accounting errors is used to adjust the opening retained earnings due to the changes in accounting policies, and the mixed financial instruments with both liability and equity are included into the owner's equity at initial recognition.

(3) Deductible loss and tax deduction

(1) The Company may have deductible loss and tax deduction during the operation process

Deductible loss refers to the loss allowed to be covered by the taxable income in subsequent years as determined in the calculation based on the tax laws. The recoverable losses (deductible loss) and tax deduction, which can be carried-over in the future in accordance with tax law, are regarded as deductible temporary difference. If it is possible to obtain enough taxable income in the future period when the deductible loss and tax deduction are expected to be available, the relevant deferred income tax assets shall be recognized for the amount of the taxable income which can possibly be obtained, and the income tax expenses shall be deducted in the income statement for the current period at the same time.

(2) Deductible unrecoverable loss of merged enterprise caused by business combination

During a business combination, the Company shall not recognize the deductible temporary difference obtained from the acquiree which cannot conform to the determination conditions of deferred income tax asset on the purchasing date. Within 12 months after the purchasing date, if there is new or further information indicating that the conditions are existing on the purchasing date, and it is predicted that the economic benefit brought by the deductible temporary difference of the acquiree on the purchasing date can be realized, the relevant deferred income tax asset shall be recognized and the goodwill shall be reduced. If the goodwill is not enough for deduction, the difference shall be recognized as the current profit or loss. In addition to the above conditions, the deferred income tax asset related to business combination shall be recognized and included into the current profit or loss.

(4) Temporary difference due to elimination of consolidation

When the Company is preparing the consolidated financial statement, if the carrying value of the assets and liabilities in the consolidated balance sheet temporarily differ from the tax basis of the subject of tax payment it belongs because of the elimination of the unrealized profit or loss of internal transactions, the deferred tax assets or deferred tax liabilities shall be recognized in the consolidated balance sheet and the income tax expenses shall be adjusted in the consolidated income statement, except for the transactions or matters that are directly included into the owners' equity, and the deferred income taxes related to business combination.

(5) The equity-settled share-based payments

If it is allowed for pre-tax deduction of share-based payment in accordance with the regulations of tax law, the Company shall calculate and determine the tax base and the resultant temporary difference based on the pre-tax deduction amount estimated as per information obtained at the end of the accounting period within the period where the cost is recognized in accordance with the accounting principles, and the relevant deferred income tax shall be recognized accordingly if the determination conditions are satisfied. If the estimated pre-tax deduction amount in the future exceeds the cost related to the share-based payment determined in accordance with accounting principles, the impact of such excess on income tax shall be directly included into the owner's equity.

31. Leasing

(1) Accounting treatment for operating leases

√ Applicable ☐ Not Applicable

(1) If the Company is the lessee of operating leases, the Company shall include the rental income of operating leases in the current profit or loss in each period of the lease term by using the straight-line method or as per the use of leasing assets. When the rent-free period is provided by the lessor, the Company shall distribute the total rental within the whole lease term without deducting the rent-free period by using straight-line method or other proper methods, and also recognize the rental and relevant liabilities in the rent-free period. If the lessor undertakes some expense of the lessee, the Company shall distribute the remaining rental expense in the whole lease term after the relevant expense is deduced from the total rental expense.

The initial direct expenses shall be included in the current profit or loss. If there is a contingent rental as agreed in an agreement, it shall be recorded in the current profit and loss when it actually occurs.

(2) If the Company is the lessor of operating leases, the Company shall recognize the received rental as gains within the lease term by using straight-line method. When the rent-free period is provided by the lessor, the lessor shall distribute the total rental within the whole lease term without deducting the rent-free period by using straight-line method or other proper methods, and the lessor shall also recognize the rental income in the rent-free period. If the lessor undertakes some expense of the lessee, the Company shall distribute the remaining rental income in the whole lease term after the relevant expense is deduced from the total rental income.

The initial direct expenses shall be included in the current profit or loss. Large amount shall be capitalized, and included in the current profit or loss on the same basis for confirmation of rental income in different phases of the whole operating lease term. If there is a contingent rental as agreed in an agreement, it shall be recorded in the current profit and loss when it actually occurs.

(2) Accounting treatment for finance lease

√ Applicable □ Not Applicable

(1) If the Company is the lessee of finance lease, on the commencement date of the lease term, the Company shall recognize the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease commencement date as the recorded value of the leased asset, the minimum lease payments as the recorded value of long-term account payable, and the difference between them as unrecognized financial charges. It shall be amortized using the actual interest rate method in each period of the lease term, recognized as the financial charges for the current period and included into financial expenses.

The initial direct expenses incurred are included in the leased asset value.

For the depreciation of finance lease asset, the Company shall apply the depreciation policy for the self-owned asset to be depreciated, and the depreciation period shall be determined in accordance with the leasing contract. If it can be reasonably determined that the ownership of a leased asset can be obtained by the Company at the end of the lease term, the life of leased asset on the commencement date of the lease term shall be taken as the depreciation period; otherwise the lease term or the service life of the leased asset, whichever is shorter, shall be regarded as the depreciation period.

(2) If the Company is the lessor of finance lease, on the commencement date of the lease term, the Company shall recognize the sum of the minimum lease receivables on the lease commencement date and the initial direct costs as the book value of finance lease receivable, include it as the long-term receivables in the balance sheet and record the unguaranteed residual value at the same time. The difference between the sum of the minimum lease receivables, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized finance income. The effective interest rate method shall be used to recognize the leasing income in each period of the lease term.

32. Other significant accounting policies and accounting estimates

√ Applicable ☐ Not Applicable

Work safety expenses

In accordance with the relevant requirements of Rule 9 of the "Notice on Issuing the Administrative Measures for Withholding and Use of Work Safety Expenses of Enterprises" (Cai Qi [2012] No. 16) (《關於印發<企業安全生產費用提取和使用管理辦法>的通知》(財企[2012]16號)) jointly issued by the Ministry of Finance and the State Administration of Work Safety, the work safety expenses applicable to transportation enterprises shall be withheld based on the actual operating revenue for the previous year, of which 1% shall be withheld for ordinary cargo transportation business, and 1.5% shall be withheld for special cargo transportation business such as hazardous goods.

When the work safety expenses are withheld, they shall be included in the cost of the relevant products or the current profit or loss, and recorded as the "special reserve" at the same time.

When the work safety expenses are used as required, they shall be directly used to offset the special reserve as expenditures. Where fixed assets are formed, the expenditures incurred shall first be aggregated under the item "construction in progress", and then be recognized as fixed assets upon completion of the safety-related projects which have satisfied the conditions for its intended use. Meanwhile, special reserves shall be written down based on the costs of fixed assets formed, and accumulated depreciation of the same amount shall be recognized. No further provision for depreciation shall be made for such fixed assets in subsequent periods.

33. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

√ Applicable ☐ Not Applicable

Particulars of and reasons for the changes in accounting policies	Approval procedures	Remarks (names and amounts of the accounting items materially affected)
On 28 April 2017, the Ministry of Finance issued the "Enterprise Accounting Standards No. 42 – Held-for-sale Non-current Assets, Disposal Group and Discontinued Operations", which was implemented on 28 May 2017. The Company will adopt the prospective application method to deal with held-for-sale non-current assets, disposal group and discontinued operations existing as at the implementation date of such standards.	Considered and approved at the 5th meeting of the sixth session of the Board of the Company	For the new item of "Other income" added to the income statement, in accordance with the relevant requirements of the "Accounting Standard for Business Enterprises No. 16 – Government Grants", the Company shall adopt the prospective application method to deal with the government grants existing on 1 January 2017, and is not required to adjust the data for the comparable period.
On 10 May 2017, the Ministry of Finance issued the "Accounting Standard for Business Enterprises No. 16 – Government Grants" (amendment), which was implemented on 12 June 2017. The Company adopted the prospective application method to deal with the government grants existing as at 1 January 2017. The new government grants received between 1 January 2017 and the effective date of the standard were adjusted in accordance with the standard.		The Company did not make any retroactive adjustment to the item of "Gains on disposal of assets", and there is no impact on the item in the Company's financial statements for 2016.

Particulars of and reasons for the changes in accounting policies	Approval procedures	Remarks (names and amounts of the accounting items materially affected)
In accordance with the relevant requirements of the above two standards, the Ministry of Finance revised the format of financial statements for general enterprises, and issued the "Notice on the Amendment to and Publication of Format of Financial Statements for General Enterprises" (《關於修訂印發一般企業財務報表格式的通知》) on 25 December 2017. The new items of "Held-for-sale assets" and "Held-for-sale liabilities" shall be added to the balance sheet, the new item of "Gains on disposal of assets" and "Other income" shall be added to the income statement, the new items of "(1) Net profit from continuing operations" and "(2) Net profit from discontinued operations" shall be added to the net profit. On 12 January 2018, the Ministry of Finance issued the "Interpretation on Issues Concerning the Format of Financial Statements of General Enterprises" (《關於一般企業財務報表格式有關問題的解讀》). In accordance with the relevant requirements of the Interpretation:		

Particulars of and reasons for the changes in accounting policies	Approval procedures	Remarks (names and amounts of the accounting items materially affected)
For the new item of "Gains on disposal of assets" added to the income statement, the Company shall adjust the data for the comparable period in accordance with the Notice and the relevant requirements of the "Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements".		

Others

During the reporting period, there is no change in the significant accounting estimates of the Company.

(2) Changes in significant accounting estimates

√ Applicable ☐ Not Applicable

34. Others

☐ Applicable √ Not applicable

VI. TAXES

1. Major taxes and tax rates

Description of major taxes and tax rates

√ Applicable ☐ Not applicable

Tax	Tax base	Tax rates
Value-added tax (VAT)	Revenue from sales of goods, revenue from processing and repair services, taxable service income and other taxable income	17%, 13%, 11%, 6%, 5%, 3%
Business tax	Service income	5%

Tax	Tax base	Tax rates
City maintenance and construction tax	Turnover taxes paid	7%
Corporate income tax	Taxable profit	25%
Educational surcharge	Turnover taxes paid	3%
Local educational fee	Turnover taxes paid	2%
Property tax	Rental income and costs of properties	1.2%, 12%

Should there be any tax payers at different enterprise income tax rates, the disclosure is set out below

□ Applicable √ Not applicable

2. Tax preference

□ Applicable √ Not applicable

3. Others

□ Applicable √ Not applicable

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

√Applicable □ Not applicable

Currency: RMB

Items	Closing balance	Opening balance
Cash on hand	3,439.10	2,629.82
Cash at bank	2,927,842,138.16	2,297,813,758.70
Other cash balances		
Total	2,927,845,577.26	2,297,816,388.52
Of which, total amounts that were deposited overseas		

Other explanations

1. Included in the closing balance were RMB2,369,007,175.04 that were placed in the Company's associate, Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司).

2. No cash at bank and on hand of the Company were restricted to use or subject to potential risk of collection due to security or lock up.

2. Financial assets at fair value through profit or loss

☐ Applicable √ Not applicable

3. Derivative financial assets

☐ Applicable √ Not applicable

4. Notes receivable

(1) Category of notes receivable

√ Applicable ☐ Not applicable

Currency: RMB

Items	Closing balance	Opening balance
Bank acceptance notes	355,393,828.57	537,395,848.24
Commercial acceptance bills		
Total	355,393,828.57	537,395,848.24

(2) Pledged notes receivable of the Company at the end of the period

☐ Applicable √ Not applicable

(3) Notes receivable which have been endorsed or discounted but not mature yet as at the balance sheet date:

√ Applicable ☐ Not applicable

Currency: RMB

Items	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance notes	220,442,611.26	–
Commercial acceptance bills		
Total	220,442,611.26	–

(4) Notes that were recognized as accounts receivable due to the drawer's failure to perform liability at the end of the period

√ Applicable □ Not applicable

Currency: RMB

Items	Amounts recognized as accounts receivable at the end of the period
Bank acceptance notes	
Commercial acceptance bills	11,711,643.00
Total	11,711,643.00

The amounts represent the bank acceptance notes that were dishonored at the maturity date due to the defects in the endorsement procedure, all of which were honored as at the issuing date of this financial report.

Other explanations

□ Applicable √ Not applicable

5. Accounts receivable

(1) Category of accounts receivable

√Applicable ☐ Not applicable

Currency: RMB

	Closing balance					Opening balance				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
Category	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying value	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying value
Accounts receivable with amounts that were individually significant and that the provision for bad debts was made on the individual basis	18,280,489.79	4.85	17,780,489.79	97.26	500,000.00	18,280,489.79	2.81	17,780,489.79	97.26	500,000.00
Accounts receivable with the provision for bad debts made on the grouping basis of credit risk characteristics	358,355,844.64	95.15	1,791,074.42	0.5	356,564,770.22	631,960,838.33	97.19	3,159,804.19	0.50	628,801,034.14
Accounts receivable with amounts that were individually insignificant and that the provision for bad debts was made on the individual basis										
Total	**376,636,334.43**	**/**	**19,571,564.21**	**/**	**357,064,770.22**	**650,241,328.12**	**/**	**20,940,293.98**	**/**	**629,301,034.14**

Accounts receivable with amounts that were individually significant and that the provision for bad debts was made on the individual basis at the end of the period

√ Applicable □ Not applicable

Currency: RMB

	Closing balance			
Accounts receivable (by companies)	**Accounts receivable**	**Provision for bad debts**	**Percentage of provision** *(%)*	**Reason**
Shenyang Oriental Steel Co., Ltd. (瀋陽東方鋼鐵有限公司)	4,230,067.01	4,230,067.01	100.00	Expected not to be recovered
Chaoyang Saiwai Mining (Group) Co., Ltd. (朝陽塞外礦業(集團)有限公司)	6,823,163.50	6,323,163.50	92.67	Expected not to be recovered
Zhoushan Mingying Shipping Co., Ltd. (舟山明贏船務有限公司)	4,235,722.50	4,235,722.50	100.00	Expected not to be recovered
Yangpu Xinhong Logistics Co., Ltd. (洋浦信宏物流有限公司)	2,991,536.78	2,991,536.78	100.00	Expected not to be recovered
Total	18,280,489.79	17,780,489.79	/	/

Among the group, the provision for bad debts for accounts receivable was made by the aging analysis method:

□ Applicable √ Not applicable

Among the group, the provision for bad debts for accounts receivable was made by using the balance percentage method:

√ Applicable □ Not applicable

Currency: RMB

	Closing balance		
Percentage of balance	**Accounts receivable**	**Provision for bad debts**	**Percentage of provision** *(%)*
Within 1 year	271,160,375.59	1,355,097.07	0.50
1 to 2 years	70,653,000.00	353,265.00	0.50
3 to 4 years	16,542,469.05	82,712.35	0.50
Total	358,355,844.64	1,791,074.42	0.50

Explanations on the basis for determination of the portfolio

For the receivables which are individually significant or for which impairment is not identified in an individual test, and the individually insignificant receivables, the Company includes their balances into the credit risk characteristics portfolio for impairment assessment.

Among the group, the provision for bad debts for accounts receivable was made by using other methods:

□ Applicable √ Not applicable

(2) Provision for bad debts provided, recovered or reversed for the current period

The provision for bad debts made for the current period was RMB-1,368,729.77, while the provision for bad debts recovered or reversed for the current period was RMB0.00.

Among which, the provision for bad debts recovered or reversed for the current period was significant:

□ Applicable √ Not applicable

(3) Accounts receivable actually written off for the current period

□ Applicable √ Not applicable

(4) The top five closing balances of accounts receivable categorized by debtors

√ Applicable ☐ Not applicable

Name of companies	Closing balance	Percentage of total closing balance of accounts receivable (%)	Provision for bad debts
Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	70,653,000.00	18.76	353,265.00
Angang Steel Company Limited (鞍鋼股份有限公司)	56,817,110.90	15.09	284,085.55
Minmetals Yingkou Medium Plate Co., Ltd	25,259,982.59	6.71	126,299.91
Dalian Wanhong Petrochemical Co., Ltd. (大連萬鴻石油化工有限公司)	15,968,753.75	4.24	79,843.77
Benxi Beifang Iron Industry Co., Ltd. (本溪北方鐵業有限公司)	14,040,899.55	3.73	70,204.50
Total	182,739,746.79	48.53	913,698.73

(5) Accounts receivable derecognized for transfer of financial assets:

☐ Applicable √ Not applicable

(6) The amounts of assets and liabilities resulted from the transfer and continuous involvement of receivables

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

6. Prepayments

(1) Prepayments set out by aging

√ Applicable □ Not applicable

Currency: RMB

Aging	Closing balance Amount	Percentage (%)	Opening balance Amount	Percentage (%)
Within 1 year	5,267,342.59	99.36	3,492,886.63	100.00
1 to 2 years	33,973.82	0.64		
2 to 3 years				
Over 3 years				
Total	5,301,316.41	100.00	3,492,886.63	100.00

(2) The top five closing balances of prepayments categorized by the prepaid objects:

√ Applicable □ Not applicable

Name of companies	Closing balance	Percentage of total closing balances of prepayments (%)
China Railway Tielong Container Logistics Co., Ltd., Shaba Railway Branch (中鐵鐵龍集裝箱物流股份有限公司沙鮁鐵路分公司)	3,040,932.60	57.36
Liaoning Electric Power Co., Ltd., Yingkou Power Supply Company (遼寧省電力有限公司營口供電公司)	569,000.10	10.73
Yingkou Ao'peng Metal Machinery Co., Ltd. (營口奧鵬金屬機械有限公司)	513,000.00	9.68
Tielong Yingkou Industrial Co., Ltd. (鐵龍營口實業有限責任公司)	351,511.89	6.63
Shandong Gangtong Engineering Management Consulting Co., Ltd. (山東港通工程管理諮詢有限公司)	348,000.00	6.56
Total	4,822,444.59	90.96

Other explanations:

☐ Applicable √ Not applicable

7. Interest receivable

(1) Classification of interest receivable

☐ Applicable √ Not applicable

(2) Significant overdue interest

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

8. Dividends receivable

(1) Dividends receivable

☐ Applicable √ Not applicable

(2) Significant dividends receivable with ageing over one year:

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

9. Other receivables

(1) Classified disclosure of other receivables

√ Applicable ☐ Not applicable

Currency: RMB

Categories	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Other receivables with amounts that were individually significant and that the provision for bad debts was made on the individual basis	–	–	–	–	–	–	–	–	–	–
Other receivables with the provision for bad debts made on the grouping basis of credit risk characteristics	5,333,857.76	100	27,467.28	0.5	5,306,390.48	5,820,793.29	100.00	29,103.97	0.50	5,791,689.32
Other receivables with amounts that were individually insignificant and that the provision for bad debts was made on the individual basis	–	–	–	–	–	–	–	–	–	–
Total	5,333,857.76	/	27,467.28	/	5,306,390.48	5,820,793.29	/	29,103.97	/	5,791,689.32

Other receivables with amounts that were individually significant and that the provision for bad debts was made on the individual basis at the end of the period

☐ Applicable √ Not applicable

Among the group, other receivables for which the provision for bad debts was made by the aging analysis method:

☐ Applicable √ Not applicable

Among the group, other receivables for which the provision for bad debts was made by using the balance percentage method:

√ Applicable ☐ Not applicable

Currency: RMB

Percentage of balance	Closing balance Other receivables	Provision for bad debts	Percentage of provision *(%)*
Within 1 year	4,804,857.63	24,822.28	0.5
1 to 2 years	139,040.35	695.20	0.5
2 to 3 years	389,959.78	1,949.80	0.5
Total	5,333,857.76	27,467.28	0.5

Among the group, other receivables for which the provision for bad debts was made by using other methods:

□ Applicable √ Not applicable

(2) Provision for bad debts provided, recovered or reversed for the current period

The provision for bad debts made for the current period was RMB-1,636.69, while the provision for bad debts recovered or reversed for the current period was RMB0.00.

Among which, the provision for bad debts reversed or recovered for the current period was significant:

□ Applicable √ Not applicable

(3) Other receivables actually written off for the current period

□ Applicable √ Not applicable

Among which, the write-off of other receivables which was significant:

□ Applicable √ Not applicable

Explanations on the write-off of other receivables:

□ Applicable √ Not applicable

(4) Classification of other receivables by nature of amounts

√ Applicable ☐ Not applicable

Currency: RMB

Nature of amounts	Closing book balance	Opening book balance
Deposits	875,103.76	1,472,448.78
Advanced payments collected on behalf of other parties	4,458,754.00	4,276,484.70
Others	–	71,859.81
Total	5,333,857.76	5,820,793.29

(5) The top five closing balances of other accounts receivable categorized by debtors

√ Applicable ☐ Not applicable

Currency: RMB

Name of companies	Nature of amounts	Closing balance	Aging	Percentage of total closing balance of other receivables *(%)*	Closing balance of provision for bad debts
Shanghai Sinograin Logistics Co., Ltd. (上海中谷物流股份有限公司)	Advanced payments	1,491,536.00	Within 1 year	27.96	7,457.68
Yangpu Hailutong Logistics Co., Ltd. (洋浦海陸通物流有限公司)	Advanced payments	1,223,680.00	Within 1 year	22.94	6,118.40
Quanzhou Antong Logistics Co., Ltd. (泉州安通物流有限公司)	Advanced payments	797,360.00	Within 1 year	14.95	3,986.80
Sinotrans Liaoning Co., Ltd., Yingkou Branch (中國外運遼寧有限公司營口分公司)	Advanced payments	398,256.00	Within 1 year	7.47	1,991.28
Zhao Jianjun	Deposits	318,020.00	2 to 3 years	5.96	1,590.10
Total	/	4,228,852.00	/	79.28	21,144.26

(6) Receivables related to government grants

□ Applicable √ Not applicable

(7) Other receivables derecognized due to the transfer of financial assets

□ Applicable √ Not applicable

(8) The amounts of assets and liabilities resulted from the transfer and continuous involvement of other receivables

□ Applicable √ Not applicable

Other explanations:

□ Applicable √ Not applicable

10. Inventories

(1) Classification of inventories

√ Applicable □ Not applicable

Currency: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment of inventories	Carrying value	Book balance	Provision for impairment of inventories	Carrying value
Raw materials	27,033,933.40	–	27,033,933.40	28,984,604.53	–	28,984,604.53
Work in progress	1,189,586.94	–	1,189,586.94	2,681,696.29	–	2,681,696.29
Goods in stock	3,259,567.99	–	3,259,567.99			
Turnover materials	17,629.06	–	17,629.06	52,184.68	–	52,184.68
Expendable biological assets	–	–	–	–	–	–
Completed but unsettled assets formed by construction contracts	–	–	–	–	–	–
Fuel expenses	80,173.03	–	80,173.03	73,562.73	–	73,562.73
Total	31,580,890.42	–	31,580,890.42	31,792,048.23	–	31,792,048.23

(2) Provision for impairment of inventories

□ Applicable √ Not applicable

(3) Explanations on the closing balance of inventories including capitalized borrowing costs

□ Applicable√ Not applicable

(4) Completed but unsettled assets formed by construction contracts at the end of the period:

□ Applicable √ Not applicable

Other explanations:

□ Applicable√ Not applicable

11. Assets held for sale

□ Applicable √ Not applicable

12. Non-current assets due within one year

□ Applicable √ Not applicable

13. Other current assets

√ Applicable □ Not applicable

Currency: RMB

Items	**Closing balance**	**Opening balance**
Input VAT to be deducted and prepaid tax	24,845,724.19	5,568,462.78
Prepaid expenses	3,677,247.33	3,244,100.89
Total	28,522,971.52	8,812,563.67

14. Available-for-sale financial assets

(1) Information on available-for-sale financial assets

□ Applicable √ Not applicable

(2) Available-for-sale financial assets measured at fair value at the end of the period

□ Applicable √ Not applicable

(3) Available-for-sale financial assets measured at costs at the end of the period

☐ Applicable √ Not applicable

(4) Changes in the impairment of available-for-sale financial assets during the reporting period

☐ Applicable √ Not applicable

(5) Relevant explanations on significant or non-temporary decrease in the fair value of the available-for-sale equity instruments at the end of the period, for which no provision for impairment losses was made:

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

15. Held-to-maturity investments

(1) Information on held-to-maturity investments:

☐ Applicable √ Not applicable

(2) Significant held-to-maturity investments at the end of the period:

☐ Applicable √ Not applicable

(3) Held-to-maturity investments reclassified for the current period

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

16. Long-term receivables

(1) Information on long-term receivables:

☐ Applicable √ Not applicable

(2) Long-term receivables derecognized due to the transfer of financial assets

□ Applicable √ Not applicable

(3) The amounts of assets and liabilities resulted from the transfer and continuous involvement of long-term receivables

□ Applicable √ Not applicable

Other explanations:

□ Applicable √ Not applicable

17. Long-term equity investments

√ Applicable ☐ Not applicable

Currency: RMB

		Movements in the period									
Investees	Opening balance	Increase in investment	Decrease in investment	Share of profit/(loss) under equity method	Adjustments in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
I. Joint ventures											
Yingkou Container Terminals Company Limited	39,580,253.01	–	–	21,901,513.15	–	–	-7,661,513.98	–	–	53,820,252.18	–
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	194,817,109.08	–	–	21,499,098.09	–	–	–	–	–	216,316,207.17	–
Subtotal	234,397,362.09	–	–	43,400,611.24	–	–	-7,661,513.98	–	–	270,136,459.35	–
II. Associates											
Angang International Trade Yingkou Port Co., Ltd. (鞍鋼國貿營口港務有限公司)	215,944,830.33	–	–	4,968,557.03	–	–	–	–	–	220,913,387.36	–
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	265,274,690.66	–	–	42,856,541.66	–	–	–	–	–	308,131,232.32	–
Subtotal	481,219,520.99	–	–	47,825,098.69	–	–	–	–	–	529,044,619.68	–
Total	715,616,883.08	–	–	91,225,709.93	–	–	-7,661,513.98	–	–	799,181,079.03	–

18. Investment properties

The measurement model for investment properties

Not applicable

19. Fixed assets

(1) Information on fixed assets

√ Applicable □ Not applicable

Currency: RMB

Items	Buildings	Machinery and equipment	Motor vehicles	Terminal facilities	Storage facilities	Loading equipment	Vehicles	Radio communication equipment	Automation controls & instruments	Total
I. Cost:										
1. Opening balance	1,328,129,215.86	524,994,430.50	–	8,077,082,106.76	2,102,544,920.92	4,034,459,757.22	217,344,244.09	141,864,346.07	37,205,982.29	16,463,625,003.71
2. Increase for the current period	31,885,144.51	19,927,275.29	–	398,782.85	11,710,672.33	7,858,188.04	4,879,060.05	6,897,332.94	2,790,005.55	86,346,461.56
(1) Additions	706,025.09	12,308,058.12	–	–	3,340,809.74	7,858,188.04	4,879,060.05	5,261,689.68	–	34,353,830.72
(2) Transfers from construction in progress	31,179,119.42	7,619,217.17	–	398,782.85	8,369,862.59	–	–	1,635,643.26	2,790,005.55	51,992,630.84
(3) Increase in business combinations	–	–	–	–	–	–	–	–	–	–
3. Decrease for the current period	9,687,970.88	4,366,554.17	–	5,128,177.87	14,540,039.76	4,434,389.54	18,947,536.80	1,944,758.85	158,494.00	59,207,921.87
(1) Disposal or obsolescence	9,687,970.88	4,366,554.17	–	5,128,177.87	14,540,039.76	4,434,389.54	18,947,536.80	1,944,758.85	158,494.00	59,207,921.87
4. Closing balance	1,350,326,389.49	540,555,151.62	–	8,072,352,711.74	2,099,715,553.49	4,037,883,555.72	203,275,767.34	146,816,920.16	39,837,493.84	16,490,763,543.40

Currency: RMB

Items	Buildings	Machinery and equipment	Motor vehicles	Terminal facilities	Storage facilities	Loading equipment	Vehicles	Radio communication equipment	Automation controls & instruments	Total
II. Accumulated depreciation										
1. Opening balance	559,140,016.73	360,225,130.98	–	1,698,458,106.63	612,138,824.17	2,028,459,547.37	141,082,178.95	109,450,287.71	28,935,402.00	5,537,889,494.54
2. Increase for the current period	82,726,866.08	33,425,579.20	–	200,601,353.05	86,003,028.36	238,740,567.63	16,868,825.79	7,195,198.11	2,132,615.73	667,694,033.95
(1) Provisions	82,726,866.08	33,425,579.20	–	200,601,353.05	86,003,028.36	238,740,567.63	16,868,825.79	7,195,198.11	2,132,615.73	667,694,033.95
3. Decrease for the current period	8,413,951.95	4,125,581.61	–	1,588,145.44	9,399,219.89	4,210,567.71	17,784,135.20	1,835,329.49	156,844.00	47,513,775.29
(1) Disposal or obsolescence	8,413,951.95	4,125,581.61	–	1,588,145.44	9,399,219.89	4,210,567.71	17,784,135.20	1,835,329.49	156,844.00	47,513,775.29
4. Closing balance	633,452,930.86	389,525,128.57	–	1,897,471,314.24	688,742,632.64	2,262,989,547.29	140,166,869.54	114,810,156.33	30,911,173.73	6,158,069,753.20
III. Provision for impairment										
1. Opening balance	–	–	–	–	–	–	–	–	–	–
2. Increase for the current period	–	–	–	–	–	–	–	–	–	–
(1) Provisions	–	–	–	–	–	–	–	–	–	–
3. Decrease for the current period	–	–	–	–	–	–	–	–	–	–
(1) Disposal or obsolescence	–	–	–	–	–	–	–	–	–	–
4. Closing balance	–	–	–	–	–	–	–	–	–	–

Currency: RMB

Items	Buildings	Machinery and equipment	Motor vehicles	Terminal facilities	Storage facilities	Loading equipment	Vehicles	Radio communication equipment	Automation controls & instruments	Total
IV. Carrying value										
1. Carrying value as at the end of the period	716,873,458.63	151,030,023.05	–	6,174,881,397.50	1,410,972,920.85	1,774,894,008.43	63,108,897.80	32,006,763.83	8,926,320.11	10,332,693,790.20
2. Carrying value as at the beginning of the period	768,989,199.13	164,769,299.52	–	6,378,624,000.13	1,490,406,096.75	2,006,000,209.85	76,262,065.14	32,414,058.36	8,270,580.29	10,925,735,509.17

(2) Temporarily idle fixed assets

□ Applicable √ Not applicable

(3) Fixed assets leased in through finance lease

□ Applicable √ Not applicable

(4) Fixed assets leased out through operation lease

√ Applicable □ Not applicable

Currency: RMB

Items	Carrying value as at the end of the period
Terminal facilities	250,703,924.79
Storage facilities	59,432,391.48
Buildings	20,933,380.29
Loading equipment	156,226,544.16
Vehicles	66,750.00
Machinery and equipment	835,925.83
Radio communication equipment	238,288.44
Automation controls & instruments	1,321,887.34
Total	489,759,092.33

(5) Fixed assets without property certificate

□ Applicable √ Not applicable

Other explanations:

□ Applicable √ Not applicable

20. Construction in progress

(1) Construction in progress

√ Applicable □ Not applicable

Currency: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Boiler Room Heat Supply Reformation Project at Harbour Basin No. 1 of the Bayuquan Port Area of Yingkou Port	4,985,288.79	–	4,985,288.79	270,754.72	–	270,754.72
Upgrading and Reformation of Fire Control System	10,875,971.97	–	10,875,971.97	–	–	–
Grain Transition Facility Expansion Project	7,883,343.16	–	7,883,343.16	6,789,177.17	–	6,789,177.17
Automobile Parking Base Project	2,345,946.51	–	2,345,946.51	2,345,946.51	–	2,345,946.51
Fence and Gate Project for the Restricted Areas at the Entry Port of the Bayuquan Port Area	4,069,819.83	–	4,069,819.83	–	–	–
Terminal Shore Power System Project in the Bayuquan Port Area	113,000,686.18	–	113,000,686.18	–	–	–
Other Projects	1,340,425.81	–	1,340,425.81	–	–	–
Fire Station Project for the Oil Depot Area at Harbour Basin A	–	–	–	39,819,091.09	–	39,819,091.09
Upgrading, Reinforcing and Reformation Project for Berths No. 11 – 13	–	–	–	17,726,351.27	–	17,726,351.27
Fire Pump Room and Branch Pipeline Network Project for the Oil Depot Area at Harbour Basin No. 1	–	–	–	1,987,391.00	–	1,987,391.00
Other Projects	–	–	–	10,320,329.74	–	10,320,329.74
Total	144,501,482.25	–	144,501,482.25	79,259,041.50	–	79,259,041.50

(2) *Changes in major construction in progress projects during the period*

√ Applicable ☐ Not applicable

Currency: RMB

Project name	Budgeted amount	Opening balance	Increase in the period	Transfer to fixed assets in the period	Other decreases in the period	Closing balance	Proportion of expenditures incurred to budgeted amount (%)	Progress of construction	Accumulative amount of capitalised interests	Including: interests capitalised in the period	Capitalisation rate (%)	Source of funds
Fire Station Project for the Oil Depot Area at Harbour Basin A	22,940,000.00	39,819,091.09	1,925,316.27	41,744,407.36	–	–	181.97	100	–	–	–	Self-raised
Upgrading, Reinforcing and Reformation Project for Berths No. 11 – 13	14,000,000.00	17,726,351.27	–	1,035,046.36	16,691,304.91	–	126.62	100	–	–	–	Self-raised
Fire Pump Room and Branch Pipeline Network Project for the Oil Depot Area at Harbour Basin No. 1	2,000,000.00	1,987,391.00	345,943.00	1,628,862.60	704,471.40	–	116.67	100	–	–	–	Self-raised
Boiler Room Heat Supply Reformation Project at Harbour Basin No. 1 of the Bayuquan Port Area of Yingkou Port	7,000,000.00	270,754.72	4,714,534.07	–	–	4,985,288.79	71.22	71	–	–	–	Self-raised

Project name	Budgeted amount	Opening balance	Increase in the period	Transfer to fixed assets in the period	Other decreases in the period	Closing balance	Proportion of expenditures incurred to budgeted amount (%)	Progress of construction	Accumulative amount of capitalised interests	Including: interests capitalised in the period	Capitalisation rate (%)	Source of funds
Upgrading and Reformation of Fire Control System	16,000,000.00	–	10,875,971.97	–	–	10,875,971.97	67.97	60	–	–	–	Self-raised
Grain Transition Facility Expansion Project	6,844,800.00	6,789,177.17	1,094,165.99	–	–	7,883,343.16	115.17	96	–	–	–	Self-raised
Automobile Parking Base Project	3,000,000.00	2,345,946.51	–	–	–	2,345,946.51	78.20	95	–	–	–	Self-raised
Fence and Gate Project for the Restricted Areas at the Entry Port of the Bayuquan Port Area	4,200,000.00	–	4,069,819.83	–	–	4,069,819.83	96.90	97	–	–	–	Self-raised
Terminal Shore Power System Project in the Bayuquan Port Area	113,000,000.00	–	113,000,686.18	–	–	113,000,686.18	100.00	97	–	–	–	Self-raised
Other Projects	–	10,320,329.74	1,558,096.46	7,584,314.52	2,953,685.87	1,340,425.81	–	–	–	–	–	–
Total	188,984,800.00	79,259,041.50	137,584,533.77	51,992,630.84	20,349,462.18	144,501,482.25	/	/	–	–	/	/

(3) Provision for impairment for the construction in progress for the period:

☐ Applicable √ Not applicable

Other explanations

☐ Applicable √ Not applicable

21. Project materials

√ Applicable ☐ Not applicable

Currency: RMB

Item	Closing balance	Opening balance
Special equipment	5,766.00	198,044.01
Total	5,766.00	198,044.01

22. Disposal of fixed assets

☐ Applicable √ Not applicable

23. Bearer biological assets

(1) Bearer biological assets at cost

☐ Applicable √ Not applicable

(2) Bearer biological assets at fair value

☐ Applicable √ Not applicable

Other explanations

☐ Applicable √ Not applicable

24. Oil and gas assets

☐ Applicable √ Not applicable

25. Intangible assets

(1) Intangible assets

√ Applicable □ Not applicable

Currency: RMB

Items	Land use rights	Patent rights	Non-patent technologies	Software	Total
I. Cost:					
1. Opening balance	1,281,245,483.28	–	–	34,920,840.00	1,316,166,323.28
2. Increase for the period	37,367,402.24	–	–	2,320,754.72	39,688,156.96
(1) Additions	37,367,402.24	–	–	2,320,754.72	39,688,156.96
(2) Internal research and development	–	–	–	–	–
(3) Increase in business combinations	–	–	–	–	–
3. Decrease for the period	7,125,234.82	–	–	–	7,125,234.82
(1) Disposal	7,125,234.82	–	–	–	7,125,234.82
4. Closing balance	1,311,487,650.70	–	–	37,241,594.72	1,348,729,245.42
II. Accumulated amortization					
1. Opening balance	214,206,658.64	–	–	18,023,382.68	232,230,041.32
2. Increase for the period	29,423,456.94	–	–	3,469,533.95	32,892,990.89
(1) Provision	29,423,456.94	–	–	3,469,533.95	32,892,990.89
3. Decrease for the period	1,398,774.09	–	–	–	1,398,774.09
(1) Disposal	1,398,774.09	–	–	–	1,398,774.09
4. Closing balance	242,231,341.49	–	–	21,492,916.63	263,724,258.12
III. Provision for impairment					
1. Opening balance	–	–	–	–	–
2. Increase for the period	–	–	–	–	–
(1) Provision	–	–	–	–	–
3. Decrease for the period	–	–	–	–	–
(1) Disposal	–	–	–	–	–
4. Closing balance	–	–	–	–	–
IV. Carrying value					
1. Carrying value as at the end of the period	1,069,256,309.21	–	–	15,748,678.09	1,085,004,987.30
2. Carrying value as at the beginning of the period	1,067,038,824.64	–	–	16,897,457.32	1,083,936,281.96

(2) The land use rights without property certificate:

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

26. Research and development expenses

☐ Applicable √ Not applicable

27. Goodwill

(1) Cost of goodwill

☐ Applicable √ Not applicable

(2) Provision for impairment of goodwill

☐ Applicable √ Not applicable

Explain the process of goodwill impairment test, parameters and recognition method of goodwill impairment loss

☐ Applicable √ Not applicable

Other explanations

☐ Applicable √ Not applicable

28. Long-term prepaid expenses

☐ Applicable √ Not applicable

29. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets before offsetting:

√ Applicable ☐ Not applicable

Currency: RMB

Items	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairments	19,599,031.49	4,899,757.87	20,969,397.95	5,242,349.49
Unrealised profit of intra transaction	705,992,742.98	176,498,185.75	744,462,453.57	186,115,613.39
Deductible losses	36,305,031.28	9,076,257.82	35,751,654.86	8,937,913.72
Deductible temporary differences of compensation for cargo damages	–	–	17,519,878.77	4,379,969.69
Total	761,896,805.75	190,474,201.44	818,703,385.15	204,675,846.29

(2) Deferred tax liabilities before offsetting:

□ Applicable √ Not applicable

(3) Deferred tax assets or liabilities presented with the net amount after offsetting:

□ Applicable √ Not applicable

(4) Details of unrecognized deferred tax assets

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

Other explanations:

□ Applicable √ Not applicable

30. Other non-current assets

√ Applicable ☐ Not applicable

Currency: RMB

Items	**Closing balance**	**Opening balance**
Advances for construction projects and equipment	61,656,616.12	3,781,200.00
Total	61,656,616.12	3,781,200.00

Other explanations:

The top five companies in terms of other non-current assets

Name of companies	**Relationship with the Company**	**Closing amounts**	**Ageing**	**Reasons for non-settlement**
Shanghai Zhenhua Heavy Industries Co., Ltd. (上海振華重工(集團)股份有限公司)	Supplier of the Company	36,675,000.00	Within 1 year	Products, labour (or services) are not yet provided
Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司)	Supplier of the Company	18,985,936.12	Within 1 year	Products, labour (or services) are not yet provided
Nanjing Nanrui Jibao Engineering Technology Co., Ltd.(南京南瑞繼保工程技術有限公司)	Supplier of the Company	1,837,200.00	Over 3 years	Products, labour (or services) are not yet provided
Haitong (Shanghai) Trading Co., Ltd. (海通(上海)貿易有限公司)	Supplier of the Company	1,096,800.00	Within 1 year	Products, labour (or services) are not yet provided
Tianjin Chuanfeng Electric Technology Co., Ltd. (天津市川豐電氣技術有限責任公司)	Supplier of the Company	815,400.00	Within 1 year	Products, labour (or services) are not yet provided

31. Short-term borrowings

(1) Categories of short-term borrowings

√ Applicable ☐ Not applicable

Currency: RMB

Items	Closing balance	Opening balance
Guaranteed	–	–
Pledged	–	–
Secured	–	–
Unsecured	300,000,000.00	200,000,000.00
Total	300,000,000.00	200,000,000.00

(2) Overdue and unsettled short-term borrowings

☐ Applicable √ Not applicable

In which, the significant overdue and unsettled short-term borrowings are as follows:

☐ Applicable √ Not applicable

Other explanations

☐ Applicable √ Not applicable

32. Financial liabilities at fair value through profit or loss

☐ Applicable √ Not applicable

33. Derivative financial liabilities

☐ Applicable √ Not applicable

34. Notes payable

☐ Applicable √ Not applicable

35. Accounts payable

(1) Presentation of accounts payable

√ Applicable □ Not applicable

Currency: RMB

Items	Closing balance	Opening balance
Construction costs payable	163,313,763.04	85,589,161.16
Survey and assessment costs payable	4,605,790.00	1,997,910.00
Cargo and equipment costs payable	149,351,172.01	136,211,237.26
Labour costs and storage costs payable	20,039,518.07	13,914,105.64
Cargo reconfiguration costs and flow machine costs payable	1,410,487.83	9,686,109.46
Others	10,674,250.05	9,913,721.61
Total	349,394,981.00	257,312,245.13

(2) Significant accounts payable aged over one year

√ Applicable □ Not applicable

Currency: RMB

Item	Closing balance	Reasons for non-repayment or non-carrying forward
Yingkou Youyi Port & Shipping Engineering Co., Ltd. (營口友一港航工程有限公司)	70,247,776.67	Not yet settled
Dalian Huarui Heavy Industry Group Co., Ltd. (大連華鋭重工集團股份有限公司)	14,007,546.00	Not yet settled
Gaizhou Municipal Company (蓋州市市政公司)	5,676,237.52	Not yet settled
Angang International Trading Yingkou Port Co., Ltd. (鞍鋼國貿營口港務有限公司)	5,417,391.95	Not yet settled
Yingkou Lianfeng Logistics Co., Ltd. (營口聯豐物流有限公司)	3,175,976.03	Not yet settled
Shenyang WeiLiDa Engineering Equipment Co. (瀋陽偉力達工程配套設備有限公司)	2,711,100.00	Not yet settled
Total	101,236,028.17	

Other explanations

□ Applicable √ Not applicable

36. Advances from customers

(1) Presentation of Advances from customers

√ Applicable ☐ Not applicable

Currency: RMB

Item	Closing balance	Opening balance
Port charges and receipts in advance	124,095,428.59	60,168,578.05
Total	124,095,428.59	60,168,578.05

(2) Significant advances from customers aged over one year

☐ Applicable √ Not applicable

(3) Settled but uncomplete projects formed by construction contracts at the end of the period:

☐ Applicable √ Not applicable

Other explanations

☐ Applicable √ Not applicable

37. Employee benefits payable

(1) Presentation of employee benefits payable

√ Applicable ☐ Not applicable

Currency: RMB

Items	Opening balance	Increased this period	Decreased this period	Closing balance
I. Short-term employee benefits	23,910,068.67	645,286,789.33	638,169,664.01	31,027,193.99
II. Post-employment benefits-defined contribution plan	4,504,069.66	115,246,969.90	114,090,596.80	5,660,442.76
III. Termination benefits	–	–	–	–
IV. Other benefits due within one year	–	–	–	–
Total	28,414,138.33	760,533,759.23	752,260,260.81	36,687,636.75

(2) Presentation of short-term employee benefits

√ Applicable □ Not applicable

Currency: RMB

Items	Opening balance	Increased this period	Decreased this period	Closing balance
I. Wages and salaries, bonus, allowances and subsidies	21,014,393.38	534,886,457.74	527,855,878.41	28,044,972.71
II. Employee welfare	–	19,981,813.94	19,981,813.94	–
III. Social insurance contributions	1,882,267.44	49,754,485.18	49,214,362.52	2,422,390.10
Including: Medical insurance	1,496,823.45	39,532,186.81	39,102,109.07	1,926,901.19
Work injury insurance	278,370.44	7,381,277.96	7,301,795.32	357,853.08
Maternity insurance	107,073.55	2,841,020.41	2,810,458.13	137,635.83
IV. Housing funds	–	21,724,702.66	21,724,702.66	–
V. Labour union funds and employee education funds	1,013,407.85	16,371,074.77	16,824,651.44	559,831.18
VI. Short-term compensated absences	–	–	–	–
VII. Short-term profit sharing plan	–	–	–	–
Others	–	2,568,255.04	2,568,255.04	–
Total	23,910,068.67	645,286,789.33	638,169,664.01	31,027,193.99

(3) Presentation of defined contribution plans

√ Applicable □ Not applicable

Currency: RMB

Items	Opening balance	Increased this period	Decreased this period	Closing balance
1. Basic pensions	4,289,823.59	111,970,583.99	110,754,975.62	5,505,431.96
2. Unemployment insurance	214,246.07	3,276,385.91	3,335,621.18	155,010.80
3. Payment of annuity	–	–	–	–
Total	4,504,069.66	115,246,969.90	114,090,596.80	5,660,442.76

Other explanations:

□ Applicable √ Not applicable

38. Taxes payable

√ Applicable ☐ Not applicable

Currency: RMB

Items	Closing balance	Opening balance
VAT	373,229.67	9,945,678.70
Consumption tax		
Business tax		
Corporate income tax	13,521,889.39	60,345,494.39
Individual income tax	1,237,004.67	683,825.63
City maintenance and construction tax	26,126.07	709,337.15
Property tax	285,203.68	240,150.32
Educational surcharge	11,196.89	304,001.63
Local education expenses	7,464.60	202,667.76
Stamp duty	599,035.94	503,050.97
River course construction and maintenance fees	2,945.00	86,559.72
Land use tax	–	85,833.01
Total	16,064,095.91	73,106,599.28

39. Interest payable

√ Applicable ☐ Not applicable

Currency: RMB

Items	Closing balance	Opening balance
Interest of long-term borrowings with instalment payments and principal due for maturity	2,194,130.10	3,480,511.38
Interest on corporate bonds	70,555,616.44	70,555,616.45
Interest of short-term borrowings	358,875.00	265,833.33
Interest of preference shares/perpetual bond classified as financial liabilities	–	–
Total	73,108,621.54	74,301,961.16

The significant overdue and unpaid interest:

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

40. Dividends payable

☐ Applicable √ Not applicable

41. Other payables

(1) Presentation of other payables by nature of amounts

√ Applicable ☐ Not applicable

Currency: RMB

Items	Closing balance	Opening balance
Security deposit, deposit, etc.	22,875,419.03	23,945,052.26
Collected terminal handling charges, etc.	457,776.03	1,224,877.39
Current account	2,478,960.17	3,277,092.17
Compensation for cargo damages, etc.	–	17,519,878.75
Advances on disposal of assets	–	8,676,466.99
Others	4,365,398.98	4,978,511.11
Total	30,177,554.21	59,621,878.67

(2) The significant other payables aged over one year

√ Applicable ☐ Not applicable

Currency: RMB

Items	Closing balance	Reasons for non-repayment or non-carrying forward
Dalian Huarui Heavy Industry Group Co., Ltd. (大連華銳重工集團股份有限公司)	3,535,490.40	Within the warranty period
Shenyang WeiLiDa Engineering Equipment Co. (瀋陽偉力達工程配套設備有限公司)	1,355,550.00	Within the warranty period
Total	4,891,040.40	

Other explanations

☐ Applicable √ Not applicable

42. Liabilities held for sale

☐ Applicable √ Not applicable

43. Non-current liabilities due within one year

☐ Applicable √ Not applicable

Unit: Yuan; Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year	266,800,000.00	1,301,800,000.00
Bonds payable due within one year	1,200,000,000.00	–
Long-term payables due within one year	–	–
Total	1,466,800,000.00	1,301,800,000.00

44. Other current liabilities

Other current liabilities

☐ Applicable √ Not Applicable

Increase or decrease of short-term bonds payable is as follows:

☐ Applicable √ Not Applicable

Other explanation:

☐ Applicable √ Not Applicable

45. Long-term borrowings

(1) Classification of long-term borrowings

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Closing balance	Opening balance
Pledged	–	–
Mortgaged	–	–
Guaranteed	510,200,000.00	676,000,000.00
Unsecured	1,099,000,000.00	400,000,000.00
Total	1,609,200,000.00	1,076,000,000.00

Other explanation, including the interest rate range:

√ Applicable ☐ Not Applicable

As at 31 December 2017, the interest rate range of the Company's long-term borrowings was 4.41% to 4.90% for the guaranteed portion, and 4.51% to 4.90% for the unsecured portion, respectively.

46. Bonds payable

(1) Bonds payable

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Closing balance	Opening balance
10 Yingkou Port Bonds	–	1,200,000,000.00
14 Yingkou Port Bonds	1,000,000,000.00	1,000,000,000.00
Total	1,000,000,000.00	2,200,000,000.00

(2) Increase or decrease of bonds payable (excluding preference shares, perpetual bonds and other financial instruments that are classified as financial liabilities) is as follows:

√Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Bond Name	Par value	Issuance date	Maturity	Issuance amount	Opening balance	Issued in the current period	Interest at par value	Amortisation of premium/ discount	Repayment in the current period	Transfer into non-current liabilities due within one year	Closing balance
10 Yingkou Port Bonds	100.00	2010/03/02	8 years	1,200,000,000.00	1,200,000,000.00	–	–	–	–	1,200,000,000.00	0.00
14 Yingkou Port Bonds	100.00	2014/10/20	7 years	1,000,000,000.00	1,000,000,000.00	–	–	–	–	–	1,000,000,000.00
Total	/	/	/	2,200,000,000.00	2,200,000,000.00	–	–	–	–	1,200,000,000.00	1,000,000,000.00

(3) Description of conditions and timing of conversion for convertible bonds of the Company

☐ Applicable √ Not Applicable

(4) Description of other financial instruments classified as financial liabilities:

General information on preference shares, perpetual bonds and other financial instruments that are outstanding at the end of the period

☐ Applicable √ Not Applicable

Statement on changes in preference shares, perpetual bonds and other financial instruments that are outstanding at the end of the period

☐ Applicable √ Not Applicable

Explanation of basis for classifying other financial instruments as financial liabilities

☐ Applicable √ Not Applicable

Other explanation:

☐ Applicable √ Not Applicable

47. Long-term payables

(1) Breakdown of long-term payables by nature:

☐ Applicable √ Not Applicable

48. Long-term employee benefits payable

☐ Applicable √ Not Applicable

49. Special payables

☐ Applicable √ Not Applicable

50. Provisions

☐ Applicable √ Not Applicable

51. Deferred income

Deferred income

☐ Applicable √ Not Applicable

Projects related to government grants:

☐ Applicable √ Not Applicable

Other explanation:

☐ Applicable √ Not Applicable

52. Other non-current liabilities

☐ Applicable √ Not Applicable

53. Share capital

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

		Movements for the current period (+, –)					
	Opening balance	New shares	Bonus shares	Transferred from reserves	Others	Sub-total	Closing balance
Total shares	6,472,983,003	–	–	–	–	–	6,472,983,003

54. Other equity instrument

(1) General information on preference shares, perpetual bonds and other financial instruments that are outstanding at the end of the period

☐ Applicable √ Not Applicable

(2) Statement on changes in preference shares, perpetual bonds and other financial instruments that are outstanding at the end of the period

☐ Applicable √ Not Applicable

Increase or decrease during the period, reasons for such changes and basis for relevant accounting treatment of other equity instruments:

☐ Applicable √ Not Applicable

Other explanation:

☐ Applicable √ Not Applicable

55. Capital reserve

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share capital premium)	1,540,701,147.89	–	16,835,474.61	1,523,865,673.28
Other capital reserve	13,179,828.16	–	–	13,179,828.16
Total	1,553,880,976.05	–	16,835,474.61	1,537,045,501.44

Other explanation, including changes (increase or decrease) during the period, and reasons for such changes:

The decrease of share capital premium for the period is caused by offsetting against the capital reserve the difference between the long-term equity investments acquired through acquisition of minority interests in subsidiaries and the share of subsidiaries' net assets continuously calculated on the percentage of newly acquired equity since the acquisition date or combination date.

56. Treasury stock

☐ Applicable √ Not Applicable

57. Other comprehensive income

☐ Applicable √ Not Applicable

58. Special reserve

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Production safety fund	42,136,858.76	30,006,210.23	19,051,610.47	53,091,458.52
Total	42,136,858.76	30,006,210.23	19,051,610.47	53,091,458.52

59. Surplus reserve

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	465,582,590.76	46,738,393.99	–	512,320,984.75
Discretionary surplus reserve	–	–	–	–
Reserve fund	–	–	–	–
Corporate development fund	–	–	–	–
Others	–	–	–	–
Total	465,582,590.76	46,738,393.99	–	512,320,984.75

Explanation of surplus reserve, including changes (increase or decrease) during the period, and reasons for such changes:

The surplus reserve for the period increased, as the Company appropriate 10% of net profit for the period to the statutory surplus reserve, in accordance with the Company Law of the PRC and the Company's Articles of Association.

60. Undistributed profits

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	For the current period	For the previous period
Undistributed profit at the end of the previous period before adjustment	1,883,864,495.75	1,501,064,173.89
Adjustments on undistributed profit at the beginning of the period (Increase represented by "+", decrease represented by "–")	–	–
Undistributed profit at the beginning of the period after adjustment	1,883,864,495.75	1,501,064,173.89
Add: Net profit for the period attributable to equity holders of the parent company	535,163,759.36	491,575,569.51
Less: Appropriation to statutory surplus reserve	46,738,393.99	44,045,417.62
Appropriation to discretionary surplus reserve	–	–

Items	For the current period	For the previous period
Appropriation for general provision of risk	–	–
Ordinary share dividends payable	148,860,176.31	64,729,830.03
Transferred from dividend on ordinary shares to share capital	–	–
Undistributed profits at the end of the period	2,223,429,684.81	1,883,864,495.75

61. Revenue and cost of service

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost of service	Revenue	Cost of service
Principal operations	3,677,596,389.84	2,649,596,696.51	3,436,735,626.11	2,270,386,268.32
Other operations	140,706,657.89	100,554,180.55	228,850,226.00	201,231,906.18
Total	3,818,303,047.73	2,750,150,877.06	3,665,585,852.11	2,471,618,174.50

62. Taxes and surcharges

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period
Consumption tax		
Business tax	–	1,623,780.15
City maintenance and construction tax	6,964,473.20	6,106,817.74
Educational surcharge	2,984,774.25	2,617,207.61
Resource tax		
Property tax	4,988,080.48	4,339,270.42
Land use tax	6,598,509.75	5,576,550.68
Vehicle and vessel use tax	146.88	
Stamp duty	657,292.27	943,892.03
Local education surcharge	1,989,849.52	1,744,076.80
Watercourse construction and maintenance surcharge	319,759.13	1,015,954.31
Employment guarantee fund for the disabled	4,529,049.21	1,795,376.17
Total	29,031,934.69	25,762,925.91

63. Sales expenses

□ Applicable √ Not Applicable

64. Administrative expenses

√ Applicable □ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period
Payroll	71,461,997.97	70,372,404.83
Materials and low value consumables expenses	1,215,599.72	597,167.68
Depreciation	2,116,759.61	4,217,199.20
Repair charges	235,516.79	268,438.49
Power and lighting costs	817,694.95	934,844.54
Labour protection expenses	18,889.36	69,151.98
Insurance expenses	851,096.58	795,928.27
Rental expenses	25,538,934.28	25,803,321.45
Office expenses	5,762,779.12	4,537,300.20
Business entertainment expenses	2,650,416.08	5,653,413.43
Telephone charges and internet access charges	22,988,465.93	22,407,586.73
Travelling expenses	2,878,584.37	3,062,245.07
Securities announcement expenses	564,920.03	440,931.58
Audit and litigation expenses	2,406,691.81	2,657,852.10
Taxation	–	1,392,470.83
Amortisation of intangible assets and long-term prepaid expenses	32,892,990.89	32,285,094.69
Others	21,174,701.40	18,672,001.59
Total	193,576,038.89	194,167,352.66

65. Financial expenses

√ Applicable □ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period
Interest costs	234,642,467.22	260,715,385.74
Less: Interest income	-8,459,275.55	-7,310,679.41
Add: Commission charges paid	110,855.34	112,745.93
Total	226,294,047.01	253,517,452.26

66. Asset impairment losses

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period
1. Impairment losses on bad debts	-1,370,366.46	1,129,027.69
2. Impairment losses on inventories	–	–
3. Impairment losses on available-for-sale financial assets	–	–
4. Impairment losses on held-to-maturity investments	–	–
5. Impairment losses on long-term equity investments	–	–
6. Impairment losses on investment properties	–	–
7. Impairment losses on fixed assets	–	–
8. Impairment losses on construction materials	–	–
9. Impairment losses on construction in progress	–	–
10. Impairment losses on productive biological assets	–	–
11. Impairment losses on oil and gas assets	–	–
12. Impairment losses on intangible assets	–	–
13. Impairment losses on goodwill	–	–
14. Others	–	–
Total	-1,370,366.46	1,129,027.69

67. Gains on changes in fair value

☐ Applicable √ Not Applicable

68. Investment income

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investments under equity method	91,225,709.93	-37,627,610.39
Income from disposal of long-term equity investments	–	–
Income earned during the holding period of financial assets at fair value through profit or loss	–	–
Income from disposal of financial assets at fair value through profit or loss	–	–
Income earned during the holding period of held-to-maturity investments	–	–
Income from available-for-sale financial assets	–	–
Income from disposal of available-for-sale financial assets	–	–
Gains from fair value remeasurement of remaining equity interests after loss of control	–	–
Total	91,225,709.93	-37,627,610.39

69. Non-operating income

Non-operating income

√ Applicable □ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period	Amount recognised in non-recurring profit or loss for the period
Total gains on disposal of non-current assets	764,395.70	693,409.60	764,395.70
Including: Gains on disposal of fixed assets	764,395.70	693,409.60	764,395.70
Gains on disposal of intangible assets	–	–	–
Gains on debt restructuring	–	–	–
Gains on exchange of non-monetary assets	–	–	–
Donation received	–	–	–
Government grants	–	2,238,167.58	–
Penalty and late fee income	18,800.00	16,900.00	18,800.00
Handling fee income	444,623.68	309,817.44	444,623.68
Unpayable dues	–	564,085.37	–
Gains on debt restructuring	3,019,878.77		3,019,878.77
Others	202,273.21	24,038.22	202,273.21
Total	4,449,971.36	3,846,418.21	4,449,971.36

Government grants included in profit or loss for the period

√ Applicable □ Not Applicable

Unit: Yuan; Currency: RMB

Government grants	Amount for the current period	Amount for the previous period	Related to assets/income
Employment stabilization subsidies	–	2,238,167.58	Related to income
Total	–	2,238,167.58	/

Other explanation:

□ Applicable √ Not Applicable

70. Non-operating expenses

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period	Amount recognised in non-recurring profit or loss for the period
Total losses on disposal of non-current assets	7,839,285.80	11,801,783.32	7,839,285.80
Including: Losses on disposal of fixed assets	7,839,285.80	11,801,783.32	7,839,285.80
Losses on disposal of intangible assets	–	–	–
Losses on debt restructuring	–	–	–
Losses on exchange of non-monetary assets	–	–	–
Donation	1,546,660.00	–	1,546,660.00
Compensation	43,611.00	–	43,611.00
Penalties and late fees	–	616.94	–
Default interest	–	654,247.01	–
Others	39,690.00	4,500.00	39,690.00
Total	9,469,246.80	12,461,147.27	9,469,246.80

71. Income tax expenses

(1) Breakdown of income tax expenses

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period
Current income tax expenses	134,295,029.99	158,915,645.97
Deferred income tax expenses	14,201,644.85	5,544,846.47
Total	148,496,674.84	164,460,492.44

(2) Adjustment process for accounting profit and income tax expenses:

√ Applicable □ Not Applicable

Unit: Yuan; Currency: RMB

Items	**Amount for the current period**
Total profit	711,286,455.89
Income tax expenses calculated at statutory/applicable tax rates	177,821,613.97
Effect of different tax rates applicable to subsidiaries	–
Effect of adjustments in respect of income tax of previous periods	–
Effect of non-taxable income	-22,806,427.48
Effect of non-deductible cost, expenses and loss	8,470,923.30
Effect of utilization of deductible losses in deferred tax assets not recognized in previous period	–
Effect of deductible temporary differences or deductible losses in deferred tax assets not recognized in the current period	–
Effect of the differences arising between the tax bases of assets acquired in the business combinations involving entities under common control and their carrying amounts	-14,989,434.95
Income tax expenses	148,496,674.84

Other explanation:

□ Applicable √ Not Applicable

72. Other comprehensive income

□ Applicable √ Not Applicable

73. Items in statement of cash flows

(1) Cash received relating to other operating activities:

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period
Accounts received and amounts collected for other companies	15,662,682.27	23,644,892.19
Interest income	8,459,275.55	7,310,679.41
Others	2,786,072.05	3,178,301.57
Total	26,908,029.87	34,133,873.17

(2) Cash paid relating to other operating activities:

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period
Petty cash	431,509.12	2,635,275.33
Business entertainment expenses	2,650,416.08	5,653,413.43
Telephone charges and internet access charges	22,988,465.93	22,407,586.73
Office supplies expenses	3,967,561.44	3,000,920.28
Conference fees	380,314.22	172,027.51
Travelling expenses	2,878,584.37	3,062,245.07
Deposits	2,018,324.50	2,693,455.58
Advertisement and promotion expenses	564,920.03	440,931.58
Motor vehicle insurance costs	851,096.58	795,928.27
Travel expenses	968,262.13	793,887.81
Newspaper and magazine subscription fees	293,331.90	396,540.08
Office utility fees	817,694.95	934,844.54
Bank commission charges	110,855.34	112,745.93
Rental expenses	4,610,502.25	4,033,316.17
Property management fee	7,225,813.74	5,130,733.82
Audit and litigation expenses	2,406,691.81	2,657,852.10
Maintenance charges	235,516.79	268,438.49
Other office expenses	14,102,197.09	13,715,192.29
Compensation for cargo damages	14,500,000.00	–
Other payables including advanced payments and accounts payable	14,350,160.33	15,645,317.18
Total	96,352,218.60	84,550,652.19

(3) Cash received relating to other investing activities

□ Applicable √ Not Applicable

(4) Cash paid relating to other investing activities

□ Applicable √ Not Applicable

(5) Cash received relating to other financing activities

□ Applicable √ Not Applicable

(6) Cash paid relating to other financing activities

√ Applicable □ Not Applicable

Unit: Yuan; Currency: RMB

Items	Amount for the current period	Amount for the previous period
Acquisition of minority interests in subsidiaries	290,655,100.00	–
Service charges related to the acquisition of minority interests in subsidiaries	205,327.55	–
Total	290,860,427.55	–

74. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

√ Applicable □ Not Applicable

Unit: Yuan; Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	562,789,781.05	508,688,087.20
Add: Provision for asset impairment	-1,370,366.46	1,129,027.69
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	667,694,033.95	694,672,174.18
Amortisation of intangible assets	32,892,990.89	32,285,094.69

Supplementary information	Amount for the current period	Amount for the previous period
Amortisation of long-term prepaid expenses	–	–
Losses from disposal of fixed assets, intangible assets and other long-term assets (Gains represented by "–")	-2,938,104.86	–
Losses on obsolescence of fixed assets (Gains represented by "–")	7,839,285.80	11,801,783.32
Losses on changes in fair value (Gains represented by "–")	–	–
Financial expenses (Income represented by "–")	234,642,467.22	260,715,385.74
Investment losses (Income represented by "–")	-91,225,709.93	37,627,610.39
Decrease in deferred tax assets (Increase represented by "–")	14,201,644.85	5,544,846.47
Increase in deferred tax liabilities (Decrease represented by "–")	–	–
Decrease in inventories (Increase represented by "–")	211,157.81	25,200,921.68
Decrease in operating receivables (Increase represented by "–")	434,575,111.26	-267,030,524.16
Increase in operating payables (Decrease represented by "–")	166,534,676.51	-257,907,887.48
Others	10,970,875.61	17,327,500.73
Net cash flows from operating activities	1,703,748,490.68	1,070,054,020.45
2. Major investment and financing activities not involving cash receipts and payments:		
Conversion of debt into capital	–	–
Convertible corporate bonds due within one year	–	–
Fixed asset under financial leases	–	–
3. Net change in cash and cash equivalents:		
Closing balance of cash	2,927,845,577.26	2,297,816,388.52
Less: Opening balance of cash	2,297,816,388.52	1,866,567,915.47
Add: Closing balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase in cash and cash equivalents	630,029,188.74	431,248,473.05

(2) Net cash paid to acquire subsidiaries during the period

☐ Applicable √ Not Applicable

(3) Net cash received from disposal of subsidiaries during the period

☐ Applicable √ Not Applicable

(4) Composition of cash and cash equivalents

√ Applicable ☐ Not Applicable

Unit: Yuan; Currency: RMB

Items	Closing balance	Opening balance
I. Cash	2,927,845,577.26	2,297,816,388.52
Including: Cash on hand	3,439.10	2,629.82
Bank deposits that can be readily drawn on demand	2,927,842,138.16	2,297,813,758.70
Other cash balances that can be readily drawn on demand	–	–
Deposits with the central bank for payment	–	–
Deposits with banks and other financial institutions	–	–
Placements with banks and other financial institutions	–	–
II. Cash equivalents	–	–
Including: Bond investments maturing within three months	–	–
III. Closing balance of cash and cash equivalents	2,927,845,577.26	2,297,816,388.52
Including: Cash and cash equivalents with restrictions on use by the parent company or subsidiaries within the Group	–	–

Other explanation:

☐ Applicable √ Not Applicable

75. Notes to items in the statement of changes in equity holders' equity

Explanation of the name of "Others" item that adjusted the closing balance at the end of last year and the amount of adjustment:

□ Applicable √ Not Applicable

76. Assets with restricted ownership or right of use

□ Applicable √ Not Applicable

77. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency:

□ Applicable √ Not Applicable

(2) Description of overseas business entities; for material overseas business entities, disclose their major business places overseas, recording currency and the selection criterion thereof; should there be any change in the recording currency, disclose the reason for such change.

□ Applicable √ Not Applicable

78. Hedging

□ Applicable √ Not Applicable

79. Government grants

1. General information of government grants

□ Applicable √ Not Applicable

2. Return of government grants

□ Applicable √ Not Applicable

80. Others

√ Applicable □ Not Applicable

(I) Gain on disposal of assets

Items	Amount for the current period	Amount for the previous period
Gains or losses on disposal of fixed assets which are not classified as held for sale, construction in progress, productive biological assets and intangible assets:	2,938,104.86	–
Including: Gains on disposal of fixed assets	-11,901.40	–
Gains on disposal of intangible assets	2,950,006.26	–
Total	2,938,104.86	–

(II) Other income

Items	Amount for the current period	Amount for the previous period	Related to assets/income
Subsidies to compensate for import and export container inspection supporting service fees	1,521,400.00	–	Related to income
Total	1,521,400.00	–	–

VIII. CHANGES OF CONSOLIDATION SCOPE

1. Business combinations not involving entities under common control

☐ Applicable √ Not Applicable

2. Business combinations involving entities under common control

☐ Applicable √ Not Applicable

3. Reversed Purchase

☐ Applicable √ Not Applicable

4. Disposal of subsidiaries

Whether there is a loss of control in a single disposal of investments in subsidiaries

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

Whether there is a loss of control during the period under a progressive disposal of investments in subsidiaries through multiple transactions

☐ Applicable √ Not applicable

5. Changes in scope of consolidation due to other reasons

Describe the changes in scope of consolidation due to other reasons (e.g. incorporate a new subsidiary, liquidate a subsidiary) and its details:

☐ Applicable √ Not applicable

6. Others

☐ Applicable √ Not applicable

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Constitution of the corporate group

√ Applicable ☐ Not applicable

Name of subsidiary	Principal place of operation	Place of registration	Business nature	Shareholding (%) Direct	Indirect	Method of acquisition
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	Yingkou	Yingkou	Port services	88.00	–	Investment
Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司)	Yingkou	Yingkou	Port services	100.00	–	Investment
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	Yingkou	Yingkou	Port services	60.00	–	Business combinations involving enterprises under common control

(2) Significant non-wholly-owned subsidiaries

√ Applicable ☐ Not applicable

Currency: RMB

Name of subsidiary	Minority shareholding percentage (%)	Profit or loss attributable to minority interests for the period	Dividend declared to be paid to minority interests for the period	Balance of minority interests as at the end of the period
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	12.00	6,442,125.13	–	473,029,564.67
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	40.00	19,579,628.95	12,119,895.27	47,105,152.03

Explanation for the inconsistency of shareholding proportion of minority shareholder in subsidiary with proportion of voting rights:

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

(3) Main financial information of important non-wholly-owned subsidiaries

√ Applicable ☐ Not applicable

Currency: RMB

Name of subsidiary	Closing balance	Opening balance
	–	–

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	1,513,689,191.32	2,445,490,647.39	3,959,179,838.71	17,266,216.00	–	17,266,216.00	1,350,154,890.22	2,577,205,462.40	3,927,360,352.62	39,342,255.70	–	39,342,255.70
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	72,942,926.94	52,676,444.49	125,619,371.43	7,856,491.32	–	7,856,491.32	58,399,536.21	59,232,793.58	117,632,329.79	18,606,403.58	–	18,606,403.58

	Amount for the current period				Amount for the previous period			
Name of subsidiary	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	515,382,117.22	53,684,383.55	53,684,383.55	214,553,890.83	501,334,176.35	40,262,050.52	40,262,050.52	78,595,926.52
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	274,279,058.05	48,949,072.37	48,949,072.37	60,482,992.33	224,045,063.06	33,666,375.76	33,666,375.76	52,349,308.93

(4) Major restrictions on the use of assets and settlement of debts of the corporate group:

☐ Applicable √ Not applicable

(5) Financial support or other support provided for structured entity included in the scope of the consolidated financial statements:

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

2. Transaction in which the share of owner's equity in the subsidiary changes while control over the subsidiary remaining unchanged

√ Applicable ☐ Not applicable

(1) Details of change in the share of owner's equity in the subsidiary:

√ Applicable ☐ Not applicable

As considered at the extraordinary meeting of the board of directors of the Company on 25 May 2017, the Company is transferred all minority interests of Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司), which was publicly listed for transfer on China Beijing Equity Exchange by SDIC Communications Co. (國投交通公司), at a consideration of RMB290,655,100. Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司) completed the change in business registration on 28 June 2017. Since then, Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司) has become a wholly-owned subsidiary of the Company.

(2) Impact of the transaction on minority interests and equity attributable to owners of the parent company:

√ Applicable ☐ Not applicable

	Currency: RMB **Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司)**
Purchase cost/consideration of disposal	
– Cash	290,655,100.00
– Fair value of non-cash assets	–
Total purchase cost/consideration of disposal	290,655,100.00
Less: Share of net assets of subsidiary based on the shareholding acquired/disposed of	273,819,625.39
Balance	16,835,474.61
Including: Adjusted capital reserve	16,835,474.61
Adjusted surplus reserve	–
Adjusted undistributed profits	–

Other explanations:

☐ Applicable √ Not applicable

3. Interests in joint ventures or associates

√ Applicable ☐ Not applicable

(1) Important joint ventures or associates

√ Applicable □ Not applicable

Currency: RMB

Name of joint venture or associate	Principal place of operation	Place of registration	Business nature	Shareholding (%) Direct	Direct	Accounting treatment for investments in joint ventures or associates
Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司)	Yingkou	Yingkou	Loading and unloading of containers	50.00	–	Equity method
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Yingkou	Yingkou	Storage and processing of grain and oil	48.30	–	Equity method
Angang International Trade Yingkou Port Co., Ltd. (鞍鋼國貿營口港務有限公司)	Yingkou	Yingkou	Port construction, loading and unloading and transportation	20.00	–	Equity method
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Yingkou	Yingkou	Non-bank financial institution	49.00	–	Equity method

Explanation for the inconsistency of shareholding proportion in joint ventures or associates with proportion of voting rights:

Pursuant to the articles of association of Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司) (hereinafter referred to as "Sinograin Company"), the shareholders of the company may only exercise their general functions and power at the general meeting "by affirmative votes of shareholders representing more than two-thirds of the voting rights". The company is held by the Company and Central Grain Reserve Yingkou Depot (中央儲備糧營口直屬庫) as to 48.30% and 51.70%, respectively. Therefore, Sinograin Company is jointly controlled by the Company and Central Grain Reserve Yingkou Depot (中央儲備糧營口直屬庫) and is a joint venture of the Company.

(2) Main financial information of important joint ventures

√ Applicable ☐ Not applicable

Currency: RMB

	Closing balance/Amount for the current period		Opening balance/Amount for the previous period	
	Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司)	Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司)	Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)
Current assets	73,783,555.39	6,219,941,415.88	49,716,152.64	7,055,058,567.83
Including: cash and cash equivalents	55,630,323.78	39,166,163.92	17,726,636.63	57,849,245.26
Non-current assets	46,013,632.98	415,261,982.85	51,532,268.74	383,138,797.54
Total assets	119,797,188.37	6,635,203,398.73	101,248,421.38	7,438,197,365.37
Current liabilities	12,156,684.00	6,070,923,934.15	22,087,915.64	6,919,692,325.40
Non-current liabilities	–	116,419,822.40	–	115,983,200.00
Total liabilities	12,156,684.00	6,187,343,756.55	22,087,915.64	7,035,675,525.40
Minority interests	–	–	–	–
Equity attributable to shareholders of the parent company	107,640,504.37	447,859,642.18	79,160,505.74	402,521,839.97
Share of net assets based on shareholding	53,820,252.18	216,316,207.17	39,580,253.01	194,418,048.70
Adjustments	–	–	–	399,060.38
– Goodwill	–	–	–	399,060.38
– Unrealised profit of intra transaction	–	–	–	–
– Others	–	–	–	–
Carrying amount of equity investments in joint ventures	53,820,252.18	216,316,207.17	39,580,253.01	194,817,109.08
Fair value of equity investments in joint ventures through public offer	–	–	–	–
Operating income	260,378,258.61	962,581,234.33	210,844,123.43	1,540,557,904.31
Financial expenses	-190,250.59	17,159,890.02	-227,231.51	284,186,846.83
Income tax expenses	14,620,669.16	-388,623.97	5,202,854.32	–
Net profit	43,803,026.60	31,243,487.60	15,323,027.97	-141,695,031.28
Net profit from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	43,803,026.60	31,243,487.60	15,323,027.97	-141,695,031.28
Dividend received from joint ventures for the current year	7,661,513.98	–	–	–

(3) *Main financial information of important associates*

√ Applicable □ Not applicable

Currency: RMB

	Closing balance/Amount for the current period		Opening balance/Amount for the previous period	
	Angang International Trade Yingkou Port Co., Ltd. (鞍鋼國貿營口港務有限公司)	Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Angang International Trade Yingkou Port Co., Ltd. (鞍鋼國貿營口港務有限公司)	Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)
Current assets	362,940,948.43	4,522,761,443.47	282,779,981.52	5,102,300,166.40
Non-current assets	549,372,188.41	5,877,950.65	607,392,351.50	6,348,280.13
Total assets	912,313,136.84	4,528,639,394.12	890,172,333.02	5,108,648,446.53
Current liabilities	17,047,016.40	3,899,800,144.48	19,748,997.67	4,567,271,526.82
Non-current liabilities	–	–	–	–
Total liabilities	17,047,016.40	3,899,800,144.48	19,748,997.67	4,567,271,526.82
Minority interests	–	–	–	–
Equity attributable to shareholders of the parent company	895,266,120.44	628,839,249.64	870,423,335.35	541,376,919.71
Share of net assets based on shareholding	179,053,224.09	308,131,232.32	174,084,667.06	265,274,690.66
Adjustments	41,860,163.27	–	41,860,163.27	–
–Goodwill	41,860,163.27	–	41,860,163.27	–
– Unrealised profit of intra transaction	–	–	–	–
– Others	–	–	–	–
Carrying amount of equity investments in joint ventures	220,913,387.36	308,131,232.32	215,944,830.33	265,274,690.66
Fair value of equity investments in joint ventures through public offer	–	–	–	–
Operating income	245,741,413.87	152,529,169.11	227,708,813.73	81,799,121.61
Net profit	25,061,819.56	87,462,329.93	14,667,736.90	41,257,200.71
Net profit from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	25,061,819.56	87,462,329.93	14,667,736.90	41,257,200.71
Dividend received from associates for the current year	–	–	–	–

(4) *Summary financial information of unimportant joint ventures and associates*

□ Applicable √ Not applicable

(5) Explanation of significant restrictions on the ability of joint ventures or associates to transfer funds to the Company:

√ Applicable □ Not applicable

During the reporting period, there are no significant restrictions on the ability of joint ventures or associates to transfer funds to the Company.

(6) Excess loss generated from joint ventures or associates

□ Applicable √ Not applicable

(7) Unrecognised commitment related to investments in joint ventures

□ Applicable √ Not applicable

(8) Contingent liabilities related to investments in joint ventures or associates

□ Applicable √ Not applicable

4. Significant joint operation

□ Applicable √ Not applicable

5. Interests in structured entity not included in the scope of consolidated financial statements

Descriptions of structured entity not included in the scope of consolidated financial statements:

□ Applicable √ Not applicable

6. Others

□ Applicable √ Not applicable

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

√ Applicable □ Not applicable

The major financial instruments of the Company include cash at bank, accounts receivable, advance receipts, accounts payable, borrowings, bonds payable and etc. Detailed descriptions of these financial instruments are set out in related explanatory items to Note V. Major risks arising from the financial instruments of the Company are credit risk, liquidity risk and market risk. The operating management of the Company is fully responsible for the determination of risk management objectives and policies, and assumes ultimate responsibility for the risk management objectives and policies.

(I) Credit risk

Credit risk is the risk that a party of a financial instrument does not fulfil its obligations and creates financial losses on the other party. Cash at bank and on hand and credit lines provided to customers of the Company would result in credit risk.

Cash at bank and on hand other than cash of the Company are mainly deposited in creditworthy state-owned and other large and medium-sized commercial banks and Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司), an associate of the Company. The Company believes that there is no significant credit risk, and the possibility of major loss resulted from the default of the other party is relatively low.

In order to reduce the credit risk from customers, the Company controls the credit lines, conducts credit approval, and performs other monitoring procedures for aging analysis of accounts receivable to ensure the implementation of necessary measures to recover overdue indebtedness.

(II) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in performing obligations to be settled by delivering cash or other financial assets. The Company's policy is to ensure it has sufficient cash to repay debts when they fall due. The Company's finance department centralizes control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flows for the next 12 months, the finance department will ensure it has sufficient fund to repay debts under all reasonable foreseeable circumstances.

(III) Market risk

Market risk is the risk of fluctuations in fair value of financial instruments due to the changes in interest rates, exchange rates and other market factors, or in future cash flows of financial instruments due to the changes in market price. Market risk affecting the Company's business is mainly interest rate risk.

The Company's interest-bearing assets are mainly represented by cash at bank. Management does not expect the changes in market deposit interest rates will have significant impact on the financial statements as the major cash at bank are mainly short-term in nature and the interest involved will not be significant.

The Company's interest rate risk mainly arises from interest-bearing borrowings such as bank loans. Borrowings at floating interest rate expose the Company to cash flow interest rate risk, while long-term borrowings at fixed rate expose the Company to fair value interest rate risk. The Company determines the policies for adopting the fixed or floating interest rate depending on the prevailing market conditions. Increase in interest rates will increase the cost of new borrowings and the interest expense with respect to the Company's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Company's financial position. Management continuously monitors the interest rate position of the Company and makes timely adjustments with reference to the latest market conditions.

XI. DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

☐ Applicable √ Not applicable

2. Basis for determining level 1 fair value at recurring and non-recurring fair value measurement

☐ Applicable √ Not applicable

3. Recurring and non-recurring level 2 fair value measurement item, qualitative and quantitative information of the valuation techniques and significant parameters used

☐ Applicable √ Not applicable

4. Qualitative and quantitative information of evaluation techniques and important parameters for recurring and non-recurring level 3 fair value measurements

☐ Applicable √ Not Applicable

5. Adjustments to opening and ending book value and sensitivity analysis on unobservable parameters for recurring level 3 fair value measurements

☐ Applicable √ Not Applicable

6. In the case of transfers between levels of recurring fair value measurements in the current period, the reason for such transfers and the basis for determining the time of transfer

☐ Applicable √ Not Applicable

7. Changes in evaluation techniques in the current period and the reason for such changes

☐ Applicable √ Not Applicable

8. Fair value of financial assets and financial liabilities not measured at fair value

☐ Applicable √ Not Applicable

9. Others

☐ Applicable √ Not Applicable

XII. RELATED PARTIES AND RELATED TRANSACTIONS

1. The Company's parent company

√ Applicable ☐ Not Applicable

Currency: RMB'0,000

Parent company name	Place of registration	Nature of business	Registered capital	Shareholding of parent company over the Company (%)	Voting right percentage of parent company over the Company (%)
Yingkou Port Group Co., Ltd.	Yingkou	Port business	900,000	78.29	78.29

Description of parent company of the Company

The shareholder of Yingkou Port Group Co., Ltd. has been changed from the State-owned Assets Supervision and Administration Commission of the People's Government of Yingkou to Liaoning Northeast Asia Port and Shipping Development Co., Ltd. (遼寧東北亞港航發展有限公司) after the period. For details, please refer to Note XV.

The ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of the People's Government of Yingkou.

2. Subsidiaries of the Company

See note for details about subsidiaries of the Company

√ Applicable □ Not Applicable

For details about subsidiaries of the Company, please refer to Note IX. Interests in Other Entities.

3. Joint ventures and associates of the Company

See note for details about important joint ventures or associates of the Company.

√ Applicable □ Not Applicable

For details about important joint ventures or associates of the Company, please refer to Note IX. Interests in Other Entities.

Joint venture or associate with which the Company had a related party transaction in the current period or a balance caused by a related party transaction in the previous period is as follows:

√ Applicable □ Not Applicable

Name of joint venture or associate	Relationship with the Company
Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司)	Joint venture

Other description

□ Applicable √ Not Applicable

4. Other related parties

√ Applicable □ Not Applicable

Name of other related parties	Relationship between other related parties and the Company
Yingkou Gangfeng Hotel Co., Ltd. (營口港豐大酒店有限公司)	A wholly-owned subsidiary of parent company
Faku Yinggang Logistics Co., Ltd. (法庫營港物流有限公司)	A wholly-owned subsidiary of parent company
Yingkou Port Group Bonded Goods Storage and Transportation Co., Ltd. (營口港務集團保稅貨物儲運有限公司)	A wholly-owned subsidiary of parent company
Yingkou Port Investment Co., Ltd (營口港務投資有限公司)	A wholly-owned subsidiary of parent company
Liaoning New Silk Road International Logistics Co., Ltd. (遼寧新絲路國際物流有限公司)	A wholly-owned subsidiary of parent company
Yingkou Port Zhanqian Real Estate Development and Construction Co., Ltd. (營口港站前房地產開發建設有限公司)	A wholly-owned subsidiary of parent company
Yingkou Gangxin Technology Co., Ltd. (營口港信科技有限公司)	A wholly-owned subsidiary of parent company
Shenyang Yinggang Lugang Service Co., Ltd. (瀋陽營港陸港服務有限公司)	A wholly-owned subsidiary of parent company
Yingkou Port Group Trading Co., Ltd. (營口港務集團貿易有限公司)	A wholly-owned subsidiary of parent company
Yingkou Port Real Estate Development Co., Ltd. (營口港房地產開發有限責任公司)	A wholly-owned subsidiary of parent company
Suizhong Port Group Co., Ltd. (綏中港集團有限公司)	A wholly-owned subsidiary of parent company
Yingkou Gangtong E-Commerce Co., Ltd. (營口港通電子商務有限公司)	A wholly-owned subsidiary of parent company
Beijing Yinggang Asia-Europe International Supply Chain Management Co., Ltd. (北京營港亞歐國際供應鏈管理有限公司)	A wholly-owned subsidiary of parent company
Yingkou Port Mechanical & Electrical Engineering Co., Ltd. (營口港機電工程有限公司)	A wholly-owned subsidiary of parent company
Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	A holding subsidiary of parent company
Yingkou Ocean Shipping Agency Co., Ltd. (營口外輪代理有限公司)	A holding subsidiary of parent company
Shenyang Yingkou Port Co., Ltd. (瀋陽營口港港務有限公司)	A holding subsidiary of parent company

Name of other related parties	Relationship between other related parties and the Company
Yingkou Port Haigang Building Co., Ltd. (營口港海港大廈有限公司)	A holding subsidiary of parent company
Liaoning Gangfeng Logistics Co., Ltd. (遼寧港豐物流有限公司)	A holding subsidiary of parent company
Yingkou Port Marine Fuel Supply Co., Ltd. (營口港船舶燃料供應有限責任公司)	A holding subsidiary of parent company
Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司)	A holding subsidiary of parent company
Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司)	A holding subsidiary of parent company
Yingkou Port Engineering Supervision Consulting Co., Ltd. (營口港工程監理諮詢有限公司)	A holding subsidiary of parent company
Yingkou Port Engineering Design and Research Institute Co., Ltd. (營口港口工程設計研究院有限公司)	A holding subsidiary of parent company
Yingkou Port Property Management Co., Ltd. (營口港物業管理有限公司)	A holding subsidiary of parent company
Yingkou Xingang Container and Railway Logistics Co., Ltd. (營口新港集鐵物流有限公司)	A holding subsidiary of parent company
Yingkou Ocean Shipping Tally Co., Ltd. (營口中理外輪理貨有限責任公司)	A holding subsidiary of parent company
Yingkou Port Tank Cleaning Co., Ltd. (營口港清洗艙有限公司)	A holding subsidiary of parent company
Yingkou Hongyun Port Container Development Co., Ltd. (營口紅運港口集裝箱發展有限公司)	A holding subsidiary of parent company
Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司)	A holding subsidiary of parent company
Yingkou Port Fairy Island Pier Co., Ltd. (營口港仙人島碼頭有限公司)	A holding subsidiary of parent company
Shenyang Port Group Co., Ltd. (瀋陽港集團有限公司)	A holding subsidiary of parent company
Huaneng Yingkou Port Co., Ltd. (華能營口港務有限責任公司)	Others
Yingkou Haihui Shipping Agency Co., Ltd. (營口海僡船務代理有限公司)	Others
Beidahuang Logistics Co., Ltd. (北大荒物流股份有限公司)	Others

Name of other related parties	Relationship between other related parties and the Company
Korea Fanying Ferry Co., Ltd. (韓國泛營輪渡株式會社)	Others
Yingkou Gangpeng Shipping Engineering Co., Ltd. (營口港蓬船務工程有限公司)	Others
Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司)	Others
Yingkou Wanying Logistics Co., Ltd. (營口萬瀛物流有限公司)	Others
Yingkou Yinlong Port Co., Ltd. (營口銀龍港務股份有限公司)	Others
Yingkou COSCO Shipping Container Service Co., Ltd. (營口中遠海運集裝箱服務有限公司)	Others
Yingkou Port Jixing Logistics Co., Ltd. (營口港吉星物流有限公司)	Others
Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	Others
Liaoning Gangxing New Energy Co., Ltd. (遼寧港星新能源有限公司)	Others
Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	Others
China Shipping Terminal Development Co., Ltd. (中海碼頭發展有限公司)	Others
COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司)	Others
China Shipping Container Lines Yingkou Company Limited (中海集裝箱運輸營口有限公司)	Others
Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司)	Others
New Golden Sea Shipping Pte. Ltd. (新鑫海航運有限公司)	Others
COSCO SHIPPING Lines Co., Ltd. (中遠海運集裝箱運輸有限公司)	Others
COSCO SHIPPING Lines (Dalian) Co., Ltd. (大連中遠海運集裝箱運輸有限公司)	Others
Shanghai Puhai Shipping Co., Ltd. (上海浦海航運有限公司)	Others
Dong Fang International Container (Jinzhou) Co., Ltd. (東方國際集裝箱(錦州)有限公司)	Others

5. Related transactions

(1) Related transactions on purchase and sales of goods and rendering and receiving of services

Table on purchase of goods/receiving of services

√ Applicable ☐ Not Applicable

Currency: RMB

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Yingkou Port Group Co., Ltd.	Weighing, ice breaking, etc.	97,823,532.19	77,622,390.78
Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司)	Cargo reconfiguration, machinery, etc.	68,048,595.02	41,226,368.90
Liaoning Gangfeng Logistics Co., Ltd. (遼寧港豐物流有限公司)	Cargo reconfiguration, warehousing, stockpiling	31,363,090.55	106,846,624.19
Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	Repair costs	18,218,865.39	34,769,855.78
Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	Machinery, warehousing, etc.	10,451,298.61	6,191,146.18
Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司)	Warehousing	9,090,591.12	9,528,445.90
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Machinery	6,549,495.39	1,028,571.83
Yingkou Port Jixing Logistics Co., Ltd. (營口港吉星物流有限公司)	Cargo reconfiguration	4,541,421.92	7,595,331.05

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	Cargo reconfiguration	3,839,455.83	4,774,774.77
Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司)	Machinery	2,199,056.60	4,132.08
Yingkou Gangxin Technology Co., Ltd. (營口港信科技有限公司)	Repair costs	1,734,579.74	308,547.00
Yingkou Port Engineering Supervision Consulting Co., Ltd. (營口港工程監理諮詢有限公司)	Supervision	1,019,905.66	413,000.00
Yingkou Port Mechanical & Electrical Engineering Co., Ltd. (營口港機電工程有限公司)	Repair costs	905,765.77	221,216.22
Yingkou Ocean Shipping Tally Co., Ltd. (營口中理外輪理貨有限責任公司)	Tally, weighing	852,267.99	252,051.30
Yingkou Wanying Logistics Co., Ltd. (營口萬瀛物流有限公司)	Warehousing	80,056.59	277,783.02
Yingkou Gangtong E-Commerce Co., Ltd. (營口港通電子商務有限公司)	Machinery, cargo reconfiguration, etc.	49,051,536.31	–
Yingkou Port Tank Cleaning Co., Ltd. (營口港清洗艙有限公司)	Tank cleaning costs	2,578,721.63	–
Yingkou Gangfeng International Hotel Co., Ltd. (營口港豐國際大酒店有限公司)	Conference, catering	1,585,531.22	–

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司)	Warehousing	1,200,000.00	–
Yingkou Port Haigang Building Co., Ltd. (營口港海港大廈有限公司)	Conference, catering	482,354.53	–
Yingkou Port Group Bonded Goods Storage and Transportation Co., Ltd. (營口港務集團保稅貨物儲運有限公司)	Warehousing	–	268,185.91
Yingkou Yinlong Port Co., Ltd. (營口銀龍港務股份有限公司)	Repair costs	–	160,343.78
Faku Yinggang Logistics Co., Ltd. (法庫營港物流有限公司)	Machinery	–	84,948.11
Yingkou Hongyun Port Container Development Co., Ltd. (營口紅運港口集裝箱發展有限公司)	Cargo reconfiguration, machinery	–	71,431.98
Yingkou Port Marine Fuel Supply Co., Ltd. (營口港船舶燃料供應有限責任公司)	Fuel, etc.	95,153,405.15	75,896,577.02
Yingkou Port Group Trading Co., Ltd. (營口港務集團貿易有限公司)	Fuel, etc.	49,362.39	5,415,559.03
Liaoning Gangxing New Energy Co., Ltd. (遼寧港星新能源有限公司)	Fuel, etc.	1,459,520.63	1,191,382.68
Yingkou Port Group Co., Ltd.	Utilities	135,666,166.79	99,413,700.50
Yingkou Port Group Co., Ltd.	Information fees	22,988,465.93	22,407,586.73
Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司)	Unloading machinery and equipment	18,985,936.12	–

Table on sales of goods/rendering of services

√ Applicable ☐ Not applicable

Currency: RMB

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Yingkou Port Group Co., Ltd.	Office supplies, processing, repairs, etc.	4,107,980.30	11,651,892.95
Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司)	Repairs, office supplies, etc.	1,915,301.08	2,729,787.55
Yingkou Port Group Bonded Goods Storage and Transportation Co., Ltd. (營口港務集團保稅貨物儲運有限公司)	Property, office supplies, etc.	918,899.40	941,292.98
Yingkou Ocean Shipping Tally Co., Ltd. (營口中理外輪理貨有限責任公司)	Property, office supplies, etc.	673,320.75	739,370.23
Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	Office supplies, etc.	346,225.52	413,319.75
Yingkou Port Fairy Island Pier Co., Ltd. (營口港仙人島碼頭有限公司)	Office supplies, etc.	98,794.77	972,606.55
Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	Office supplies, etc.	23,806.28	150,881.37
Yingkou Gangfeng Hotel Co., Ltd. (營口港豐大酒店有限公司)	Office supplies, etc.	26,729.72	170,027.71
Yingkou Port Marine Fuel Supply Co., Ltd. (營口港船舶燃料供應有限責任公司)	Office supplies, etc.	23,690.72	65,774.95

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Yingkou Port Property Management Co., Ltd. (營口港物業管理有限公司)	Office supplies, etc.	18,066.04	43,913.21
Yingkou Port Haigang Building Co., Ltd. (營口港海港大廈有限公司)	Office supplies, etc.	15,946.61	22,759.15
Yingkou Wanying Logistics Co., Ltd. (營口萬瀛物流有限公司)	Office supplies, etc.	17,163.44	28,595.03
Yingkou Gangpeng Shipping Engineering Co., Ltd. (營口港蓬船務工程有限公司)	Office supplies, etc.	7,030.66	16,991.85
Yingkou Port Engineering Supervision Consulting Co., Ltd. (營口港工程監理諮詢有限公司)	Office supplies, etc.	9,924.09	12,717.44
Yingkou Port Zhanqian Real Estate Development and Construction Co., Ltd. (營口港站前房地產開發建設有限公司)	Office supplies, etc.	555.73	9,208.11
Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司)	Office supplies, etc.	15,203.41	5,743.87
Yingkou Port Group Trading Co., Ltd. (營口港務集團貿易有限公司)	Office supplies, etc.	6,229.85	11,281.29
Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司)	Office supplies, etc.	6,497.86	76,665.02

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Office supplies, etc.	55,258.81	117,528.00
Yingkou Gangtong E-Commerce Co., Ltd. (營口港通電子商務有限公司)	Office supplies, etc.	23,942.31	99,826.92
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Office supplies, etc.	12,747.64	23,631.98
Yingkou Port Tank Cleaning Co., Ltd. (營口港清洗艙有限公司)	Office supplies, etc.	427.35	6,133.33
Liaoning Harbour Financial Holding Development Co., Ltd. (遼寧港灣金控發展有限公司)	Office supplies, etc.	201,174.35	–
Yingkou Gangcheng Real Estate Development Co., Ltd. (營口港成房地產開發有限公司)	Office supplies, etc.	68,077.14	–
Yingkou Hongyun Port Container Development Co., Ltd. (營口紅運港口集裝箱發展有限公司)	Office supplies, etc.	9,481.13	–
COSCO Yingkou Container Services Co., Ltd. (營口中遠集裝箱服務有限公司)	Office supplies, etc.	4,433.96	–
Liaoning Gangxing New Energy Co., Ltd. (遼寧港星新能源有限公司)	Office supplies, etc.	4,528.31	–
Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	Office supplies, processing, repairs, etc.	–	108,941,879.10

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司)	Office supplies, etc.	–	160,017.81
Yingkou Port Real Estate Development Co., Ltd. (營口港房地產開發有限責任公司)	Office supplies, etc.	–	87,537.14
Beijing Yinggang Asia-Europe International Supply Chain Management Co., Ltd. (北京營港亞歐國際供應鏈管理有限公司)	Office supplies, etc.	–	39,439.32
Liaoning Gangfeng Logistics Co., Ltd. (遼寧港豐物流有限公司)	Office supplies, etc.	–	22,610.22
Yingkou Port Investment Co., Ltd (營口港務投資有限公司)	Office supplies, etc.	–	15,468.41
Yingkou Port Engineering Design and Research Institute Co., Ltd. (營口港口工程設計研究院有限公司)	Office supplies, etc.	–	3,143.79
Shenyang Yinggang Lugang Service Co., Ltd. (瀋陽營港陸港服務有限公司)	Office supplies, etc.	–	1,880.34
Suizhong Port Group Co., Ltd. (綏中港集團有限公司)	Office supplies, etc.	–	1,217.95
Shenyang Port Group Co., Ltd. (瀋陽港集團有限公司)	Office supplies, etc.	–	440.00
Yingkou Yinlong Port Co., Ltd. (營口銀龍港務股份有限公司)	Office supplies, etc.	–	115.38
Yingkou Port Group Co., Ltd.	Machinery, etc.	82,667,188.07	78,847,923.04

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	Machinery, processing, etc.	4,560,677.99	3,225,324.58
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Lump sum fees, machinery, etc.	10,113,437.04	9,380,311.01
Yingkou Port Marine Fuel Supply Co., Ltd. (營口港船舶燃料供應有限責任公司)	Stockpiling	395,223.70	23,542.45
Yingkou Wanying Logistics Co., Ltd. (營口萬瀛物流有限公司)	Stockpiling, machinery, etc.	100,475.66	193,114.69
Yingkou Hongyun Port Container Development Co., Ltd. (營口紅運港口集裝箱發展有限公司)	Machinery	18,382.02	12,143.94
Yingkou Port Property Management Co., Ltd. (營口港物業管理有限公司)	Machinery	5,094.34	2,617.92
Yingkou Port Tank Cleaning Co., Ltd. (營口港清洗艙有限公司)	Processing	1,245.28	10,632.08
Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司)	Cargo reconfiguration costs, etc.	145,817,215.37	108,841,953.13
New Golden Sea Shipping Pte. Ltd. (新鑫海航運有限公司)	Cargo reconfiguration costs, etc.	2,656,753.84	1,079,479.16
COSCO SHIPPING Lines Co., Ltd. (中遠海運集裝箱運輸有限公司)	Cargo reconfiguration costs, etc.	1,769,316.56	927,158.48
COSCO SHIPPING Lines (Dalian) Co., Ltd. (大連中遠海運集裝箱運輸有限公司)	Cargo reconfiguration costs, etc.	10,785,162.26	43,752,946.23

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Shanghai Puhai Shipping Co., Ltd. (上海浦海航運有限公司)	Cargo reconfiguration costs, etc.	255,780.47	222,672.17
Beidahuang Logistics Co., Ltd. (北大荒物流股份有限公司)	Handling lump sum fees	20,423,561.05	–
Yingkou Port Fairy Island Pier Co., Ltd. (營口港仙人島碼頭有限公司)	Machinery, processing	1,505,337.15	–
Yingkou Port Group Trading Co., Ltd. (營口港務集團貿易有限公司)	Lump sum fees, machinery, etc.	2,932,037.73	–
Yingkou Port Jixing Logistics Co., Ltd. (營口港吉星物流有限公司)	Handling lump sum fees	709,134.06	–
Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	Processing	187,539.31	–
Yingkou Port Hehai Trading Co., Ltd. (營口港河海貿易有限責任公司)	Lump sum fees, stockpiling, etc.	907,133.57	–
Yingkou Ocean Shipping Tally Co., Ltd. (營口中理外輪理貨有限責任公司)	Machinery, stockpiling, etc.	30,917.96	–
COSCO Yingkou Container Services Co., Ltd. (營口中遠集裝箱服務有限公司)	Machinery, etc.	16,042.51	–
Yingkou Gangtong E-Commerce Co., Ltd. (營口港通電子商務有限公司)	Machinery	14,928.21	–

Related parties	Details of related party transactions	Amount for the current period	Amount for the previous period
Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司)	Machinery	2,193.40	–
Dong Fang International Container (Jinzhou) Co., Ltd. (東方國際集裝箱(錦州)有限公司)	Cargo reconfiguration costs, etc.	14,018.87	–
China Shipping Container Lines Yingkou Company Limited (中海集裝箱運輸營口有限公司)	Cargo reconfiguration costs, etc.	–	30,504,502.36
COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司)	Cargo reconfiguration costs, etc.	–	12,801,981.96
Yingkou Xingang Container and Railway Logistics Co., Ltd. (營口新港集鐵物流有限公司)	Cargo reconfiguration	–	169,202.52
Liaoning Gangfeng Logistics Co., Ltd. (遼寧港豐物流有限公司)	Machinery	–	39,878.45

Description of related transactions on purchase and sales of goods and rendering and receiving of services

√ Applicable □ Not applicable

(1) Deposits from related parties

As of 31 December 2017, balance of the Company's deposits with Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司) was RMB2,369,007,175.04, and interest income earned during the reporting period was RMB5,937,270.21.

(2) Borrowings of related parties

Related party	Details of related party transaction	Closing balance	Commencement date	Maturity date
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Short-term borrowings	300,000,000.00	2017-4-18	2018-4-17

(3) Interest expenses of related parties

Related party	Details of related party transaction	Amount for the current period	Amount for the previous period
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Interest expenses	11,800,583.30	5,377,083.32

(2) Entrusted management/contracting and entrustment/outsourcing with related parties

Table on the Company's entrusted management/contracting:

√ Applicable ☐ Not applicable

Currency: RMB

Name of trustor/client	Name of trustee/ contractor	Type of entrusted/ contracted assets	Starting date of entrustment/ contracting	Ending date of entrustment/ contracting	Basis to price the gains from entrusted/ contracted assets	Gains from entrusted/ contracted assets recognized for the current period
Yingkou Port Group Co., Ltd.	Yingkou Port Liability Co., Ltd.	Entrustment of other assets	1 January 2017	31 December 2017	Labor costs, agency fees, port charge income, etc. of the entrusted assets	3,773,584.91

Description of entrusted management/contracting with related parties

√ Applicable ☐ Not applicable

Yingkou Port Group entrusted the Company to manage the 300,000 DWT crude oil terminal project in the Xianrendao port area and berths No. 1 and No. 2 for refined oil and liquid chemicals at harbour basin No. 1, berth No.18 at harbour basin No. 1, berths No. 61 to No. 71 at harbour basin No. 5 and stacking yard at harbour basin A in the Bayuquan port area and general berths No. A3 to No. A6 at harbour basin A in the Bayuquan port area. In 2017, Yingkou Port Group continued to entrust the Company to manage the above assets. The management fee for the above assets was RMB4 million in 2017.

Table on the Company's entrustment/outsourcing:

☐ Applicable √ Not Applicable

Description of entrustment/outsourcing with related parties

☐ Applicable √ Not Applicable

(3) Lease with related parties

The Company as the lessor:

√ Applicable ☐ Not Applicable

Currency: RMB'0,000

Name of Lessees	**Type of leasing assets**	**Rental income recognized in the current period**	**Rental income recognized in the previous period**
Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司)	Berths No. 51 and No. 52 for Containers and ancillary buildings, equipment and facilities	9,004.21	8,455.12
Yingkou Port Group Co., Ltd.	Machinery and equipment	128.21	133.65
Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	Motor tractors, containers trailers, etc.	73.22	91.71

The Company as the lessee:

√ Applicable □ Not Applicable

Currency: RMB'0,000

Name of Lessors	Type of leasing assets	Rental fee recognized in the current period	Rental fee recognized in the previous period
Yingkou Port Group Co., Ltd.	Land	2,552.25	2,575.06
Yingkou Yinlong Port Co., Ltd. (營口銀龍港務股份有限公司)	Oil tank assets	476.19	484.10
Huaneng Yingkou Port Co., Ltd. (華能營口港務有限責任公司)	Equipment	542.74	542.74
Yingkou Port Group Co., Ltd.	Terminal assets	–	–

Description of leases with related parties

√ Applicable □ Not Applicable

On 25 April 2017, the second meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on the Continuous Lease of Some Terminal Assets of Yingkou Port Group Co., Ltd. in the Old Yingkou Port Area and the Xianrendao Port Area. In order to avoid horizontal competition, the Company continued to lease and use some terminal assets owned by Port Group Corporation in the old Yingkou port area and the Xianrendao port area. In view of the actual situation such as the business volume of the above assets, after friendly negotiation between both parties, it was determined that the Company would not pay rents to the Port Group Corporation in 2017, and the Company would use the above terminal assets in the Xianrendao port area for free during this period.

(4) Guarantee with related parties

The Company as the guarantor

□ Applicable √ Not Applicable

The Company as the guaranteed party

√ Applicable □ Not Applicable

Currency: RMB'0,000

Guarantors	Guaranteed amount	Commencement date	Maturity date	Whether the guarantee has been fulfilled
Yingkou Port Group Co., Ltd.	10,000.00	2009-2-5	2019-2-4	No
Yingkou Port Group Co., Ltd.	12,240.00	2009-5-31	2019-5-25	No
Yingkou Port Group Co., Ltd.	2,860.00	2009-6-18	2019-9-16	No
Yingkou Port Group Co., Ltd.	42,500.00	2016-4-28	2019-4-27	No

Description of guarantee with related parties

□ Applicable √ Not Applicable

(5) Related party lending and borrowing

□ Applicable √ Not Applicable

(6) Asset transfer and debt restructuring of related parties

□ Applicable √ Not Applicable

(7) Remuneration of key management staff

√ Applicable □ Not Applicable

Currency: RMB'0,000

Item	Amount for the current period	Amount for the previous period
Remuneration of key management staff	392.80	372.17

(8) Other related transactions

√ Applicable □ Not Applicable

Some related parties of the Company are engaged in port freight forwarding business, that is, the freight forwarding company is entrusted by the cargo owner to arrange cargo handling in the port area, including signing contracts with the Company and settlement of port charges, etc. At the same time, Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司) operates a port e-commerce business, namely: handling container online services and online payments for some customers. Given that the end customers whom the revenue between the Company and the related parties actually corresponds to are not the aforementioned related parties, the Company has not recognized the revenue generated from the related parties in respect of shipping agency and online payment business as income from related party transactions, (but the Company will include the unsettled receivables generated from such related parties into receivables of related parties in this Note XII. 6). The related parties with which the Company had shipping agency business and port e-commerce business during the reporting period are listed below: Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司), Yingkou Ocean Shipping Agency Co., Ltd. (營口外輪代理有限公司), Shenyang Yingkou Port Co., Ltd. (瀋陽營口港港務有限公司), Korea Fanying Ferry Co., Ltd. (韓國泛營輪渡株式會社), Huaneng Yingkou Port Co., Ltd. (華能營口港務有限責任公司), Liaoning New Silk Road International Logistics Co., Ltd. (遼寧新絲路國際物流有限公司), Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司), Yingkou Port Group Bonded Goods Storage and Transportation Co., Ltd. (營口港務集團保稅貨物儲運有限公司), Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司), Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司), Yingkou Haihui Shipping Agency Co., Ltd. (營口海億船務代理有限公司), Yingkou Gangpeng Shipping Engineering Co., Ltd. (營口港蓬船務工程有限公司) and Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司).

6. Receivables and payables of related parties

(1) Receivables

√ Applicable ☐ Not Applicable

Currency: RMB

Items	Related parties	Closing balance		Opening balance	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Accounts receivable	Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	70,653,000.00	353,265.00	70,694,610.00	353,473.05
Accounts receivable	Yingkou Port Group Co., Ltd.	13,151,800.32	65,759.00	48,241,822.68	241,209.11
Accounts receivable	Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	12,026,083.80	60,130.42	3,430,792.47	17,153.97

Items	Related parties	Closing balance Book balance	Closing balance Bad-debt provision	Opening balance Book balance	Opening balance Bad-debt provision
Accounts receivable	Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司)	7,223,605.11	36,118.03	13,713,637.34	68,568.19
Accounts receivable	Huaneng Yingkou Port Co., Ltd. (華能營口港務有限責任公司)	5,910,562.04	29,552.81	26,779,782.04	133,898.91
Accounts receivable	Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司)	1,392,511.95	6,962.56	978,392.63	4,891.96
Accounts receivable	Shenyang Yingkou Port Co., Ltd. (瀋陽營口港港務有限公司)	1,031,203.45	5,156.02	541,863.49	2,709.32
Accounts receivable	Yingkou Port Group Bonded Goods Storage and Transportation Co., Ltd. (營口港務集團保稅貨物儲運有限公司)	489.00	2.45	20,413.20	102.07
Accounts receivable	Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司)	13,574,657.22	67,873.29	13,608,059.88	68,040.30
Accounts receivable	New Golden Sea Shipping Pte. Ltd. (新鑫海航運有限公司)	455,080.37	2,275.40	1,144,247.91	5,721.24
Accounts receivable	COSCO SHIPPING Lines Co., Ltd. (中遠海運集裝箱運輸有限公司)	265,507.50	1,327.54	982,787.99	4,913.94
Accounts receivable	Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司)	5,108,668.80	25,543.34	39,449.55	197.24

		Closing balance		Opening balance	
Items	**Related parties**	**Book balance**	**Bad-debt provision**	**Book balance**	**Bad-debt provision**
Accounts receivable	Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	4,947,786.90	24,738.93	–	–
Accounts receivable	Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司)	441,284.00	2,206.42	–	–
Accounts receivable	Beidahuang Logistics Co., Ltd. (北大荒物流股份有限公司)	416,981.46	2,084.91	–	–
Accounts receivable	Yingkou Port Marine Fuel Supply Co., Ltd. (營口港船舶燃料供應有限責任公司)	60,000.00	300.00	–	–
Accounts receivable	COSCO SHIPPING Lines (Dalian) Co., Ltd. (大連中遠海運集裝箱運輸有限公司)	1,036,995.00	5,184.98	–	–
Accounts receivable	Yingkou Port Group Trading Co., Ltd. (營口港務集團貿易有限公司)	–	–	4,766,138.90	23,830.69
Accounts receivable	Yingkou Gangfeng Hotel Co., Ltd. (營口港豐大酒店有限公司)	–	–	13,078.74	65.39
Accounts receivable	Yingkou Port Investment Co., Ltd (營口港務投資有限公司)	–	–	10,831.45	54.16
Accounts receivable	Yingkou Port Fairy Island Pier Co., Ltd. (營口港仙人島碼頭有限公司)	–	–	4,084.80	20.42

Items	Related parties	Closing balance Book balance	Closing balance Bad-debt provision	Opening balance Book balance	Opening balance Bad-debt provision
Accounts receivable	Yingkou COSCO Shipping Container Service Co., Ltd. (營口中遠海運集裝箱服務有限公司)	–	–	1,340.00	6.7
Other receivables	Yingkou Ocean Shipping Agency Co., Ltd. (營口外輪代理有限公司)	101,360.00	506.80	–	–
Other receivables	Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司)	–	–	687,855.00	3,439.28
Other receivables	Yingkou Port Group Co., Ltd.	–	–	7,232.00	36.16
Other non-current assets	Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司)	18,985,936.12	0.00	–	–

(2) Payables

√ Applicable ☐ Not Applicable

Currency: RMB

Items	Related parties	Closing balance	Opening balance
Accounts payable	Angang International Trade Yingkou Port Co., Ltd. (鞍鋼國貿營口港務有限公司)	5,417,391.95	5,417,391.95
Accounts payable	Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	2,909,800.00	1,091,797.40
Accounts payable	Yingkou Port Group Co., Ltd.	548,000.00	406,429.36
Accounts payable	Yingkou Port Jixing Logistics Co., Ltd. (營口港吉星物流有限公司)	287,600.00	521,890.03

Items	**Related parties**	**Closing balance**	**Opening balance**
Accounts payable	Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	5,085,739.32	–
Accounts payable	Yingkou Port Group Bonded Goods Storage and Transportation Co., Ltd. (營口港務集團保稅貨物儲運有限公司)	1,200,000.00	–
Accounts payable	Yingkou Gangtong E-Commerce Co., Ltd. (營口港通電子商務有限公司)	285,383.60	–
Accounts payable	Yingkou Port Engineering Supervision Consulting Co., Ltd. (營口港工程監理諮詢有限公司)	221,850.00	–
Accounts payable	Yingkou Port Marine Fuel Supply Co., Ltd. (營口港船舶燃料供應有限責任公司)	–	29,764,445.14
Accounts payable	Liaoning Gangfeng Logistics Co., Ltd. (遼寧港豐物流有限公司)	–	9,238,104.36
Accounts payable	Yingkou Port Group Trading Co., Ltd. (營口港務集團貿易有限公司)	–	488,153.66
Advances received	Yingkou Ocean Shipping Agency Co., Ltd. (營口外輪代理有限公司)	2,622,231.02	278,101.25
Advances received	Yingkou Gangpeng Shipping Engineering Co., Ltd. (營口港蓬船務工程有限公司)	270,017.32	–
Advances received	Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司)	378.85	–
Advances received	Beidahuang Logistics Co., Ltd. (北大荒物流股份有限公司)	–	3,064,375.31
Advances received	Yingkou Haihui Shipping Agency Co., Ltd. (營口海億船務代理有限公司)	–	285,788.46
Advances received	Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司)	–	905.00
Other payables	Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	400,850.45	63,202.60
Other payables	Yingkou Gangxin Technology Co., Ltd. (營口港信科技有限公司)	105,100.50	36,832.80

Items	Related parties	Closing balance	Opening balance
Other payables	COSCO SHIPPING Lines (Dalian) Co., Ltd. (大連中遠海運集裝箱運輸有限公司)	179,952.00	10,592.00
Other payables	China Shipping Terminal Development Co., Ltd. (中海碼頭發展有限公司)	76,113.70	875.00
Other payables	Yingkou Port Tank Cleaning Co., Ltd. (營口港清洗艙有限公司)	70,000.00	–
Other payables	Yingkou Gangpeng Shipping Engineering Co., Ltd. (營口港蓬船務工程有限公司)	12,300.00	–
Other payables	Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	2,854.00	–
Other payables	Yingkou Gangfeng International Hotel Co., Ltd. (營口港豐國際大酒店有限公司)	1,868.02	–
Other payables	Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	–	357,571.17

7. Undertakings from related parties

☐ Applicable √ Not Applicable

8. Others

☐ Applicable √ Not Applicable

XIII. SHARE-BASED PAYMENT

1. General information of share-based payment

☐ Applicable √ Not Applicable

2. Equity-settled share-based payment

☐ Applicable √ Not Applicable

3. Cash-settled share-based payment

☐ Applicable √ Not Applicable

4. Modification and termination of share-based payment

☐ Applicable √ Not Applicable

5. Others

☐ Applicable √ Not applicable

XIV. COMMITMENTS AND CONTINGENCIES

1. Major commitments

√ Applicable ☐ Not applicable

Major external commitments as at the balance sheet date and the nature and amount thereof

External Commitments	Nature	Amount
Leasing land assets from Port Group Corporation	Operating lease commitment	39,413,199.15

Pursuant to the relevant agreement between the Company and Port Group Corporation, the Company agreed to lease the land use right owned by Port Group Corporation. The Company shall pay land rents to Port Group Corporation at a unit price of RMB15 per square metre according to the actual area of the leased land. As of 31 December 2017, the use right of the leased land with an area of 2,627,546.61 square metres was still under lease.

Save as disclosed above, the Company had no other major commitments.

2. Contingencies

(1) Major external commitments as at the balance sheet date

√ Applicable ☐ Not applicable

1. In June 2017, the Quanzhou branch of PICC Property and Casualty Company Limited filed a lawsuit with Dalian Maritime Court against the Company on a cargo damage compensation dispute, requesting the Company to compensate for a loss of RMB3.2774 million and related interest. On 15 December 2017, Dalian Maritime Court made a first instance judgment ((2017) Liao 72 Min Chu No. 564), rejecting the claims of the Quanzhou branch of PICC Property and Casualty Company Limited. The Quanzhou branch of PICC Property and Casualty Company Limited filed an appeal to the Liaoning Provincial Higher People's Court. As of the date of approval of this financial report, no final judgment was made on the above-mentioned lawsuit and the Company was unable to reasonably estimate its financial impact.

2. On 15 April 2014, Kunlun International Trading Limited (昆侖國際貿易有限公司) filed a lawsuit with Dalian Maritime Court against the Company on the rejection of its application for delivery of goods, requesting the Company to compensate for a loss of RMB285.60 million and accrued interest. As of the date of approval of this financial report, no final judgment was made on the above-mentioned lawsuit and the Company was unable to reasonably estimate its financial impact.

3. As of 31 December 2017, save as disclosed above, the Company had no important contingencies required to be disclosed.

(2) A note should also be given if the Company had no important contingencies required to be disclosed:

□ Applicable √ Not applicable

3. Others

□ Applicable √ Not applicable

XV. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

1. Important non-adjusting events

□ Applicable √ Not applicable

2. Profit distribution

√ Applicable □ Not applicable

	Currency: RMB
Profits or dividends to be distributed	161,824,575.08
Profits or dividends announced to be distributed upon consideration and approval	

3. Sales return

□ Applicable √ Not applicable

4. Other events subsequent to balance sheet date

√ Applicable □ Not applicable

(I) According to the Profit Distribution Plan for 2017 considered and approved at the fifth meeting of the sixth session of the Board of Directors of the Company on 25 April 2018, a cash dividend of RMB0.25 (tax inclusive) per 10 shares is proposed to be distributed to all shareholders. Total amount of dividend to be distributed is RMB161,824,575.08. The plan is pending for approval at the annual general meeting of 2017.

(II) On 25 April 2018, the fifth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on the Continuous Fulfilment of Non-competition Undertakings.

1. The Company intends to continue to lease some of the terminal assets owned by Port Group Corporation in the old Yingkou port area and the Xianrendao port area. In 2018, the rent of the old Yingkou port area will be RMB1 million and the terminal charges will be paid at a rate of RMB7 per ton in terms of actual handling volume. The above matters are pending for consideration at the annual general meeting of 2017.

2. The Company plans to lease No. 18 ore terminal and stacking yard and A3 terminal and stacking yard of Port Group Corporation. The rent will be RMB183.6494 million in 2018. The above matters are pending for consideration at the annual general meeting of 2017.

3. Port Group Corporation entrusted the Company to manage the 300,000 DWT crude oil terminal project in the Xianrendao port area and berths No. 1 and No. 2 for refined oil and liquid chemicals at harbour basin No. 1, berths No. 61 to No. 71 at harbour basin No. 5 in the Bayuquan port area and general berths No. A4 to No. A6 at harbour basin A in the Bayuquan port area. The management fee for the above assets will be RMB3.2 million in 2018. The above matters are pending for consideration at the annual general meeting of 2017.

(III) On 25 April 2018, the fifth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on the Continuous Implementation of the Financial Service Agreement. In 2016, the Company entered into a financial service agreement with a finance company, pursuant to which the finance company agreed to provide deposit, settlement, credit and other services within its business scope to the Company and its subsidiaries. The agreement is valid for one year. In 2018, the Company will continue to implement the financial service agreement with the finance company. During the term of the agreement, the daily balance of the deposit of the Company and its subsidiaries placed with the financial company shall not exceed RMB5 billion; and the balance of the credit facility provided by the financial company to the Company and its subsidiaries shall not exceed RMB5 billion. The agreement is valid for one year. The above matters are pending for consideration at the annual general meeting of 2017.

(IV) On 25 April 2018, the fifth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on the Merger by Absorption with Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司), whereby the Company intends to merge by absorption with Yingkou Xingang Petrochemical Terminal Co., Ltd. (hereinafter referred to as "Xingang Petrochemical"), cancel its legal person status and change it into a branch company of the Company. The above matters are pending for consideration at the annual general meeting of 2017.

(V) On 25 April 2018, the fifth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on the Conclusion of the Online Business Agreement for Domestic Trade Containers with Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司), whereby the Company entered into the Online Business Agreement for Domestic Trade Containers (the "Agreement") with Yingkou Gangrong Big Data Co., Ltd. (hereinafter referred to as "Yingkou Gangrong"), a holding subsidiary of Port Group Corporation. Pursuant to the Agreement, the Company shall, through the platform operated by Yingkou Gangrong, provide import and export business processing services for some of the containers on the domestic trade routes of the shipping companies berthed at the Company's terminals. When the operation is completed, the Company will issue an invoice to Yingkou Gangrong and charge a lump sum fee for port operation (entering and exiting the port) and a port fee. The settlement standards of the lump sum fee for port operation (entering and exiting the port) and the port fee are specified in the Agreement. The above matters are pending for consideration at the annual general meeting of 2017.

(VI) On 20 December 2017, the Company received the Notice on the Transfer of Equity Interests of Yingkou Port Group Co., Ltd. (營口港務集團有限公司) at Nil Consideration. According to the Reply on Consenting to Accept the 100% Equity Interests of PDA Group and Yingkou Port Group issued by the State-owned Assets Supervision and Administration Commission of Liaoning Provincial People's Government, the State-owned Assets Supervision and Administration Committee of Yingkou Municipal People's Government, the actual controller of the Company, transferred the 100% equity interests of Yingkou Port Group, the controlling shareholder of the Company, to Liaoning Northeast Asia Port and Shipping Development Co., Ltd. (遼寧東北亞港航發展有限公司) (hereinafter referred to as "Port and Shipping Development") at nil consideration. Port and Shipping Development is a wholly state-owned company established by the State-owned Assets Supervision and Administration Commission of Liaoning Provincial People's Government on 27 November 2017. The transfer has been approved by the Liaoning Provincial People's Government and the State-owned Assets Supervision and

Administration Commission of Liaoning Province according to prescribed procedures, and the relevant transfer agreement has been signed. On 9 January 2018, according to the Reply on Consenting to Exempt Liaoning Northeast Asia Port and Shipping Development Co., Ltd. (遼寧東北亞港航發展有限公司) from the Obligation to Make an Offer to Acquire the Shares of Yingkou Port Liability Co., Ltd. (營口港務股份有限公司) (Zheng Jian Xu Ke [2018] No. 91) issued by the China Securities Regulatory Commission (hereinafter referred to as the "CSRC"), Port and Shipping Development was exempt from the obligation to make an offer to acquire shares by virtue of controlling 5,067,415,378 Shares of the Company due to the administrative transfer of state-owned assets. On 9 February 2018, Yingkou Port Group completed relevant procedures to effect a change of its business registration in relation to the equity transfer. Upon completion of the transfer, 5,067,415,378 Shares of the Company were indirectly controlled by Port and Shipping Development through Yingkou Port Group, accounting for 78.29% of the total share capital of the Company. Port and Shipping Development will become an indirect controlling shareholder of the Company and the actual controller of the Company will be changed from the State-owned Assets Supervision and Administration Commission of Yingkou Municipal People's Government to the State-owned Assets Supervision and Administration Commission of Liaoning Provincial People's Government.

(VII) On 25 April 2018, the fifth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on the Leasing of Container Berths No. 51 and No. 52 and Related Ancillary Facilities and Equipment, whereby the Company intended to enter into a container terminal leasing agreement with Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司), pursuant to which the Company shall lease container terminals No. 51 and No. 52 and related ancillary facilities at harbour basin No. 5 in the Bayuquan port area and 50 metres of coastline at berth No. 52 to Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司) at a rent of RMB36 million per year; The Company shall lease 4 container cranes and other equipment to Yingkou Container Terminals Company Limited (營口集裝箱碼頭有限公司) and the rent shall be paid in the manner of "the increase in rent shall be determined on the basis of the increase in container volume and on top of a determined basic rent", which means when the loading and unloading container volume of the equipment is less than 500,000 TEUs, the annual rent shall be RMB17.4157 million and for the container volume exceeding the annual container volume of 500,000 TEUs, Party B shall pay additional rent to Party A at a rate of RMB90/TEU and the rent shall be adjusted up and down in proportion to the increase in the completed container volume calculated in ten thousand TEUs. It is estimated that the rent will be approximately RMB50 million in 2018. The above matters are pending for consideration at the annual general meeting of 2017.

(VIII) On 25 April 2018, the fifth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on the Leasing of Container Berths No. 53 and No. 54 and Related Ancillary Facilities and Equipment, whereby the Company intended to enter into a container terminal leasing agreement with Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司), pursuant to which the Company shall lease container berths No. 53 and No. 54 and related ancillary facilities at harbour basin No. 5 in the Bayuquan port area and 50 metres of coastline at container berth No. 55 to Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司) at a rent of RMB39 million per year. The Company shall lease 2 container cranes and other equipment to Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司) and the rent shall be paid in the manner of "the increase in rent shall be determined on the basis of the increase in container volume and on top of a determined basic rent", which means when the loading and unloading container volume of the equipment is less than 450,000 TEUs, the annual basic rent shall be RMB15.06 million and for the container volume exceeding 450,000 TEUs, Party B shall pay additional rent to Party A at a rate of RMB90/TEU. It is estimated that the rent will be approximately RMB55 million in 2018. The above matters are pending for consideration at the annual general meeting of 2017.

(XIV) On 25 April 2018, the fifth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on Amending the Pricing Agreement on Related Party Transactions, whereby the Company entered into the Supplemental Agreement (VI) to the Pricing Agreement on Related Party Transactions to readjust the prices in relation to related party transactions. The specific related party transactions include the electricity charges, water charges, communication fees, information fees, heating fees, office building property management fees, staff dormitory fees, fuel oil fees, weighing fees and tugboat fees charged by Port Group Corporation for providing relevant services to the Company, and the vehicle transportation fees, machinery and equipment utilization fees, belt system operation fees and other service fees charged by the Company for providing relevant services to Port Group Corporation. The above matters are pending for consideration at the annual general meeting of 2017.

(X) On 25 April 2018, the fifth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on the Leasing of Stacking Yards, whereby the Company intended to rent the following stacking yards in 2018:

1. A yard owned by Liaoning Gangfeng Logistics Co., Ltd. (遼寧港豐物流有限公司), which covers an area of 130,000 square metres and will be used as a steel storage yard by relevant production companies of the Company;

2. A yard located at the bonded logistics centre owned by Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司), which covers an area of 200,000 square metres and will be used as a steel storage yard by relevant production companies of the Company;

3. A yard located at the logistics service centre owned by Yingkou Gangtong E-Commerce Co., Ltd. (營口港通電子商務有限公司), which covers an area of 100,000 square metres and will be used as a steel storage yard by relevant production companies of the Company; and

4. A yard located at the bonded storage yard owned by the logistics branch company of Yingkou Port Group Co., Ltd. (營口港務集團有限公司), which covers an area of 100,000 square metres and will be used as an ore powder storage yard by relevant production companies of the Company;

The total area of the above yards is 530,000 square metres. The rent shall be based on the actual rented area and paid on a monthly basis at a rate of RMB6 per square metre per month. In 2018, the rent of the Company's rented yards is approximately RMB38.16 million. The above matters are pending for consideration at the annual general meeting of 2017.

(XI) As of the date of approval of this financial report, save as disclosed above, the Company had no other non-adjusting events subsequent to the balance sheet date.

XVI. OTHER IMPORTANT ISSUES

1. Correction of previous accounting errors

(1) Retrospective restatement method

□ Applicable √ Not applicable

(2) Prospective application method

□ Applicable √ Not applicable

2. Debt restructuring

□ Applicable √ Not applicable

3. Asset exchange

(1) Exchange of non-monetary assets

□ Applicable √ Not applicable

(2) Exchange of other assets

☐ Applicable √ Not applicable

4. Annuity plan

☐ Applicable √ Not applicable

5. Discontinuation of operation

☐ Applicable √ Not applicable

6. Segment Information

(1) Determination basis and accounting policies of reporting segments:

☐ Applicable √ Not applicable

(2) Financial information about reporting segments

☐ Applicable √ Not applicable

(3) If the Company has no reporting segment or the total assets and total liabilities of the reporting segments cannot be disclosed, please explain the reason

☐ Applicable √ Not applicable

(4) Other explanations

√ Applicable ☐ Not applicable

The Company's business operation is concentrated in Yingkou City, mainly focusing on port cargo handling, warehousing and ship port services and other businesses. There is no need for the Company to disclose segment information as the Company is not engaged in diversified operations or cross-region operations.

7. Other important transactions and events affecting investors' decision-making

☐ Applicable √ Not applicable

8. Others

√ Applicable ☐ Not applicable

On 13 June 2017, the Company received a notification letter of major matters from Port Group Corporation. According to the letter, Port Group Corporation received a notice from Liaoning Provincial People's Government that Liaoning Provincial People's Government and China Merchants Group Limited (招商局集團有限公司) (hereinafter referred to as "China Merchants Group") signed a port cooperation framework agreement (hereinafter referred to as the "Framework Agreement") in Shenyang on 10 June 2017. According to the Framework Agreement, Liaoning Provincial Government and China Merchants Group will cooperate to establish a unified operation platform for the ports in Liaoning and, based on Dalian Port Corporation Limited (大連港集團有限公司) and Yingkou Port Group Co., Ltd. (營口港務集團有限公司), establish Liaoning Port Group in a market-oriented way to realize the integration of the coastal port operation entities in Liaoning. With investment holdings in Liaoning Port Group, China Merchants Group will lead the operation and management of enterprises under Liaoning Port Group and promote the business restructuring and structural optimization and adjustment of the ports owned by Liaoning Port Group. The Company is not aware of the specific cooperation plan insofar.

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Disclosure of accounts receivable by category:

√ Applicable ☐ Not applicable

Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying value	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying value
Accounts receivable with amounts that were individually significant and that the provision for bad debts was made on the individual basis	16,479,712.77	6.28	15,979,712.77	96.97	500,000.00	16,479,712.77	3.64	15,979,712.77	96.97	500,000.00
Accounts receivable with the provision for bad debts made on the grouping basis of credit risk characteristics	245,937,364.09	93.72	1,228,982.02	0.5	244,708,382.07	436,733,696.94	96.36	2,183,668.49	0.50	434,550,028.45
Accounts receivable with amounts that were individually insignificant and that the provision for bad debts was made on the individual basis										
Total	262,417,076.86	/	17,208,694.79	/	245,208,382.07	453,213,409.71	/	18,163,381.26	/	435,050,028.45

Accounts receivable with amounts that were individually significant and that the provision for bad debts was made on the individual basis at the end of the period:

√ Applicable □ Not applicable

Currency: RMB

	Closing balance			
Accounts receivable (by companies)	**Accounts receivable**	**Provision for bad debts**	**Percentage of provision** *(%)*	**Reason**
Shenyang Oriental Steel Co., Ltd. (瀋陽東方鋼鐵有限公司)	2,429,289.99	2,429,289.99	100.00	Expected not to be recovered
Chaoyang Saiwai Mining (Group) Co., Ltd. (朝陽塞外礦業(集團)有限公司)	6,823,163.50	6,323,163.50	92.67	Expected not to be recovered
Zhoushan Mingying Shipping Co., Ltd. (舟山明贏船務有限公司)	4,235,722.50	4,235,722.50	100.00	Expected not to be recovered
Yangpu Xinhong Logistics Co., Ltd. (洋浦信宏物流有限公司)	2,991,536.78	2,991,536.78	100.00	Expected not to be recovered
Total	16,479,712.77	15,979,712.77	/	/

Among the group, the provision for bad debts for accounts receivable was made by the aging analysis method:

□ Applicable √ Not applicable

Among the group, the provision for bad debts for accounts receivable was made by using the balance percentage method:

√ Applicable □ Not applicable

Currency: RMB

	Closing balance		
Percentage of balance	**Accounts receivable**	**Provision for bad debts**	**Percentage of provision** *(%)*
Within one year	174,710,648.79	872,848.44	0.50
1 to 2 years	70,653,000.00	353,265.00	0.50
3 to 4 years	573,715.30	2,868.58	0.50
Total	245,937,364.09	1,228,982.02	0.50

Explanations on the basis for determination of the portfolio:

For the receivables which are individually significant or for which impairment is not identified in an individual test, and the individually insignificant receivables, the Company includes their balances into the credit risk characteristics portfolio for impairment assessment.

Among the group, the provision for bad debts for accounts receivable was made by using other methods:

□ Applicable √ Not applicable

(2) Provision for bad debts provided, recovered or reversed for the period

The provision for bad debts made for the period was RMB-954,686.47, while the provision for bad debts recovered or reversed for the period was RMB0.00.

Among which, the provision for bad debts recovered or reversed for the period was significant:

□ Applicable √ Not applicable

(3) Accounts receivable actually written off for the period

□ Applicable √ Not applicable

Among which, significant accounts receivable actually written off

□ Applicable √ Not applicable

(4) The top five closing balances of accounts receivable categorized by debtors

√ Applicable □ Not applicable

Names of companies	Closing balance	Percentage of total closing balance of accounts receivable (%)	Provision for bad debts
Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	70,653,000.00	26.92	353,265.00
Angang Steel Company Limited (鞍鋼股份有限公司)	34,796,043.98	13.26	173,980.22
Benxi Steel (Group) International Trade Tengda Co., Ltd. (本溪鋼鐵(集團)國貿騰達有限公司)	15,210,860.35	5.80	76,054.30
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	13,090,634.32	4.99	65,453.17
Yingkou Angang International Freight Forwarding Co., Ltd. (營口鞍鋼國際貨運代理有限公司)	10,346,643.05	3.94	51,733.22
Total	144,097,181.70	54.91	720,485.91

(5) Accounts receivable derecognized for transfer of financial assets:

□ Applicable √ Not applicable

(6) The amounts of assets and liabilities resulted from the transfer and continuous involvement of receivables:

□ Applicable √ Not applicable

Other explanations:

□ Applicable √ Not applicable

2. Other receivables

(1) Classified disclosure of other receivables:

√ Applicable ☐ Not applicable

Currency: RMB

Category	Closing balance: Book balance: Amount	Closing balance: Book balance: Percentage (%)	Closing balance: Provision for bad debts provision: Amount	Closing balance: Provision for bad debts provision: Percentage of provision (%)	Closing balance: Carrying value	Opening balance: Book balance: Amount	Opening balance: Book balance: Percentage (%)	Opening balance: Provision for bad debts provision: Amount	Opening balance: Provision for bad debts provision: Percentage of provision (%)	Opening balance: Carrying value
Other receivables with amounts that were individually significant and that the provision for bad debts was made on the individual basis	–	–	–	–	–	–	–	–	–	–
Other receivables with the provision for bad debts made on the grouping basis of credit risk characteristics	5,288,857.76	100	27,242.28	0.5	5,261,615.48	3,884,079.22	100.00	19,420.40	0.50	3,864,658.82
Other receivables with amounts that were individually insignificant and that the provision for bad debts was made on the individual basis										
Total	5,288,857.76	/	27,242.28	/	5,261,615.48	3,884,079.22	/	19,420.40	/	3,864,658.82

Other receivables with amounts that were individually significant and that the provision for bad debts was made on the individual basis at the end of the period:

□ Applicable √ Not applicable

Among the group, other receivables for which the provision for bad debts was made by the aging analysis method:

□ Applicable √ Not applicable

Among the group, other receivables for which the provision for bad debts was made by using the balance percentage method:

√ Applicable □ Not applicable

Currency: RMB

	Closing balance		
Percentage of balance	**Other receivables**	**Provision for bad debts**	**Percentage of provision** *(%)*
Within 1 year	4,759,857.63	24,597.28	0.50
1 to 2 years	139,040.35	695.20	0.50
2 to 3 years	389,959.78	1,949.80	0.50
Total	5,288,857.76	27,242.28	0.50

Among the group, other receivables for which the provision for bad debts was made by using other methods:

□ Applicable √ Not applicable

(2) Provision for bad debts provided, recovered or reversed for the period:

The provision for bad debts made for the period was RMB7,821.88, while the provision for bad debts recovered or reversed for the period was RMB0.00.

Among which, the provision for bad debts reversed or recovered for the period was significant:

□ Applicable √ Not applicable

(3) Other receivables actually written off for the period

□ Applicable √ Not applicable

(4) Classification of other receivables by nature of amounts

√ Applicable ☐ Not applicable

Currency: RMB

Nature of amounts	**Closing book balance**	**Opening book balance**
Deposits	830,103.76	1,241,135.22
Advanced payments	4,458,754.00	2,642,944.00
Total	5,288,857.76	3,884,079.22

(5) The top five closing balances of other accounts receivable categorized by debtors

√ Applicable ☐ Not applicable

Currency: RMB

Name of companies	**Nature of amounts**	**Closing balance**	**Aging**	**Percentage of total closing balance of other receivables** *(%)*	**Closing balance of provision for bad debts**
Shanghai Sinograin Logistics Co., Ltd. (上海中穀物流股份有限公司)	Advanced payments	1,491,536.00	Within 1 year	28.20	7,457.68
Yangpu Hailutong Logistics Co., Ltd. (洋浦海陸通物流有限公司)	Advanced payments	1,223,680.00	Within 1 year	23.14	6,118.40
Quanzhou Antong Logistics Co., Ltd. (泉州安通物流有限公司)	Advanced payments	797,360.00	Within 1 year	15.08	3,986.80
Sinotrans Liaoning Co., Ltd., Yingkou Branch (中國外運遼寧有限公司營口分公司)	Advanced payments	398,256.00	Within 1 year	7.53	1,991.28
Zhao Jianjun	Deposits	318,020.00	2 to 3 years	6.01	1,590.10
Total	/	4,228,852.00		79.96	21,144.26

(6) Receivables related to government grants

☐ Applicable √ Not applicable

(7) Other receivables derecognized due to the transfer of financial assets

☐ Applicable √ Not applicable

(8) The amounts of assets and liabilities resulted from the transfer and continuous involvement of other receivables

☐ Applicable √ Not applicable

Other explanations:

☐ Applicable √ Not applicable

3. Long-term equity investments

√ Applicable ☐ Not applicable

Currency: RMB

	Closing balance			Opening balance		
Items	**Book balance**	**Provision for impairment**	**Carrying value**	**Book balance**	**Provision for impairment**	**Carrying value**
Investment in subsidiaries	5,730,717,139.67	–	5,730,717,139.67	5,440,062,039.67	–	5,440,062,039.67
Investment in associates and joint ventures	799,181,079.03	–	799,181,079.03	715,616,883.08	–	715,616,883.08
Total	6,529,898,218.70	–	6,529,898,218.70	6,155,678,922.75	–	6,155,678,922.75

(1) Investment in subsidiaries

√ Applicable □ Not applicable

Currency: RMB

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment for the period	Closing balance of provision for impairment
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	24,000,000.00	–	–	24,000,000.00	–	–
Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司)	2,265,606,539.67	290,655,100.00	–	2,556,261,639.67	–	–
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	3,150,455,500.00	–	–	3,150,455,500.00	–	–
Total	5,440,062,039.67	290,655,100.00	–	5,730,717,139.67	–	–

(2) Investment in associates and joint ventures

√ Applicable ☐ Not applicable

Currency: RMB

Investees	Opening balance	Increase in investment	Decrease in investment	Movements in the period: Share of profit/(loss) under equity method	Adjustments in other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
I. Joint ventures											
Yingkou Container Terminals Company Limited	39,580,253.01	–	–	21,901,513.15	–	–	7,661,513.98	–	–	53,820,252.18	–
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	194,817,109.08	–	–	21,499,098.09	–	–	–	–	–	216,316,207.17	–
Subtotal	234,397,362.09	–	–	43,400,611.24	–	–	7,661,513.98	–	–	270,136,459.35	–
II. Associates											
Angang International Trade Yingkou Port Co., Ltd. (鞍鋼國貿營口港務有限公司)	215,944,830.33	–	–	4,968,557.03	–	–	–	–	–	220,913,387.36	–
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	265,274,690.66	–	–	42,856,541.66	–	–	–	–	–	308,131,232.32	–
Subtotal	481,219,520.99	–	–	47,825,098.69	–	–	–	–	–	529,044,619.68	–
Total	715,616,883.08	–	–	91,225,709.93	–	–	7,661,513.98	–	–	799,181,079.03	–

4. Revenue and cost of service:

√ Applicable □ Not applicable

Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	2,737,857,852.08	1,965,648,987.21	2,554,485,628.61	1,604,767,538.65
Other operations	260,989,637.94	164,318,298.53	333,895,493.73	258,961,856.46
Total	2,998,847,490.02	2,129,967,285.74	2,888,381,122.34	1,863,729,395.11

5. Investment income

√ Applicable □ Not applicable

Currency: RMB

Items	Amount for the current period	Amount for the previous period
Investment income from long-term equity investments under the cost method	18,179,842.91	23,565,812.18
Investment income from long-term equity investments under the equity method	91,225,709.93	-37,627,610.39
Investment income from disposal of long-term equity investments	–	–
Investment income from financial assets at fair value through profit or loss during holding period	–	–
Investment income from disposal of financial assets at fair value through profit or loss	–	–
Investment income from held-to-maturity investments during holding period	–	–
Investment income from available-for-sale financial assets during holding period	–	–
Investment income from disposal of available-for-sale financial assets	–	–
Gains on re-measurement of remaining equity at fair value upon loss of control	–	–
Total	109,405,552.84	-14,061,798.21

6. Others

□ Applicable √ Not applicable

XVIII. SUPPLEMENTARY INFORMATION

1. Statement of non-recurring profit or loss for the current period

√ Applicable ☐ Not applicable

Currency: RMB

Items	Amount	Description
Profit or loss on disposal of non-current assets	-4,901,180.94	–
Tax returns, reduction and exemptions with unauthorized approval or without official approval documents	–	–
Governmental grants included in profit or loss for the current period other than those closely related to the business activities of the Company and received at a fixed amount or quantity according to the national unified standard	1,521,400.00	–
Capital utilization fee received from non-financial businesses and included in profit or loss for the current period	–	–
Gain on investments of subsidiaries, associates and joint ventures in which the investment cost was less than the interest in fair value of identifiable net assets of the investees at the time of acquisition	–	–
Profit or loss on exchange of non-monetary assets	–	–
Gain or loss on entrusted investment or asset management	–	–
Asset impairment provisions for force majeure such as natural disasters	–	–
Gain or loss on debt restructuring	–	–
Corporate restructuring fees such as staff settlement expenses and consolidation charges	–	–
Gain or loss arising from unfair trading transactions prices over their fair value	–	–
Net gain or loss of subsidiaries from the beginning of the period to the combination date arising from the combination of enterprises under common control	–	–
Gain or loss on contingency items unrelated to the normal business operations of the Company	3,019,878.77	–

Items	Amount	Description
Gain or loss arising from the change in fair value of financial assets held for trading and financial liabilities held for trading and investment income from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, other than effective hedging business conducted in the course of normal business of the Company	–	–
Reversal of impairment provisions for receivables subject to individual impairment test	–	–
Gain or loss on commissioned loans	–	–
Gain or loss on changes in fair value of investment properties adopting fair value method for subsequent measurements	–	–
Effect on profit or loss for the period from one-off adjustment to profit or loss for the period according to the requirements of the tax and accounting laws and regulations	–	–
Custody fee income received from custody operation	–	–
Other non-operating income and expenses other than all above-mentioned items	-199,868.41	–
Other gain or loss items conforming with the definition of non-recurring gain or loss		
Effect of income tax	498,324.84	–
Effect of minority interests	-420,813.12	–
Total	-482,258.86	–

The Company shall explain those non-recurring profit or loss as defined according to the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public-Non-recurring Profit or Loss (the "Explanatory Announcement") and explain the reason for defining those non-recurring profit or loss listed in the Explanatory Announcement as recurring profit or loss.

√ Applicable ☐ Not applicable

Currency: RMB

Item	Amount involved	Reason
Profit or loss arising from contingencies that are irrelevant to the Company's ordinary operation	3,019,878.77	The Ore Company, a subsidiary of the Company, and China Railway Materials Harbin Co., Ltd. (中國鐵路物資哈爾濱有限公司) (hereinafter referred to as "China Railway Materials Trade") signed the Implementation Settlement Agreement ([2017] Liao 72 Zhi 99) ([2017]遼 72 執 99 號《執行和解協議》) to reach a settlement on the dispute of cargo damage, and the Ore Company finally paid China Railway Materials Trade RMB14.5 million, representing the difference between the Company's estimated liability and actual compensation.

2. Return on net assets and earnings per share

√ Applicable ☐ Not applicable

Profit for the reporting period	Weighted average return on net assets *(%)*	Earnings per share: Basic earnings per share	Earnings per share: Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	5.0564	0.0827	0.0827
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	5.0610	0.0828	0.0828

3. Accounting data differences under domestic and overseas accounting standards

☐ Applicable √ Not applicable

4. Others

☐ Applicable √ Not applicable

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Auditor's Report

XYZH/2020BJA20747

To all Shareholders of Yingkou Port Liability Co., Ltd.,

I. OPINION

We have audited the accompanying financial statements of Yingkou Port Liability Co., Ltd. (hereinafter referred to as "Yingkou Port"), which comprise the consolidated and parent company balance sheets as at 31 December 2018, 31 December 2019 and 30 June 2020, the consolidated and parent company income statements for the years of 2018 and 2019 and the period from January to June 2020, the consolidated and parent company cash flow statements for the year then ended, the consolidated and parent company statements of changes in owners' equity for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and parent company's financial position of Yingkou Port as at 31 December 2018, 31 December 2019 and 30 June 2020, and their financial performance and cash flows for the years of 2018 and 2019 and the period from January to June 2020 in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Yingkou Port in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

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

1. Related parties and related transactions

Key Audit Matters	How our audit addressed the key audit matters
During the Reporting Period, Yingkou Port had different types of large related transactions with its related parties. There have been numerous related parties and various related party transactions. As such, there is a risk that not all related party relationships and related party transactions are disclosed in the financial statements. In addition, the amount of related is significant, so we considered the completeness of the disclosure of related party relationship and related transactions as key audit matters.	Our key audit procedures conducted are as follows: 1. We evaluated the internal controls of Yingkou Port on identifying and disclosing of related party relationships and related transactions; 2. We obtained a list of related parties provided by the management, and implemented the following procedures: Checking the list of related parties against the information obtained from other public sources; Inspecting significant sales, purchase and other agreements to identify whether there are undisclosed related party relationships; Inquiring and analyzing whether the main customers or suppliers are related parties through public sources to identify whether there are undisclosed related parties. 3. We obtained detailed listings of related party transactions and balance provided by the management, and implemented the following procedures: Carrying out audit procedures such as inspection, confirmation and inquiry to verify the truthfulness of related transactions; Inspecting the presentation and disclosure of related transactions in the financial statements.

2. Audit of impairment of fixed assets

Key Audit Matters	How our audit addressed the key audit matters
Yingkou Part is a heavy-asset enterprise. As of 30 June 2020, the book value of its fixed assets was was RMB9.174 billion, representing 61.23% of total assets. The outbreak of the new coronavirus disease (hereinafter referred to as the "COVID-19 outbreak") in January 2020 has had significant impact on the domestic and international economy. Yingkou Port is engaged in port operation. The COVID-19 outbreak has impacted the future operation of Yingkou Port, which may in turn have an impact on the value of its fixed assets. In summary, we considered the audit of fixed assets impairment as a key audit matter.	Our key audit procedures conducted are as follows: 1. Evaluating and testing management's internal control on fixed assets; 2. Performing the auditing procedures for the operating income of Yingkou Port for January to June 2020, obtaining an understanding of the operation of Yingkou Port after 30 June 2020 and reviewing and evaluating the management's outlook and expectation on the operation of Yingkou Port after the COVID-19 outbreak; 3. Understanding and analyzing if there is an indication of impairment of the fixed assets of Yingkou Port and reviewing and evaluating the reasonableness of the management's judgement on the indication of fixed assets impairment of Yingkou Port after the COVID-19 outbreak.

IV. RESTRICTIONS ON USE

This report is only used for submitting application documents to the China Securities Regulatory Commission for acquiring shares of Yingkou Port by Dalian Port (PDA) Company Limited (大連港股份有限公司), and shall not be used for any other purposes.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the CASs, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Yingkou Port's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate Yingkou Port or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Yingkou Port.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not express any opinion for the effectiveness.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yingkou Port's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw the attention of users in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yingkou Port to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Yingkou Port to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public Accountants LLP

Chinese Certified Public Accountant:

(Project partner)

Chinese Certified Public Accountant:

Beijing, the People's Republic of China

4 September 2020

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020

Consolidated Balance Sheet

Currency: RMB

Items	*Notes*	**30 June 2020**	**31 December 2019**	**31 December 2018**
Current assets:				
Cash at bank and on hand	*VIII. 1*	3,091,183,396.83	3,014,705,566.94	3,251,790,455.63
Financial assets held for trading		–	–	–
Derivative financial assets		–	–	–
Notes receivable	*VIII. 2*	338,933,602.27	330,757,150.59	325,265,957.03
Accounts receivable	*VIII. 3*	147,243,322.04	149,860,118.56	307,798,501.58
Accounts receivable financing		–	–	–
Advances to suppliers	*VIII. 4*	8,351,641.39	1,774,336.32	1,424,493.36
Other receivables	*VIII. 5*	208,958.20	314,574.78	806,972.70
Inventories	*VIII. 6*	31,654,594.32	32,798,175.79	39,532,099.44
Including: Raw materials	*VIII. 6*	31,600,568.58	32,744,150.05	39,218,464.02
Goods in stock (Finished products)	*VIII. 6*	54,025.74	54,025.74	252,341.60
Contract assets		–	–	–
Assets held for sale		–	–	–
Non-current assets due within one year		–	–	–
Other current assets	*VIII. 7*	4,346,762.36	9,786,049.26	39,313,687.07
Total current assets		**3,621,922,277.41**	**3,539,995,972.24**	**3,965,932,166.81**
Non-current assets:				
Debt investments		–	–	–
Other debt investments		–	–	–
Long-term receivables		–	–	–
Long-term equity investments	*VIII. 8*	968,822,571.34	934,184,868.83	857,628,297.20
Investments in other equity instruments		–	–	–
Other non-current financial assets		–	–	–
Investment properties		–	–	–
Fixed assets	*VIII. 9*	9,174,461,757.24	9,508,266,691.46	9,813,797,455.34
Construction in progress	*VIII. 10*	16,572,758.56	16,553,890.64	281,244,582.84
Intangible assets	*VIII. 11*	1,005,755,353.34	1,022,340,453.01	1,054,973,563.23
Research and development expenses		–	–	–
Goodwill		–	–	–
Long-term prepaid expenses		–	–	–
Deferred tax assets	*VIII. 12*	194,059,458.29	198,975,234.22	200,413,808.15
Other non-current assets	*VIII. 13*	–	–	570,000.00
Total non-current assets		**11,359,671,898.77**	**11,680,321,138.16**	**12,208,627,706.76**
Total assets		**14,981,594,176.18**	**15,220,317,110.40**	**16,174,559,873.57**

Notes are an integral part of the financial statements

The financial statement was signed by the following persons in charge:

Person in charge of the Company	Principal in charge of accounting	Head of accounting department

Currency: RMB

Items	*Notes*	30 June 2020	31 December 2019	31 December 2018
Current liabilities:				
Short-term borrowings	*VIII. 16*	–	400,531,666.68	850,000,000.00
Financial liabilities held for trading		–	–	–
Derivative financial liabilities		–	–	–
Notes payable		–	–	–
Accounts payable	*VIII. 17*	93,301,373.89	164,753,805.49	276,459,243.29
Advances from customers	*VIII. 18*	–	180,338,406.10	53,890,691.32
Contract liabilities	*VIII. 19*	153,394,989.93	–	–
Employee benefits payable	*VIII. 20*	15,915,223.88	81,296,286.50	51,319,291.15
Including: Wages and salaries payable	*VIII. 20*	14,502,327.16	62,570,352.07	39,192,478.66
Welfare payable		–	–	–
Taxes payable	*VIII. 21*	51,999,869.87	25,755,605.53	23,911,320.88
Including: Tax payable	*VIII. 21*	50,386,457.81	24,556,498.81	22,379,260.50
Other payables	*VIII. 22*	354,430,219.45	34,943,481.06	46,545,685.87
Liabilities held for sale		–	–	–
Non-current liabilities due within one year	*VIII. 23*	38,887,270.21	369,535,121.55	661,200,000.00
Short-term financing payable		–	–	–
Other current liabilities		–	–	–
Total current liabilities		**707,928,947.23**	**1,257,154,372.91**	**1,963,326,232.51**
Non-current liabilities:				
Long-term borrowings	*VIII. 24*	–	–	948,000,000.00
Bonds payable	*VIII. 25*	984,211,000.00	984,211,000.00	1,000,000,000.00
Including: Preference shares		–	–	–
Perpetual bond		–	–	–
Long-term payables		–	–	–
Long-term employee benefits payable		–	–	–
Provision	*VIII. 26*	32,760,218.42	32,760,218.42	33,003,300.01
Deferred income	*VIII. 27*	41,871,235.96	45,620,898.88	53,120,224.72
Deferred income tax liabilities		–	–	–
Other non-current liabilities		–	–	–
Total non-current liabilities		**1,058,842,454.38**	**1,062,592,117.30**	**2,034,123,524.73**
Total liabilities		**1,766,771,401.61**	**2,319,746,490.21**	**3,997,449,757.24**
Owners' equity:				
Share capital	*VIII. 28*	6,472,983,003.00	6,472,983,003.00	6,472,983,003.00
Capital reserve	*VIII. 29*	1,537,045,501.44	1,537,045,501.44	1,537,045,501.44
Less: Treasury shares		–	–	–
Other comprehensive income		–	–	–
Including: Translation differences on translation of foreign currency financial statements		–	–	–
Special reserve	*VIII. 30*	77,124,207.00	67,468,103.82	54,498,642.62
Surplus reserve	*VIII. 31*	686,687,457.89	686,687,457.89	595,767,230.03
Including: Statutory surplus reserve	*VIII. 31*	686,687,457.89	686,687,457.89	595,767,230.03
Discretionary surplus reserve		–	–	–
Undistributed profits	*VIII. 32*	3,889,483,424.28	3,581,085,066.92	2,979,064,357.11
Total owner's equity attributable to the parent company		**12,663,323,593.61**	**12,345,269,133.07**	**11,639,358,734.20**
Minority interests		551,499,180.96	555,301,487.12	537,751,382.13
Total owners' equity		**13,214,822,774.57**	**12,900,570,620.19**	**12,177,110,116.33**
Total liabilities and owners' equity		**14,981,594,176.18**	**15,220,317,110.40**	**16,174,559,873.57**

Notes are an integral part of the financial statements

Person in charge of the Company	Principal in charge of accounting	Head of accounting department

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020

Balance Sheet of the Parent Company

Currency: RMB

Items	Notes	30 June 2020	31 December 2019	31 December 2018
Current assets:				
Cash at bank and on hand	*XVII. 1*	1,072,567,363.32	1,125,431,383.39	1,721,258,456.79
Financial assets held for trading		–	–	–
Derivative financial assets		–	–	–
Notes receivable	*XVII. 2*	215,629,351.00	144,892,916.49	112,250,548.95
Accounts receivable	*XVII. 3*	136,891,129.34	111,790,643.90	211,221,186.93
Accounts receivable financing		–	–	–
Advances to suppliers		5,861,218.91	1,530,743.52	1,119,527.65
Other receivables	*XVII. 4*	199,960.00	304,574.78	806,007.61
Inventories		13,922,518.81	13,552,883.60	18,651,683.07
Including: Raw materials		13,868,493.07	13,498,857.86	18,338,047.65
Goods in stock (Finished products)		54,025.74	54,025.74	252,341.60
Contract assets		–	–	–
Assets held for sale		–	–	–
Non-current assets due within one year		–	–	–
Other current assets		3,472,847.35	4,246,981.56	39,072,902.09
Total current assets		**1,448,544,388.73**	**1,401,750,127.24**	**2,104,380,313.09**
Non-current assets:				
Debt investments		–	–	–
Other debt investments		–	–	–
Long-term receivables		–	–	–
Long-term equity investments	*XVII. 5*	4,143,278,071.34	4,108,640,368.83	4,032,083,797.20
Investments in other equity instruments		–	–	–
Other non-current financial assets		–	–	–
Investment properties		–	–	–
Fixed assets		7,550,426,004.21	7,837,303,091.33	8,048,214,465.39
Construction in progress		16,572,758.56	16,553,890.64	279,728,696.93
Intangible assets		1,071,014,622.44	1,088,625,134.07	1,123,309,068.21
Research and development expenses		–	–	–
Goodwill		–	–	–
Long-term prepaid expenses		–	–	–
Deferred tax assets		41,153,420.31	41,247,793.53	32,961,526.30
Other non-current assets		–	–	570,000.00
Total non-current assets		**12,822,444,876.86**	**13,092,370,278.40**	**13,516,867,554.03**
Total assets		**14,270,989,265.59**	**14,494,120,405.64**	**15,621,247,867.12**

Notes are an integral part of the financial statements

Person in charge of the Company	Principal in charge of accounting	Head of accounting department

Currency: RMB

Items	*Notes*	30 June 2020	31 December 2019	31 December 2018
Current liabilities:				
Short-term borrowings	*XVII.6*	–	400,531,666.68	850,000,000.00
Financial liabilities held for trading		–	–	–
Derivative financial liabilities		–	–	–
Notes payable		–	–	–
Accounts payable		92,696,759.89	162,220,524.27	269,862,389.25
Advances from customers		–	–	33,046,062.35
Contract liabilities		121,007,470.31	110,128,754.82	–
Employee benefits payable		15,409,322.48	62,932,480.07	41,562,997.85
Including: Wages and salaries payable		14,502,327.16	49,887,626.07	32,144,623.00
Welfare payable		–	–	–
Taxes payable		48,019,309.58	22,051,506.99	14,500,653.17
Including: Tax payable		46,890,138.45	21,258,757.75	13,684,358.93
Other payables		350,442,065.52	30,774,607.64	43,525,079.33
Liabilities held for sale		–	–	–
Non-current liabilities due within one year		38,887,270.21	369,535,121.55	661,200,000.00
Short-term financing payable		–	–	–
Other current liabilities		–	–	–
Total current liabilities		**666,462,197.99**	**1,158,174,662.02**	**1,913,697,181.95**
Non-current liabilities:				
Long-term borrowings	*XVII.7*	–	–	948,000,000.00
Bonds payable	*XVII.8*	984,211,000.00	984,211,000.00	1,000,000,000.00
Including: Preference shares		–	–	–
Perpetual bond		–	–	–
Long-term payables		–	–	–
Long-term employee benefits payable		–	–	–
Provision		32,760,218.42	32,760,218.42	33,003,300.01
Deferred income		41,871,235.96	45,620,898.88	53,120,224.72
Deferred income tax liabilities		–	–	–
Other non-current liabilities		–	–	–
Total non-current liabilities		**1,058,842,454.38**	**1,062,592,117.30**	**2,034,123,524.73**
Total liabilities		**1,725,304,652.37**	**2,220,766,779.32**	**3,947,820,706.68**

Currency: RMB

Items	*Notes*	30 June 2020	31 December 2019	31 December 2018
Owners' equity:				
Share capital		6,472,983,003.00	6,472,983,003.00	6,472,983,003.00
Capital reserve	*XVII. 9*	1,537,045,501.44	1,537,045,501.44	1,537,045,501.44
Less: Treasury shares		–	–	–
Other comprehensive income		–	–	–
Including: Translation differences on translation of foreign currency financial statements		–	–	–
Special reserve		64,016,003.59	54,619,995.74	44,738,090.63
Surplus reserve		686,687,457.89	686,687,457.89	595,767,230.03
Including: Statutory surplus reserve		686,687,457.89	686,687,457.89	595,767,230.03
Discretionary surplus reserve		–	–	–
Undistributed profits	*XVII. 10*	3,784,852,647.30	3,522,017,668.25	3,022,893,335.34
Total owners' equity		**12,545,684,613.22**	**12,273,353,626.32**	**11,673,427,160.44**
Total liabilities and owners' equity		**14,270,989,265.59**	**14,494,120,405.64**	**15,621,247,867.12**

Notes are an integral part of the financial statements

Person in charge of the Company	Principal in charge of accounting	Head of accounting department

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020

Consolidated Income Statement

Currency: RMB

Items	Notes	January to June 2020	2019	2018
I. Total revenue	*VIII. 33*	**2,407,321,038.92**	**4,768,326,951.60**	**4,813,538,151.59**
Including: Operating income	*VIII. 33*	2,407,321,038.92	4,768,326,951.60	4,813,538,151.59
2. Total operating cost		**1,631,009,399.75**	**3,509,207,440.31**	**3,502,439,356.13**
Including: Operating costs	*VIII. 33*	1,488,399,076.83	3,109,550,399.00	3,040,742,633.65
Taxes and surcharges	*VIII. 34*	27,519,108.30	46,313,896.98	50,261,298.08
Selling and distribution expenses		–	–	–
General and administrative expenses	*VIII. 35*	97,819,781.73	244,556,038.93	236,997,343.11
Research and development expenses		–	–	–
Financial expenses	*VIII. 36*	14,461,698.39	108,787,105.40	174,438,081.29
Including: Interest expenses	*VIII. 36*	35,622,259.76	130,885,998.22	186,006,114.16
Interest income	*VIII. 36*	21,197,542.45	22,195,776.62	11,744,540.95
Net exchange loss (net gain represented by "-")		–	–	–
Add: Other income	*VIII. 37*	12,162,541.05	18,000,776.84	3,197,075.28
Investment income (loss represented by "-")	*VIII. 38*	42,903,902.51	101,163,286.25	82,454,568.55
Including: Share of profit of associates and joint ventures	*VIII. 38*	42,903,902.51	101,163,286.25	79,977,476.40
Income (loss) from derecognition of financial assets measured at amortised cost		–	–	–
Gains on net exposure hedges (loss represented by "-")		–	–	–
Gains on changes in fair value (loss represented by "-")		–	–	–
Credit impairment losses (loss represented by "-")	*VIII. 39*	-2,156,633.02	-25,704,314.12	–
Asset impairment losses (loss represented by "-")	*VIII. 40*	-1,457,110.59	–	-2,525,594.71
Gains on disposals of assets (loss represented by "-")	*VIII. 41*	–	38,146.55	-25,984.11
III. Operating profit (loss represented by "-")		**827,764,339.12**	**1,352,617,406.81**	**1,394,198,860.47**
Add: Non-operating income	*VIII. 42*	1,570,407.91	3,597,743.08	7,418,671.83
Including: Government grants	*VIII. 42*	–	–	1,391,701.90
Less: Non-operating expenses	*VIII. 43*	3,520,320.73	3,822,235.93	64,425,093.57
IV. Total profit (total loss represented by "-")		**825,814,426.30**	**1,352,392,913.96**	**1,337,192,438.73**
Less: Income tax expenses	*VIII. 44*	184,985,880.77	304,104,864.43	301,528,158.42
V. Net profit (net loss represented by "-")		**640,828,545.53**	**1,048,288,049.53**	**1,035,664,280.31**
(I) Classified by ownership of the equity				
1. Net profit attributable to owners of the parent company (net loss represented by "-")		619,101,541.50	1,011,632,317.93	1,000,905,501.38
2. Minority interests (net loss represented by "-")		21,727,004.03	36,655,731.60	34,758,778.93
(II) Classified by continuity of operations				
1. Net profit from continuing operations (net loss represented by "-")		640,828,545.53	1,048,288,049.53	1,035,664,280.31
2. Net profit from discontinued operations (net loss represented by "-")		–	–	–

Currency: RMB

Items	*Notes*	January to June 2020	2019	2018
VI. Other comprehensive income, net of tax		–	–	–
Other comprehensive income attributable to owners of the parent company, net of tax		–	–	–
(I) Other comprehensive income that will not be reclassified to profit or loss		–	–	–
1. Changes in re-measurement of defined benefit plans		–	–	–
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		–	–	–
3. Changes in fair value of investments in other equity instruments		–	–	–
4. Changes in fair value of the Company's own credit risk		–	–	–
5. Others		–	–	–
(II) Other comprehensive income that will be reclassified to profit or loss		–	–	–
1. Other comprehensive income that may be reclassified to profit or loss under equity method		–	–	–
2. Changes in fair value of other debt investments		–	–	–
3. Amount included in other comprehensive income on reclassification of financial assets		–	–	–
4. Credit impairment provisions of other debt investments		–	–	–
5. Cash flows hedging reserve (effective portion of hedging gain or loss arising from cash flows)		–	–	–
6. Translation differences on translation of foreign currency financial statements		–	–	–
7. Others		–	–	–
Other comprehensive income attributable to minority interests, net of tax		–	–	–
VII. Total comprehensive income		640,828,545.53	1,048,288,049.53	1,035,664,280.31
Attributable to owners of the parent company		619,101,541.50	1,011,632,317.93	1,000,905,501.38
Attributable to minority interests		21,727,004.03	36,655,731.60	34,758,778.93
VIII. Earnings per share:				
Basic earnings per share		0.0956	0.1563	0.1546
Diluted earnings per share		0.0956	0.1563	0.1546

Notes are an integral part of the financial statements

Person in charge of the Company	Principal in charge of accounting	Head of accounting department

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020

Income Statement of the Parent Company

Currency: RMB

Items	Notes	January to June 2020	2019	2018
I. Operating revenue	*XVII. 11*	**2,083,352,193.07**	**4,105,075,979.59**	**3,985,277,860.30**
Less: Operating costs	*XVII. 11*	1,301,129,846.18	2,688,651,475.30	2,481,509,163.93
Taxes and surcharges		25,014,001.72	41,063,106.78	45,285,111.39
Selling and distribution expenses		–	–	–
General and administrative expenses		88,154,650.12	214,929,842.83	192,970,106.93
Research and development expenses		–	–	–
Financial expenses	*XVII. 12*	31,990,071.11	125,460,744.14	182,473,948.24
Including: Interest expenses	*XVII. 12*	35,622,259.76	130,885,998.22	186,006,114.16
Interest income	*XVII. 12*	3,662,306.39	5,495,429.13	3,681,390.28
Net exchange loss (net gain represented by "-")		–	–	–
Add: Other income		10,557,854.13	16,065,264.71	3,197,075.28
Investment income (loss represented by "-")	*XVII. 13*	81,233,207.57	130,773,774.40	51,168,867.16
Including: Share of profit of associates and joint ventures	*XVII. 13*	42,903,902.51	101,163,286.25	79,977,476.40
Income (loss) from derecognition of financial assets measured at amortised cost		–	–	–
Gains on net exposure hedges (loss represented by "-")		–	–	–
Gains on changes in fair value (loss represented by "-")		–	–	–
Credit impairment losses (loss represented by "-")		-2,158,118.67	-25,716,900.48	–
Asset impairment losses (loss represented by "-")		-1,457,110.59	–	-2,483,530.93
Gains on disposals of assets (loss represented by "-")		–	38,146.55	29,885.37
II. Operating profit (loss represented by "-")		**725,239,456.38**	**1,156,131,095.72**	**1,134,951,826.69**
Add: Non-operating income		1,535,018.12	3,406,933.82	6,631,893.61
Including: Government grants		–	–	1,391,701.90
Less: Non-operating expenses		3,508,682.72	3,769,526.62	64,288,046.88
III. Total profit (total loss represented by "-")		**723,265,791.78**	**1,155,768,502.92**	**1,077,295,673.42**
Less: Income tax expenses		149,627,628.59	246,566,224.27	242,833,220.61
IV. Net profit (net loss represented by "-")		**573,638,163.19**	**909,202,278.65**	**834,462,452.81**
Net profit from continuing operations (net loss represented by "-")		573,638,163.19	909,202,278.65	834,462,452.81
Net profit from discontinued operations (net loss represented by "-")		–	–	–

Currency: RMB

Items	*Notes*	January to June 2020	2019	2018
V. Other comprehensive income, net of tax		–	–	–
(I) Other comprehensive income that will not be reclassified to profit or loss		–	–	–
1. Changes in re-measurement of defined benefit plans		–	–	–
2. Other comprehensive income that may not be reclassified to profit or loss under equity method		–	–	–
3. Changes in fair value of investments in other equity instruments		–	–	–
4. Changes in fair value of the Company's own credit risk		–	–	–
5. Others		–	–	–
(II) Other comprehensive income that will be reclassified to profit or loss		–	–	–
1. Other comprehensive income that may be reclassified to profit or loss under equity method		–	–	–
2. Changes in fair value of other debt investments		–	–	–
3. Amount included in other comprehensive income on reclassification of financial assets		–	–	–
4. Credit impairment provisions of other debt investments		–	–	–
5. Cash flows hedging reserve (effective portion of hedging gain or loss arising from cash flows)		–	–	–
6. Translation differences on translation of foreign currency financial statements		–	–	–
7. Others		–	–	–
VI. Total comprehensive income		573,638,163.19	909,202,278.65	834,462,452.81

Notes are an integral part of the financial statements

Person in charge of the Company	Principal in charge of accounting	Head of accounting department

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020

Consolidated Cash Flow Statement

Currency: RMB

Items	*Notes*	January to June 2020	2019	2018
I. Cash flows from operating activities:				
Cash received from sales of goods or rendering of services		2,411,986,545.26	4,984,898,706.42	4,355,793,262.81
Refund of taxes and surcharges		–	–	–
Cash received relating to other operating activities	*VIII. 46*	33,677,851.72	34,045,313.33	82,621,974.50
Sub-total of cash inflows from operating activities:		**2,445,664,396.98**	**5,018,944,019.75**	**4,438,415,237.31**
Cash paid for goods and services		759,512,690.05	1,498,645,696.54	1,400,598,772.85
Cash paid to and on behalf of employees		533,227,412.32	1,033,808,071.25	781,712,844.81
Payments of taxes and surcharges		259,636,555.49	455,145,705.73	479,424,146.86
Cash paid relating to other operating activities	*VIII.46*	31,295,001.51	65,525,012.26	84,788,611.15
Sub-total of cash outflows from operating activities		1,583,671,659.37	3,053,124,485.78	2,746,524,375.67
Net cash flows from operating activities	*VIII. 46*	861,992,737.61	1,965,819,533.97	1,691,890,861.64
II. Cash flows from investing activities:				
Cash received from disposal of investments		–	–	–
Cash received from returns on investments		8,266,200.00	24,606,714.62	21,530,258.23
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	–	4,600.00
Net cash received from disposal of subsidiaries and other business units		–	–	–
Cash received relating to other investing activities		–	–	–
Sub-total of cash inflows from investing activities		**8,266,200.00**	**24,606,714.62**	**21,534,858.23**
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,426,459.90	51,006,133.58	48,776,356.16
Cash paid to acquire investments		–	–	–
Net cash paid to acquire subsidiaries and other business units		–	–	–
Cash paid relating to other investing activities		–	–	–
Sub-total of cash outflows from investing activities		**1,426,459.90**	**51,006,133.58**	**48,776,356.16**
Net cash flows from investing activities		**6,839,740.10**	**-26,399,418.96**	**-27,241,497.93**

Currency: RMB

Items	*Notes*	January to June 2020	2019	2018
III. Cash flows from financing activities:		–		
Cash received from capital contributions		–	–	–
Including: Cash received from capital contributions by minority shareholders of subsidiaries		–	–	–
Cash received from borrowings		–	400,000,000.00	850,000,000.00
Cash received relating to other financing activities		–	–	–
Sub-total of cash inflows from financing activities		–	400,000,000.00	850,000,000.00
Cash repayments of borrowings		758,000,000.00	2,116,989,000.00	1,766,800,000.00
Cash payments for distribution of dividends or profits or interest expenses		34,354,647.82	459,512,298.46	423,904,485.34
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		25,552,870.04	19,740,325.43	17,621,666.05
Cash paid relating to other financing activities	*VIII. 46*	–	3,705.24	–
Sub-total of cash outflows from financing activities		**792,354,647.82**	**2,576,505,003.70**	**2,190,704,485.34**
Net cash flows from financing activities		**-792,354,647.82**	**-2,176,505,003.70**	**-1,340,704,485.34**
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**–**	**–**	**–**
V. Net increase in cash and cash equivalents	*VIII. 47*	**76,477,829.89**	**-237,084,888.69**	**323,944,878.37**
Add: Cash and cash equivalents at the beginning of the year	*VIII. 47*	3,014,705,566.94	3,251,790,455.63	2,927,845,577.26
VI. Cash and cash equivalents at the end of the period	*VIII. 47*	3,091,183,396.83	3,014,705,566.94	3,251,790,455.63

Notes are an integral part of the financial statements

Person in charge of the Company	Principal in charge of accounting	Head of accounting department

Cash Flow Statement of the Parent Company

Currency: RMB

Items	*Notes*	January to June 2020	2019	2018
I. Cash flows from operating activities:				
Cash received from sales of goods or rendering of services		2,015,602,710.15	4,146,883,467.01	3,460,373,462.26
Refund of taxes and surcharges		–	–	–
Cash received relating to other operating activities		39,409,044.51	84,153,321.98	230,915,045.95
Sub-total of cash inflow from operating activities		**2,055,011,754.66**	**4,231,036,788.99**	**3,691,288,508.21**
Cash paid for goods and services		674,733,584.54	1,321,824,093.17	1,126,722,442.08
Cash paid to and on behalf of employees		462,710,116.65	917,677,582.30	665,629,970.03
Payments of taxes and surcharges		222,074,833.93	375,343,728.28	419,304,273.80
Cash paid relating to other operating activities		26,733,844.99	58,907,508.17	61,012,119.84
Sub-total of cash outflows from operating activities		**1,386,252,380.11**	**2,673,752,911.92**	**2,272,668,805.75**
Net cash flows from operating activities	*XVII. 14*	**668,759,374.55**	**1,557,283,877.07**	**1,418,619,702.46**
II. Cash flows from investing activities:				
Cash received from disposal of investments		–	–	–
Cash received from returns on investments		46,595,505.06	54,217,202.77	47,962,757.31
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	–	–
Net cash received from disposal of subsidiaries and other business units		–	–	621,951,757.26
Cash received relating to other investing activities		–	–	–
Sub-total of cash inflows from investing activities		**46,595,505.06**	**54,217,202.77**	**669,914,514.57**
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,417,121.90	50,563,474.97	33,787,214.94
Cash paid to acquire investments		–	–	–
Net cash paid to acquire subsidiaries and other business units		–	–	–
Cash paid relating to other investing activities		–	–	–
Sub-total of cash outflows from investing activities		**1,417,121.90**	**50,563,474.97**	**33,787,214.94**
Net cash flows from investing activities		**45,178,383.16**	**3,653,727.80**	**636,127,299.63**

Currency: RMB

Items	*Notes*	January to June 2020	2019	2018
III. Cash flows from financing activities:				
Cash received from capital contributions		–	–	–
Cash received from borrowings		–	400,000,000.00	850,000,000.00
Cash received relating to other financing activities		–	–	–
Sub-total of cash inflows from financing activities		**–**	**400,000,000.00**	**850,000,000.00**
Cash repayments of borrowings		758,000,000.00	2,116,989,000.00	1,766,800,000.00
Cash payments for distribution of dividends or profits or interest expenses		8,801,777.78	439,771,973.03	406,282,819.29
Cash paid relating to other financing activities		–	3,705.24	–
Sub-total of cash outflows from financing activities		**766,801,777.78**	**2,556,764,678.27**	**2,173,082,819.29**
Net cash flows from financing activities		**-766,801,777.78**	**-2,156,764,678.27**	**-1,323,082,819.29**
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**–**	**–**	**–**
V. Net increase in cash and cash equivalents		**-52,864,020.07**	**-595,827,073.40**	**731,664,182.80**
Add: Cash and cash equivalents at the beginning of the year		1,125,431,383.39	1,721,258,456.79	989,594,273.99
VI. Cash and cash equivalents at the end of the period		**1,072,567,363.32**	**1,125,431,383.39**	**1,721,258,456.79**

Notes are an integral part of the financial statements

Person in charge of the Company	Principal in charge of accounting	Head of accounting department

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020

Consolidated Statement of Changes in Owners' Equity

Currency: RMB

	January to June 2020													
	Equity attributable to owners of the parent company													
		Other equity instruments												
Items	Paid-in capital	Preference shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interests	Total owners' equity
I. Balance at the end of the previous period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	67,468,103.82	686,687,457.89	3,581,085,066.92	12,345,269,133.07	555,301,487.12	12,900,570,620.19
Add:Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	67,468,103.82	686,687,457.89	3,581,085,066.92	12,345,269,133.07	555,301,487.12	12,900,570,620.19
III. Changes for the period (decrease represented by "-")	–	–	–	–	–	–	–	–	9,656,103.18	–	308,398,357.36	318,054,460.54	-3,802,306.16	314,252,154.38
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	619,101,541.50	619,101,541.50	21,727,004.03	640,828,545.53
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares invested by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(III) Special reserve withdrawn and utilized	–	–	–	–	–	–	–	–	9,656,103.18	–	–	9,656,103.18	23,559.85	9,679,663.03
1. Special reserve withdrawn	–	–	–	–	–	–	–	–	25,841,130.84	–	–	25,841,130.84	921,711.95	26,762,842.79
2. Special reserve utilized	–	–	–	–	–	–	–	–	-16,185,027.66	–	–	-16,185,027.66	-898,152.10	-17,083,179.76

Currency: RMB

	January to June 2020													
	Equity attributable to owners of the parent company													
		Other equity instruments												
Items	Paid-in capital	Preference shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interests	Total owners' equity
(IV) Profit distribution	–	–	–	–	–	–	–	–	–	–	-310,703,184.14	-310,703,184.14	-25,552,870.04	-336,256,054.18
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	–	–	-3	–	–	–
Including: Statutory surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Discretionary surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriation to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Profit distribution to owners	–	–	–	–	–	–	–	–	–	–	-310,703,184.14	-310,703,184.14	-25,552,870.04	-336,256,054.18
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(V) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Change in defined benefit plan transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	77,124,207.00	686,687,457.89	3,889,483,424.28	12,663,323,593.61	551,499,180.96	13,214,822,774.57

Notes are an integral part of the financial statements

Person in charge of the Company

Principal in charge of accounting

Head of accounting department

Currency: RMB

Items	2019													
	Equity attributable to owners of the parent company													
	Paid-in capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bond	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interests	Total owners' equity
I. Balance at the end of the previous period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	54,498,642.62	595,767,230.03	2,979,064,357.11	11,639,358,734.20	537,751,382.13	12,177,110,116.33
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	-14,461,178.86	-14,461,178.86	–	-14,461,178.86
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	54,498,642.62	595,767,230.03	2,964,603,178.25	11,624,897,555.34	537,751,382.13	12,162,648,937.47
III. Changes for the period (decrease represented by "-")	–	–	–	–	–	–	–	–	12,969,461.20	90,920,227.86	616,481,888.67	720,371,577.73	17,550,104.99	737,921,682.72
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	1,011,632,317.93	1,011,632,317.93	36,655,731.60	1,048,288,049.53
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares invested by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(III) Special reserve withdrawn and utilized	–	–	–	–	–	–	–	–	12,969,461.20	–	–	12,969,461.20	634,698.82	13,604,160.02
1. Special reserve withdrawn	–	–	–	–	–	–	–	–	45,182,286.81	–	–	45,182,286.81	1,853,481.32	47,035,768.13
2. Special reserve utilized	–	–	–	–	–	–	–	–	-32,212,825.61	–	–	-32,212,825.61	-1,218,782.50	-33,431,608.11

Currency: RMB

Items	2019 Equity attributable to owners of the parent company Paid-in capital	Other equity instruments Preference shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interests	Total owners' equity
(IV) Profit distribution	–	–	–	–	–	–	–	–	–	90,920,227.86	-395,150,429.26	-304,230,201.40	-19,740,325.43	-323,970,526.83
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	–	90,920,227.86	-90,920,227.86	–	–	–
Including: Statutory surplus reserve	–	–	–	–	–	–	–	–	–	90,920,227.86	-90,920,227.86	–	–	–
Discretionary surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriation to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Profit distribution to owners	–	–	–	–	–	–	–	–	–	–	-304,230,201.40	-304,230,201.40	-19,740,325.43	-323,970,526.83
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(V) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Change in defined benefit plan transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	67,468,103.82	686,687,457.89	3,581,085,066.92	12,345,269,133.07	555,301,487.12	12,900,570,620.19

Notes are an integral part of the financial statements

Person in charge of the Company | Principal in charge of accounting | Head of accounting department

Currency: RMB

Items	2018													
	Equity attributable to owners of the parent company													
		Other equity instruments												
	Paid-in capital	Preference shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interests	Total owners' equity
I. Balance at the end of the previous period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	53,091,458.52	512,320,984.75	2,223,429,684.81	10,798,870,632.52	520,134,716.70	11,319,005,349.22
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	53,091,458.52	512,320,984.75	2,223,429,684.81	10,798,870,632.52	520,134,716.70	11,319,005,349.22
III. Changes for the period (decrease represented by "-")	–	–	–	–	–	–	–	–	1,407,184.10	83,446,245.28	755,634,672.30	840,488,101.68	17,616,665.43	858,104,767.11
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	1,000,905,501.38	1,000,905,501.38	34,758,778.93	1,035,664,280.31
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares invested by owners	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(III) Special reserve withdrawn and utilized	–	–	–	–	–	–	–	–	1,407,184.10	–	–	1,407,184.10	479,552.55	1,886,736.65
1. Special reserve withdrawn	–	–	–	–	–	–	–	–	34,734,370.12	–	–	34,734,370.12	1,625,757.35	36,360,127.47
2. Special reserve utilized	–	–	–	–	–	–	–	–	-33,327,186.02	–	–	-33,327,186.02	-1,146,204.80	-34,473,390.82

Currency: RMB

Items	2018 Equity attributable to owners of the parent company													
	Paid-in capital	Other equity instruments Preference shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interests	Total owners' equity
(IV) Profit distribution	–	–	–	–	–	–	–	–	–	83,446,245.28	-245,270,829.08	-161,824,583.80	-17,621,666.05	-179,446,249.85
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	–	83,446,245.28	-83,446,245.28	–	–	–
Including: Statutory surplus reserve	–	–	–	–	–	–	–	–	–	83,446,245.28	-83,446,245.28	–	–	–
Discretionary surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriation to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Profit distribution to owners	–	–	–	–	–	–	–	–	–	–	-161,824,583.80	-161,824,583.80	-17,621,666.05	-179,446,249.85
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(V) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Change in defined benefit plan transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	54,498,642.62	595,767,230.03	2,979,064,357.11	11,639,358,734.20	537,751,382.13	12,177,110,116.33

Notes are an integral part of the financial statements

Person in charge of the Company

Principal in charge of accounting

Head of accounting department

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020

Statement of Changes in Owners' Equity for the Parent Company

Currency: RMB

	January to June 2020											
		Other equity instruments										
Items	Paid-in capital	Preference shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal
I. Balance at the end of the previous period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	54,619,995.74	686,687,457.89	3,522,017,668.25	12,273,353,626.32
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	54,619,995.74	686,687,457.89	3,522,017,668.25	12,273,353,626.32
III. Changes for the period (decrease represented by "-")	–	–	–	–	–	–	–	–	9,396,007.85	–	209,198,701.07	272,330,986.90
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	577,678,059.54	573,638,163.19
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–	
1. Ordinary shares invested by owners	–	–	–	–	–	–	–	–	–	–	–	
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–	
4. Others	–	–	–	–	–	–	–	–	–	–	–	
(III) Special reserve withdrawn and utilized	–	–	–	–	–	–	–	–	9,396,007.85	–	–	9,396,007.85
1. Special reserve withdrawn	–	–	–	–	–	–	–	–	22,516,359.23	–	–	22,516,359.23
2. Special reserve utilized	–	–	–	–	–	–	–	–	-13,120,351.38	–	–	-13,120,351.38

Currency: RMB

Items	January to June 2020											
	Paid-in capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bond	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal
(IV) Profit distribution	–	–	–	–	–	–	–	–	–	–	-368,479,358.47	-310,703,184.14
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	–	–	-57,776,174.33	–
Including: Statutory surplus reserve	–	–	–	–	–	–	–	–	–	–	-57,776,174.33	–
Discretionary surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriation to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–
3. Profit distribution to owners	–	–	–	–	–	–	–	–	–	–	-310,703,184.14	-310,703,184.14
4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(V) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–	–
4. Change in defined benefit plan transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	64,016,003.59	686,687,457.89	3,784,952,647.30	12,545,684,613.22

Notes are an integral part of the financial statements

Person in charge of the Company　　Principal in charge of accounting　　Head of accounting department

Currency: RMB

	2019											
		Other equity instruments										
Items	Paid-in capital	Preference shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal
I. Balance at the end of the previous period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	44,738,090.63	595,767,230.03	3,022,893,335.34	11,673,427,160.44
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	-14,927,516.48	-14,927,516.48
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	44,738,090.63	595,767,230.03	3,007,965,818.86	11,658,499,643.96
III. Changes for the period (decrease represented by "-")	–	–	–	–	–	–	–	–	9,881,905.11	90,920,227.86	514,051,849.39	614,853,982.36
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	909,202,278.65	909,202,278.65
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares invested by owners	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(III) Special reserve withdrawn and utilized	–	–	–	–	–	–	–	–	9,881,905.11	–	–	9,881,905.11
1. Special reserve withdrawn	–	–	–	–	–	–	–	–	36,761,011.28	–	–	36,761,011.28
2. Special reserve utilized	–	–	–	–	–	–	–	–	-26,879,106.17	–	–	-26,879,106.17

Currency: RMB

Items	2019											
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal
		Preference shares	Perpetual bond	Others								
(IV) Profit distribution	–	–	–	–	–	–	–	–	–	90,920,227.86	-395,150,429.26	-304,230,201.40
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	–	90,920,227.86	-90,920,227.86	–
Including: Statutory surplus reserve	–	–	–	–	–	–	–	–	–	90,920,227.86	-90,920,227.86	–
Discretionary surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriation to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–
3. Profit distribution to owners	–	–	–	–	–	–	–	–	–	–	-304,230,201.40	-304,230,201.40
4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(V) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–	–
4. Change in defined benefit plan transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	54,619,995.74	686,687,457.89	3,522,017,668.25	12,273,353,626.32

Notes are an integral part of the financial statements

Person in charge of the Company	Principal in charge of accounting	Head of accounting department

Currency: RMB

	2018											
		Other equity instruments										
Items	Paid-in capital	Preference shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal
I. Balance at the end of the previous period	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	–	44,298,878.32	512,320,984.75	2,433,701,711.61	11,017,185,553.73
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Correction of previous accounting errors	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current period	6,472,983,003.00	–	–	–	1,553,880,976.05	–	–	–	44,298,878.32	512,320,984.75	2,433,701,711.61	11,017,185,553.73
III. Changes for the period (decrease represented by "-")	–	–	–	–	-16,835,474.61	–	–	–	439,212.31	83,446,245.28	589,191,623.73	656,241,606.71
(I) Total comprehensive income	–	–	–	–	–	–	–	–	–	–	834,462,452.81	834,462,452.81
(II) Capital contribution and withdrawal by owners	–	–	–	–	–	–	–	–	–	–	–	–
1. Ordinary shares invested by owners	–	–	–	–	–	–	–	–	–	–	–	–
2. Capital contribution by other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–	–
3. Amount of share-based payments included in owner's equity	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(III) Special reserve withdrawn and utilized	–	–	–	–	–	–	–	–	439,212.31	–	–	439,212.31
1. Special reserve withdrawn	–	–	–	–	–	–	–	–	28,759,022.67	–	–	28,759,022.67
2. Special reserve utilized	–	–	–	–	–	–	–	–	-28,319,810.36	–	–	-28,319,810.36

Currency: RMB

	2018											
		Other equity instruments										
Items	Paid-in capital	Preference shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Including: Translation differences on translation of foreign currency financial statements	Special reserve	Surplus reserve	Undistributed profits	Subtotal
(IV) Profit distribution	–	–	–	–	–	–	–	–	–	83,446,245.28	-245,270,829.08	-161,824,583.80
1. Appropriation to surplus reserve	–	–	–	–	–	–	–	–	–	83,446,245.28	-83,446,245.28	–
Including: Statutory surplus reserve	–	–	–	–	–	–	–	–	–	83,446,245.28	-83,446,245.28	–
Discretionary surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–
2. Appropriation to general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–
3. Profit distribution to owners	–	–	–	–	–	–	–	–	–	–	-161,824,583.80	-161,824,583.80
4. Others	–	–	–	–	–	–	–	–	–	–	–	–
(V) Internal carry-over of owners' equity	–	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–
2. Surplus reserve converting to capital	–	–	–	–	–	–	–	–	–	–	–	–
3. Surplus reserve used to cover losses	–	–	–	–	–	–	–	–	–	–	–	–
4. Change in defined benefit plan transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
5. Other comprehensive income transferred to retained earnings	–	–	–	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	-16,835,474.61	–	–	–	–	–	–	-16,835,474.61
IV. Balance at the end of the period	6,472,983,003.00	–	–	–	1,537,045,501.44	–	–	–	44,738,090.63	595,767,230.03	3,022,893,335.34	11,673,427,160.44

Notes are an integral part of the financial statements

Person in charge of the Company | Principal in charge of accounting | Head of accounting department

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 (All amounts in RMB unless otherwise stated)

I. GENERAL INFORMATION ON THE COMPANY

Yingkou Port Liability Co., Ltd. (hereinafter referred to as the "Company", together with its subsidiaries, the "Group") is a joint stock company approved by the People's Government of Liaoning Province (Document Liao Zheng [2000] No. 46), and established by five promoters including, among others, Yingkou Port Authority (later converted into Yingkou Port Group Co., Ltd., hereinafter referred to as "Yingkou Port Group"). The Company was registered with the Administration for Industry and Commerce of Liaoning Province on 22 March 2000, and obtained the business license for legal person at No. 210000004925657. The registered capital of the Company at the time of establishment was RMB150,000,000.00. On 16 January 2002, the Company publicly issued 100 million RMB-denominated ordinary shares, and was listed on the Shanghai Stock Exchange. On 15 May 2002, the Company changed its registration with the Administration for Industry and Commerce of Liaoning Province, and the registered capital was changed to RMB250,000,000.00.

On 20 May 2004, the Company issued RMB700 million of convertible corporate bonds. As of 31 December 2007, the conversion was completed, and a total of RMB693,661,000.00 of convertible corporate bonds were converted into shares with a cumulative increase of 98,785,813 shares.

As approved by China Securities Regulatory Commission (Document Zheng Jian Xu Ke [2008] No. 616), the Company issued 200 million RMB-denominated ordinary shares to Yingkou Port Group on 31 May 2008, and the total share capital increased to RMB548,785,813.00.

According to the resolutions of the 2009 third extraordinary general meeting and the amended Articles of Association, the Company converted capital reserve of RMB548,785,813.00 into its share capital, and the total share capital increased to RMB1,097,571,626.00.

On 31 August 2012, according to the resolutions of the 2010 annual general meeting of the Company, and as approved by the Reply on Approval of Yingkou Port Liability Co., Ltd. to Issue Shares to Yingkou Port Group Co., Ltd. for Purchasing Assets (Zheng Jian Xu Ke [2012] No. 1012) from China Securities Regulatory Commission, the Company issued 1,060,089,375 RMB-denominated ordinary shares to Yingkou Port Group to purchase its relevant assets and businesses, and the Company's total share capital increased to RMB2,157,661,001.00.

According to the resolutions of the 2013 annual general meeting and the amended Articles of Association of the Company, the Company converted capital reserve of RMB4,315,322,002.00 into its share capital, and the total share capital increased to RMB6,472,983,003.00.

In 2019, the actual controller of the Company changed from Liaoning SASAC to China Merchants Group Limited (招商局集團有限公司), details of which are set out in "XVI.2 Other important issues" of this note.

As of 30 June 2020, the share capital of the Company was RMB6,472,983,003.00.

Registered address of the Company: 1 Yinggang Road, Bayuquan District, Yingkou City, and business place of the Company: 1 Yinggang Road, Bayuquan District, Yingkou City.

Legal representative of the Company: Yao Ping.

The Company obtained a new business license with unified social credit code of 91210000716409709T issued by Liaoning Administration for Market Regulation on 19 February 2020.

The Company operates in the transportation industry. Business scope of the Company: terminals and other port facility services, cargo handling, warehousing services, ship and port services, general cargo transportation, special cargo transportation (containers) (except for dangerous goods), handling, booking and hoisting services, container dismantling services, domestic agency services of cargo ships and road freight, leasing, repair and maintenance services of port facilities and equipment and port machinery, manufacturing, installation and sales of machinery and equipment for lifting and transport at ports, manufacturing, installation and sales of belt conveyors, bucket wheel machine and trailer equipment, repair and maintenance services of lifting equipment, steel structure engineering, machine parts processing and sales, sales of port machinery, auto parts, steel, building materials and rubber products, manufacturing and sales of mats and labour protection supplies, production and sales of nylon ropes, car repair, production and sales of rollers, heating service and maintenance, property management, accommodation, meetings, catering, cleaning and bathing services, printing and binding of paper products, sales of hardware appliance, plumbing equipment, woodwork and chemical products (except for dangerous goods), sales of daily necessities, office supplies, food and beverages, car and house rental services, maintenance, decoration and improvement of housing facilities, oil fence operation, ship garbage recover, reception and disposal of domestic sewage and industrial wastewater, reception and disposal of pollutants and garbage, recycling and agency services of waste materials (except for hazardous waste), and greening projects and services. (The items that are subject to approval according to laws shall commence only after being approved by relevant departments.)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

1. The subsidiaries within the scope of consolidated financial statements of the Company are as follows:

Name of subsidiaries	Whether to be included in the scope of consolidated financial statements		
	30 June 2020	**31 December 2019**	**31 December 2018**
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	Yes	Yes	Yes
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	Yes	Yes	Yes

For details of the the scope and changes of the consolidated financial statements during the Reporting Period, please refer to this Note IX "Changes of consolidation scope" and Note X "Interests in Other Entities".

III. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Basis for preparation

The financial statements of the Group have been prepared on going concern basis based on actual transactions and events in accordance with the "Accounting Standards for Business Enterprises" and related regulations promulgated by the Ministry of Finance (the "Accounting Standards for Business Enterprises") and based on the accounting policies and accounting estimates as stated in the "IV. Significant Accounting Policies and Accounting Estimates of the Company" in this note.

2. Going concern

The Company has assessed its ability to operate on going concert basis within 12 months from 30 June 2020 (including but not limited to the assessment of the potential impact of the COVID-19 outbreak) and has not identified any matter or circumstance which would cast significant doubt about its ability to operate on going concern basis. Therefore, the financial statements have been prepared on going concern basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, which give a true and complete picture of the Company's and consolidated financial position as at 31 December 2018, 31 December 2019 and 30 June 2020, and the Company's and consolidated operating results and the Company's and consolidated cash flows of the Company for the years of 2018 and 2019 and the period from January to June 2020.

2. Accounting year

The Group's accounting year commences from 1 January to 31 December of the Gregorian calendar.

3. Reporting currency

The Group's reporting currency is Renminbi ("RMB").

4. Accounting basis and valuation principle

The accounting of the Group is based on accrual basis. Except that some financial instruments are measured at fair value, the financial statements are based on historical cost. In case of asset impairment, corresponding provision for impairment shall be made in accordance with relevant requirements.

Under historical cost measurement, assets are measured according to the amount of cash or cash equivalent paid or the fair value of the consideration paid at the time of purchase. Liabilities shall be measured according to the amount of money or assets actually received due to undertaking the current obligation, or the contract amount for undertaking the current obligation, or the amount of cash or cash equivalent expected to be paid to repay the liabilities in daily activities.

Fair value is the price that market participants may receive by selling an asset or pay for transferring a liability in an orderly transaction on the measurement date. No matter the fair value is observable or estimated by using valuation techniques, the fair value measured and/or disclosed in the financial statements shall be determined on this basis.

Fair value measurement is based on the observability of the input value of fair value and the importance of such input value to the fair value measurement in overall, which is divided into three levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

- Level 2: inputs other than the quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: unobservable inputs for the asset or liability.

5. Business combination

Business combination is classified into business combination involving entities under and not under common control.

5.1 Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Assets and liabilities acquired in a business combination are measured at their carrying amount in the financial statements of the acquirer at the combination date. The difference between the carrying amount of the net assets acquired and the carrying amount of the consideration paid for the combination by the acquirer shall be adjusted to capital (or share capital) premium under capital reserve. If the capital (or share capital) reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the business combination are recognized in profit or loss when they are incurred.

5.2 Business combination involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination.

The combination cost is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. The intermediary fees incurred by the acquirer in respect of audit, legal services, valuation and consultancy services, etc. and other related administrative expenses attributable to the business combination are charged to profit or loss in the period in which they are incurred.

The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the recognition conditions acquired by the acquirer in a business combination are measured at their fair values at the acquisition date.

Where the combination cost exceeds the acquirer's share of the fair value of the acquiree's identifiable net assets, the difference is recognised as an asset as goodwill and is initially measured at cost. Where the combination cost is less than the acquirer's share the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the combination cost. If after that reassessment, the combination cost is still lower than the acquirer's share of the fair value of the acquiree's identifiable net assets acquired in the combination, the difference is recognised in profit or loss.

6. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control. Control refers to the power that the investor has over the investee; it means that the investor enjoys variable returns by taking part in the relevant activities of the investee and is capable of using its power over the investee to influence the amount of return. In case of changes in the relevant elements involved in the aforesaid definition of control as a result of the changes in facts and circumstance, the Group will conduct re-assessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving entities under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, a subsidiary acquired through a business combination involving entities under common control is included in the Group's scope of consolidation as if it had been included in the scope of consolidation from the date when it first came under the common control of the ultimate controlling party. Its operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined in accordance with the Company's unified accounting policies and accounting periods.

The intra-transactions between the Company and its subsidiaries and among the subsidiaries are eliminated in the consolidated financial statements upon combination.

The portion of a subsidiary's owners' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" under owners' equity in the consolidated balance sheet. The portion of a subsidiary's net profit or loss for the period that is attributable to minority interests is presented as "profit or loss attributable to minority interests" under net profit in the consolidated income statement. The portion of a subsidiary's comprehensive income for the period that is attributable to minority interests is presented as "total comprehensive income attributable to minority interests" under total comprehensive income in the consolidated income statement.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion in the opening balance of owners' equity of the subsidiary, the balance is still allocated against minority interests.

A transaction is accounted for as an equity transaction when the purchase of minority interest in a subsidiary or the disposal of part of equity investment in a subsidiary does not result in the Group losing control over the subsidiary, and the carrying amount of equity attributable to the owner of the Company and minority shareholders will be adjusted to reflect the changes of their related interests in the subsidiary. The difference between the adjusted equity of minority shareholders and the fair value of the consideration paid/received is adjusted to capital reserve. If the capital reserve is insufficient to offset the difference, the retained earnings will be adjusted.

Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination involving entities not under common control, the acquirer determines if these transactions are considered to be “a package deal”. If yes, these transactions are accounted for as a single transaction where control is obtained. If no, these transactions are accounted for as multiple transactions where control is obtained at the acquisition date; In this case, the acquirer remeasures its previously-held equity interests in the acquiree at their fair value on the acquisition date and recognizes any differences between such fair value and carrying amounts in profit or loss for the current period. Where equity interests in an acquiree held before the acquisition date involve changes in other comprehensive income or changes in other owners’ equity under equity method, they are transferred to income for the period that the acquisition date belongs to.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary’s net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

Where multiple transactions involving disposal of equity investments in a subsidiary until loss of control are considered to be a package deal, these multiple transactions are accounted for as a single transaction of disposing of the subsidiary and resulting in loss of control. The difference between the consideration received on each disposal and the corresponding proportion of the subsidiary’s net assets calculated on a continuous basis since the acquisition date prior to the loss of control is recognized as other comprehensive income and transferred to profit or loss for the period when the control is eventually lost.

7. Joint arrangement

There are two types of joint arrangements – joint operations and joint ventures. The type of joint arrangements is determined based on the rights and obligations of joint operator to the joint arrangements by considering the factors, such as the structure, the legal form of the arrangements, and the contractual terms, etc. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement.

The Group adopts the equity method to account for its investment in joint ventures.

The Group as a joint operator recognizes the following items in relation to its interest in a joint operation: (1) its solely-held assets, including its share of any assets held jointly; (2) its solely-assumed liabilities, including its share of any liabilities incurred jointly; (3) its revenue from the sale of its share of the output arising from the joint operation; (4) its share of the revenue from the sale of the output by the joint operation; and (5) its solely-incurred expenses, including its share of any expenses incurred jointly. The Group accounts for the recognized assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the requirements applicable to the particular assets, liabilities, revenues and expenses.

8. Cash and cash equivalents

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

9. Financial instruments (Applicable since 1 January 2019)

The Group recognizes a financial asset or a financial liability when it becomes a party to a financial instrument contract.

Where financial assets are purchased or sold in a regular way, assets to be received and liabilities to be borne are recognized on the date of transaction, or assets sold are derecognized on the date of transaction.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, the related transaction costs are directly recognized in profit or loss in the period in which they are incurred. For other categories of financial assets and financial liabilities, the related transaction costs are included in the initially recognized amount. When the Group initially recognizes receivables that do not contain a significant financing component or do not consider the financing component in a contract not exceeding one year in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue (the “Revenue Standard”), the Group initially measures the receivables at the transaction price as defined in the Revenue Standard.

Effective interest rate method is the method that is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that discounts estimated future cash flows through the expected duration of a financial asset or a financial liability to the carrying amount of the financial asset or to the amortized cost of the financial liability. In determining the effective interest rate, the expected cash flow is estimated on the basis of all contractual terms of the financial asset or financial liability (such as early repayment, extension, call options or other similar options, etc.) without taking into account the expected credit loss.

The amortized cost of a financial asset or a financial liability is the amount initially recognized for a financial asset or a financial liability net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

9.1 Classification and measurement of financial assets

Subsequent to initial recognition, the Group’s financial assets of various categories are subsequently measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”).

If the contractual terms of the financial asset stipulate that the cash flows generated on a specific date are solely payments of the principal and the interest on the principal amount outstanding and the financial asset is managed by the Group in a business model aimed at collecting contractual cash flows, the Group shall classify the financial asset into the financial asset measured at amortized cost. Such financial assets mainly include cash and bank balances, bills receivable and accounts receivable, other receivables, debt investment, long-term receivables etc.

On initial recognition, the Group may, based on an individual financial asset, irrevocably designate a non-tradable equity instrument investment other than contingent consideration recognized in business combination not involving enterprises under common control as financial asset at FVTOCI. Such financial assets are presented as other equity instruments investment.

Financial assets at FVTPL include financial assets classified as at FVTPL and financial assets designated as at FVTPL, which, except for derivative financial assets, are presented in financial assets held for trading, and are presented in other non-current financial assets if they are due more than 1 year from the balance sheet date (or no fixed term) and expected to be held for more than 1 year.

- Financial assets that do not meet the classification criteria for financial assets at amortized cost or financial assets at FVTOCI are classified as financial assets at FVTPL.

- On initial recognition, the Group may irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Group’s purpose of holding the financial assets is for trading if one of the following conditions is satisfied:

- The purpose of acquiring the financial assets is to sell the assets in the near future.

- The relevant financial assets are part of a portfolio of identified financial instruments that are centrally managed on initial recognition, and there is objective evidence of actually a recent short-term profit-taking model.

- The relevant financial assets are derivatives, except for derivatives defined under financial guarantee contracts and derivatives designated as effective hedging instruments.

9.1.1 Financial assets measured at amortized cost

Financial asset at amortized cost is subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss.

The Group recognizes interest income on financial assets measured at amortized cost using the effective interest method. The Group determines the interest income based on the carrying amount of financial assets multiplied by the effective interest rate, except for:

- For purchased or originated credit impaired financial assets, the Group recognizes their interest income based on amortized cost and credit-adjusted effective interest rate of such financial assets since initial recognition.

9.1.2 Financial assets classified as at FVTOCI

Except for impairment losses or gains related to financial assets at FVTOCI, interest income calculated using the effective interest method and exchange gains and losses are recognized in profit or loss, changes in fair value of the financial assets are recognized in other comprehensive income. The amount of the financial assets included in profit or loss for each period shall be equal to the amount deemed as measured at amortized cost and included in profit or loss for each period. Upon derecognition of the financial assets, cumulative gains or losses previously recognized in other comprehensive income are transferred and reclassified into profit or loss for the period.

After the non-tradable equity instrument investment is designated as a financial asset at FVTOCI, the changes in fair value of the financial asset are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are transferred from other comprehensive income and recognized in retained earnings. During the period that the Group holds these non-tradable equity instrument, the dividend income is recognized and included in profit or loss when the Group's right to receive dividends has been established and the economic benefits associated with the dividends are likely to flow into the Group and the amount of the dividends can be reliably measured.

9.1.3 Financial assets at FVTPL

Financial assets at FVTPL shall be subsequently measured at fair value. Gains or losses from change in fair value and dividends and interest income related to such financial assets shall be recognized in profit or loss.

9.2 Impairment of financial instruments

The Group performs accounting treatment for impairment of assets measured at amortized cost based on expected credit losses ("ECL") and recognizes loss allowance.

The Group performs accounting treatment for impairment of financial instruments measured at amortized cost, financial instruments classified as at FVTOCI and lease receivables based on ECL and recognizes loss allowance.

For other financial instruments, except for purchased or originated credit impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk on the financial instrument has increased significantly since initial recognition, the Group measures its loss allowance at an amount equal to lifetime ECL of the financial instrument. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to next 12-month ECL of the financial instrument. Except for financial assets measured at FVTOCI, the increased or reversed amount of credit loss provision shall be included in profit and loss for the period as impairment loss or gain. For financial assets classified as at FVTOCI, the Group recognizes credit loss impairments in other comprehensive income and includes impairment loss or gains in profit or loss and does not reduce the carrying amount of such financial assets as shown in the balance sheet.

The Group measured loss allowance at an amount equal to the lifetime ECL of the financial instruments in the previous accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at an amount equal to next 12-month ECL at the balance sheet date for the current period, and the relevant reversal amount of loss allowance is included in profit or loss for the current period as an impairment gain.

9.2.1 Significant increase in credit risk

The Group uses reasonable and supportable forward-looking information that is available to determine whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For loan commitments, the Group uses the date on which it becomes the party making the irrevocable undertaking as the initial recognition date when applying provisions for financial instrument impairment.

The Group will take the following factors into consideration when assessing whether the credit risk has significantly increased:

i. Whether the internal price indicators caused by change in credit risk have changed significantly;

ii. In case of an existing financial instrument being originated or issued as a new financial instrument at the balance sheet date, whether the interest rate or other terms of such financial instrument have changed significantly (such as stricter contractual terms, requirement for additional collateral or guarantees or higher return);

iii. Whether external market indicators of credit risk for the same financial instrument or financial instruments with shared expected life have changed significantly. Indicators include: credit spreads, credit default swap price for the borrower, length and extent of time when fair value of financial assets is less than amortized cost, other market information related to the borrower (including price changes in borrower's debt instruments or equity instruments);

iv. Whether external credit rating of the financial instrument has actually changed significantly or is expected to change significantly;

v. Whether the debtor's internal credit rating is actually lowered or is expected to be lowered;

vi. Adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its debt obligations;

vii. Whether the actual or expected operating results of the debtor has changed significantly;

viii. Whether the credit risk of other financial instruments issued by the same debtor has increased significantly;

ix. Whether the regulatory, economic or technological environment in which the debtor is located has undergone significant adverse changes;

x. Whether value of collateral against debt mortgage or guarantee or credit enhancement provided by a third party has changed significantly. It is expected that the aforesaid changes are economic motives that will lower the debtor's repayment based on contractual stipulation or have an impact on probability of default;

xi. Whether the economic motives that are expected to lower the debtor's repayment based on contractual stipulation have changed significantly;

xii. Expected change to loan contracts, including the exemption or revision of contractual obligations, the granting of interest-free periods, the jump in interest rates, the requirement for additional collateral or guarantees, or other changes in the contractual framework for financial instruments that may result from the breach of contract;

xiii. Whether the debtor's expected performance and repayment activities have changed significantly;

xiv. Whether the Group's financial instrument management measures have changed;

xv. Whether the contractual payment has been overdue.

As at the balance sheet date, if the Group determines that the financial instrument solely has lower credit risk, the Group will assume that the credit risk of the financial instrument has not significantly increased since initial recognition.

9.2.2 Credit impaired financial assets

A financial asset is credit impaired by the Group when one or more events that have an adverse impact on the estimated future cash flows of the financial asset occurred. Evidences that a financial asset is credit impaired include the following observable information:

(1) Significant financial difficulty of the issuer or the debtor;

(2) The debtor breaches the contract, such as default or overdue on interest or principal payment;

(3) The creditor, for economic or contractual reasons relating to the financial difficulties of the debtor, granted to the debtor a concession that the creditor would not otherwise consider;

(4) The debtor is likely to enter bankruptcy or other financial reorganization;

(5) The active market for the financial asset disappeared due to the financial difficulties of the issuer or the debtor;

(6) Purchase or originate a financial asset at a substantial discount, which reflects the fact that a credit loss has occurred.

9.2.3 Determination of ECL

The Group uses impairment matrix to determine the credit loss of related financial instruments on the basis of combination of receivables and debt investment. The Group divides financial instruments into different groups based on common risk features. The common credit risk features adopted by the Group include: type of financial instrument, credit risk rating, type of collateral, initial recognition date, remaining contractual term, industry of the debtor and geographical location of the debtor, etc.

The Group determines ECL of relevant financial instruments according to the following methods:

- For financial assets, the credit loss shall be the present value of the difference between the contractual cash flow to be received by the Group and the expected cash flow to be received;

- For undrawn loan commitments, the credit loss shall be the present value of the difference between the contractual cash flow to be received by the Group and the expected cash flow to be received if the holder of the loan commitments draws down the loan. The Group's estimate of ECL of loan commitments is in line with the expected drawn of such loan commitments;

The factors reflected in the Group's methods of measuring ECL of financial instruments include: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of money; the reasonable and supportable information about past events, current situation and future economic situation forecast that is available without undue costs or efforts on the balance sheet date.

9.2.4 Write-down of financial assets

When the Group no longer reasonably expects that the contractual cash flow of the financial assets can be recovered in whole or in part, the book balance of the financial assets shall be written down directly. Such write down constitutes derecognition of related financial assets.

9.3 Transfer of financial assets

A financial asset is derecognized when one of the following conditions is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset has been transferred to the transferee; or (3) the financial asset has been transferred, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it does not retain control over the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes the related liability accordingly. The Group measures the related liabilities in the following ways:

- If the transferred financial asset is measured at amortized cost, the carrying amount of the related liability is the carrying amount of the continuing involvement in the transferred financial asset less the amortized cost of the rights retained by the Group (if the Group retains the rights due to the transfer of the financial asset) plus the amortized cost of the obligations assumed by the Group (if the Group assumes the obligations due to the transfer of the financial asset), and the related liability is not designated as financial liability at FVTPL;

- If the transferred financial asset is measured at fair value, the carrying amount of the related liability is the carrying amount of the continuing involvement in the transferred financial asset less the fair value of the rights retained by the Group (if the Group retains the rights due to the transfer of the financial asset) plus the fair value of the obligations assumed by the Group (if the Group assumes the obligations due to the transfer of the financial asset), the fair value of the rights and the obligations shall be the fair value at the time of measurement on an independent basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, especially for a financial asset classified at amortized cost and financial asset classified as at FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss that has been previously recognized in other comprehensive income is recognized in profit or loss for the period. While regarding non-trading equity instruments designated as at FVTOCI by the Group, cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings.

If part of the transferred financial asset satisfies the derecognition criteria, the carrying amount of the financial asset as a whole is allocated between the part that is derecognized and the part that continues to be recognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized that has been previously recognized in other comprehensive income is recognized in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognize the transferred financial asset in its entirety. Considerations received due to transfer of assets should be recognized as a liability upon receipts.

9.4 *Classification of financial liabilities and equity instruments*

Based on the contractual terms of the financial instruments issued and the economic substance rather than only the form of legal contracts reflected, along with the definition of financial liabilities and equity instruments, the Group classifies the financial instruments or its components as financial liability or equity instrument at initial recognition.

9.4.1 Classification and measurement of financial liabilities

Upon initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

9.4.1.1 Financial liabilities at FVTPL

Financial liabilities at fair value through profit and loss include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at FVTPL. In addition to the derivative financial liabilities listed separately, financial liabilities at FVTPL are listed as transactional financial liabilities.

The Group's purpose of undertaking the financial liabilities is for trading if one of the following conditions is satisfied:

- The purpose of undertaking relevant financial liabilities is mainly for the recent repurchase.

- The relevant financial liabilities are part of a portfolio of identified financial instruments that are centrally managed on initial recognition, and there is objective evidence of actually a recent short-term profit-taking model.

- The relevant financial liabilities are derivatives, except for derivatives defined under financial guarantee contracts and derivatives designated as effective hedging instruments.

The Group may designate, on initial recognition, a financial liability as at FVTPL if one of the following conditions is satisfied: (1) such designation eliminates or significantly reduces an accounting mismatch; (2) manage and evaluate the financial liability portfolio or the portfolio of financial assets and financial liabilities at fair value based on the risk management or investment strategy as stated in the official written documents of the Group, and report to key management of the Group internally; or (3) a qualified hybrid contract containing embedded derivatives.

Financial liabilities held for trading are subsequently measured at fair value, and any gains or losses arising from changes in fair value and dividends or interest expenses paid on the financial liabilities are recognized in profit or loss for the period.

For financial liability designated as at FVTPL, the amount of change in the fair value of such financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, and other changes in the fair value are presented in profit or loss. Upon the derecognition of such financial liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognized in other comprehensive income, is transferred to retained earnings. Any dividend or interest income earned on the financial liabilities are recognized in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

9.4.1.2 Other financial liabilities

Other financial liabilities other than financial liabilities arising from the transfer of financial assets that do not qualify for derecognition or continuing involvement in the transferred financial assets are classified as financial liabilities at amortized cost and subsequently measured at amortized cost, with gains or losses arising from derecognition or amortization recognized in profit or loss for the period.

When the Group and a counterparty modify or renegotiate a contract that does not result in derecognition of a financial liability subsequently measured at amortized cost but result in changes in contractual cash flows, the Group recalculates the carrying amount of the financial liability and recognizes any related gains or losses in profit or loss for the period. In recalculating the financial liability, the Group determines the carrying amount of the renegotiated or modified contractual cash flows at the present value discounted at the original effective interest rate of the financial liability. For all costs or expenses incurred in connection with the modification or renegotiation of a contract, the Group adjusts the modified carrying amount of the financial liability and amortizes it over the remaining period of the modified financial liability.

9.4.1.2.1 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at FVTPL or financial liabilities arising from the transfer of financial assets that do not qualify for derecognition or continuing involvement in the transferred financial assets are measured at the higher of the amount of loss provision and the amount initially recognized less cumulative amortization amount determined in accordance with the relevant regulations set out in Revenue Standard.

9.4.2 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. Where an agreement between the Group as borrower and lender is signed to replace the original financial liability and the contractual terms of the new financial liability and the original financial liability are substantially different, the Group derecognized the original financial liability and recognized the new financial liability.

On derecognition of a financial liability in its entirety or partially, the difference between the carrying amount of the part derecognized and the consideration paid (including any non-cash asset transferred or new financial liability assumed) is recognized in profit or loss for the period.

9.4.3 Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinancing), repurchased, sold or cancelled by the Group are treated as changes in equity. Changes in fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as profit distribution, dividends paid do not affect total amount of shareholders' equity.

9.5 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in balance sheet when the Group has a legally enforceable right to set off the recognized financial assets and financial liabilities, and the Group intends to settle with net amount, or realize the financial asset and settle the financial liability simultaneously. Otherwise, the financial assets and financial liabilities will be presented separately in balance sheet and will not be mutually set off.

10. Financial instruments (applicable to 2018)

10.1 Classification of financial assets

10.1.1 Financial assets at FVTPL

These assets include financial assets held for trading and those directly designated as financial assets at fair value through profit or loss, and the former mainly refers to stocks, bonds, funds and investments in derivative instruments not used as effective hedging instruments held by the Group for sale in the near future. Such assets are initially recognized at the fair value when obtained during the initial measurement, and relevant transaction costs are included in profit or loss for the current period when they occur. If considerations paid include the cash dividends declared but not distributed, or bond interests due but uncollected, such cash dividends and bond interests shall be separately recognized as receivables. Interests or cash dividends received during the period in which such assets are held shall be recognized as investment income. The Group classifies such financial assets as those at fair value through profit or loss at the balance sheet date. When disposed of, the difference between the fair value and initially recorded amount of such financial assets shall be recognized as investment income, and concurrently adjustment shall be made to gains or losses on changes in fair value.

10.1.2 Held-to-maturity investments

These investments mainly refer to national bonds and corporate bonds with fixed maturity and fixed or determinable recoverable amounts which the Group holds for a definite purpose or is able to hold until their maturity. Such financial assets are initially recognized at the sum of the fair value when obtained and related transaction costs. If considerations paid include bond interests due but not distributed, such bond interests shall be separately recognized as receivables. Interest income received during the period in which such held-to-maturity investments are held shall be calculated based on the amortized cost and effective interest rate and included in investment income. When disposed of, the difference between the received price and the carrying amount of held-to-maturity investments shall be included in investment income.

10.1.3 Receivables

Receivables mainly include notes receivable, accounts receivable and other receivables. Notes receivable and accounts receivable refer to receivables from business activities such as sales of goods or rendering of services by the Group at amortized cost on the balance sheet date, as well as commercial bills received by the Group including bank acceptance bills and commercial bills. Notes receivable and accounts receivable are initially recognized at the contractual or agreed payments from buyers.

10.1.4 Available-for-sale financial assets

These financial assets mainly refer to those not classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans or receivables by the Group. Available-for-sale financial assets are initially recognized at the sum of the fair value when such financial assets are obtained and related transaction costs. If considerations paid include bond interests due but uncollected or cash dividends declared but not distributed, such bond interests and cash dividends shall be separately recognized as receivables. Interests or cash dividends received during the period in which such available-for-sale financial assets are held shall be included in investment income.

If available-for-sale financial assets are monetary financial assets in foreign currencies, their exchange gains or losses generated shall be included in profit or loss for the current period. Interests on investments in available-for-sale debt instruments measured by using effective interest method are included in profit or loss for the current period. Cash dividends on investments in available-for-sale equity instruments are included in profit or loss for the current period when the investee announces the distribution of dividends. At the balance sheet date, available-for-sale financial assets are measured at fair value with their changes included in other comprehensive income. When disposed of, the difference between the received price and the carrying amount of available-for-sale financial assets shall be included in investment income; meanwhile, the cumulative changes in fair value originally recorded in owners' equity attributable to the part disposed of shall be transferred to investment income.

10.2 Classification of financial liabilities

(1) Financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those directly designated as financial liabilities at fair value through profit or loss. Such financial liabilities are initially recognized at fair value, and relevant transaction costs are directly charged to profit or loss for the current period with changes in fair value included in profit or loss for the current period at the balance sheet date.

(2) Other financial liabilities, being financial liabilities other than those at fair value through profit or loss.

10.3 Reclassification of financial assets

Where an investment is no longer suitable to be classified as a held-to-maturity investment as a result of changes in intention or ability for holding, such investment shall be reclassified as an available-for-sale financial asset, and subsequently measured at fair value. Where the amount of partial sale or reclassification of a held-to-maturity investment is relatively significant, which is not the exceptions specified in Article 16 of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and makes the remaining part of the investment no longer suitable to be classified as a held-to-maturity investment, such part shall be reclassified as an available-for-sale financial asset and subsequently measured at fair value, while such financial asset shall not be classified as a held-to-maturity investment within the current accounting year and the following two full accounting years.

The difference between the carrying amount and fair value of the investment at the reclassification date shall be included in other comprehensive income and transferred to profit or loss for the current period when the available-for-sale financial asset is impaired or derecognized.

10.4 Differentiation between financial liabilities and equity instruments

Financial liabilities and equity instruments are differentiated according to the following criteria except under exceptional circumstances:

(1) if the Group cannot unconditionally avoid the performance of a contractual obligation by paying cash or delivering other financial assets, the contractual obligation meets the definition of financial liability. Some financial instruments, although not explicitly containing the terms and conditions in respect of the obligation to pay cash or deliver other financial assets, may indirectly form contractual obligations through other terms and conditions.

(2) if a financial instrument must or may be settled with the Group's own equity instruments, it is necessary to consider whether the Group's own equity instruments used to settle the instrument is a substitute for cash or other financial assets, or is used to entitle the instrument holder with remaining interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is a financial liability of the issuer; in the latter case, it is an equity instrument of the issuer. Under certain circumstances where a financial instrument contract requires that the Group must or may settle the financial instrument with its own equity instruments, and the amount of contractual rights or obligations equals to the number of equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract is classified as a financial liability, regardless of whether the amount of the contractual rights or obligations is fixed or is dependent, in whole or in part, on changes in variables other than the market price of the Group's own equity instruments (such as interest rates, a commodity price or the price of a financial instrument).

10.5 Transfer of financial assets

Transfer of a financial asset refers to the following two circumstances: transfer the contractual rights to receive cash flows from the financial asset to another party; transfer the financial asset, in whole or in part, to another party, but reserve the contractual rights to receive cash flows from the financial asset and undertake the contractual obligations to pay the cash flows received to one or more payees.

(1) Derecognition of transferred financial assets

A financial asset is derecognized when the Group has transferred substantially all the risks and rewards of ownership of the financial asset to the transferee or when the Group neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but waived its control over the financial asset.

When judging whether its control over the transferred financial asset has been waived, the enterprise shall pay more attention to the transferee's actual ability to sell the financial asset. If the transferee is able to independently sell the transferred financial asset in whole to a third party not related to it and there are no additional conditions to limit the sale, it shows that the enterprise has waived its control over the financial asset.

The Group shall pay more attention to the nature of transfer of financial asset when it determines whether the transfer of financial asset meets the conditions of derecognition of financial asset.

If the full transfer of a financial asset satisfies the conditions of derecognition, the difference between the following two items is recorded in profit or loss for the current period:

① the carrying amount of the transferred financial asset;

② the sum of the consideration received from the transfer and the cumulative changes in the fair value that had been recorded directly in owners' equity (if the transferred financial asset is an available-for-sale financial asset).

If the partial transfer of a financial asset satisfies the conditions of derecognition, the gross carrying amount of the transferred financial asset shall be allocated between the derecognized portion and the portion not derecognized (in this case, the retained service asset shall be deemed as a part of the financial asset not derecognized) in proportion to their respective relative fair value, and the difference between the following two items is recorded in profit or loss for the current period:

① the carrying amount of the derecognized portion;

② the sum of the consideration of the derecognized portion and the cumulative changes in the fair value that had been recorded directly in owners' equity attributable to the derecognized portion (if the transferred financial asset is an available-for-sale financial asset).

(2) Continuous involvement in transferred financial assets

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, but retains its control over the financial asset, such financial asset is recognized to the extent of its continuous involvement in the transferred financial asset and an associated liability is recognized.

The extent of the continuous involvement in the transferred financial asset refers to the risk exposure to the enterprise resulting from changes in value of the financial asset.

(3) Continuous recognition of transferred financial assets

If substantially all the risks and rewards of ownership of the transferred financial asset are retained, the transferred financial asset as a whole shall be recognized continuously and the consideration received shall be recognized as a financial liability.

The financial asset shall not offset against the associated financial liability recognized. In subsequent accounting periods, the enterprise shall continue to recognize the income generated from the financial asset and the cost arising from the financial liability. For transferred financial asset measured at amortized cost, the associated financial liability recognized shall not be designated as a financial liability at fair value through profit or loss.

10.6 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

Where an asset to be used for repayment of a financial liability is transferred to certain organization or used to set up a trust and there is still current obligation to repay the liability, both of the financial liability and the transferred asset shall not be derecognized.

Where an agreement is entered into with a creditor to replace an existing financial liability with a new financial liability with substantially different contractual terms, the existing financial liability shall be derecognized while the new financial liability shall be recognized.

Where substantial revisions are made to all or part of the contractual terms of an existing financial liability, the existing financial liability shall be fully or partially derecognized, and the financial liability after the modification of terms shall be recognized as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the carrying amount of the derecognized portion and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in profit or loss for the current period.

10.7 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset against each other. However, they are offset and the net amount is reported in the balance sheet when both of the following conditions are satisfied:

the Group currently has a legally enforceable right to offset the recognized amounts;

the Group intends to settle on the net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

Where transfer of a financial asset does not satisfy the conditions of derecognition, the transferor shall not offset the transferred financial asset and the associated liability.

10.8 Method for impairment test and impairment provision for financial assets

(1) Objective evidences indicating impairment of financial assets:

① a serious financial difficulty occurs to the issuer or debtor;

② the debtor breaches any of the contractual provisions, such as default or delinquency in interest or principal payments;

③ the creditor makes any concession to the debtor in financial difficulties for economic or legal factors;

④ the debtor is likely to enter bankruptcy or other financial reorganization;

⑤ the financial asset can no longer continue to be traded in an active market due to serious financial difficulties of the issuer;

⑥ it is impossible to identify whether there is a decrease in the cash flows from an asset within a group of financial assets, but after making an overall evaluation based on the public data available, it is found that there is a measurable decrease in the expected future cash flows from the group of financial assets since initial recognition;

⑦ there are material and adverse changes in the technological, market, economic or legal environment where the debtor operates, which makes the investor of an equity instrument unable to recover its investment cost;

⑧ there is a significant or prolonged decline in the fair value of investment in equity instrument;

⑨ other objective evidences indicate the impairment of the financial asset.

(2) Impairment test for financial assets (other than receivables)

① Impairment test for held-to-maturity investments

Where a held-to-maturity investment is impaired, its carrying amount shall be written down to the present value of expected future cash flows (excluding future credit losses that have not been incurred), and the amount as written down shall be recognized as impairment loss on assets and included in profit or loss for the current period.

The present value of expected future cash flows shall be determined by discounting at the original effective interest rate of the held-to-maturity investment, taking into account the value of related collateral (after deducting the expenses arising from the acquisition or sale of the collateral). The original effective interest rate is the rate determined based on the calculation at the initial recognition of the held-to-maturity investment. As for held-to-maturity investment with floating interest rate, the current effective interest rate as stipulated in the contract shall be adopted as the discount rate in the calculation of the present value of future cash flows.

Even if the contractual terms are renegotiated or modified due to financial difficulties of the debtor or issuer of the financial asset, the impairment loss shall be still recognized at the original effective interest rate of the financial asset calculated before the modification of the terms.

If, after the recognition of impairment loss of a held-to-maturity investment, there is any objective evidence indicating that the value of such investment has been restored, and it is objectively related to an event occurring after the recognition of such loss (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed and included in profit or loss for the current period.

After an impairment of a held-to-maturity investment, the interest income shall be calculated at the rate used to discount the future cash flows when measuring the impairment loss.

② Impairment test for available-for-sale financial assets

The Group analyzes the impairment of an available-for-sale financial asset at the balance sheet date to determine whether the fair value of the financial asset has continued to decline. Generally, if the closing fair value of an available-for-sale financial asset has declined by 50% or over 50% as compared with its cost or if the decline duration has reached or exceeded 12 months and it is expected that this decline is not temporary after taking into account relevant factors, the available-for-sale financial asset can be considered to be impaired and the impairment loss shall be recognized. Where an available-for-sale financial asset is impaired, the cumulative losses arising from the decline in fair value that had been recognized directly in owners' equity shall be transferred out and recognized in the impairment loss of asset at the time of the recognition of impairment loss.

The Group may refer to the aforementioned investments in available-for-sale equity instruments to analyze and determine whether an available-for-sale debt instrument financial asset is impaired.

Impairment loss of investments in available-for-sale equity instruments shall not be reversed through profit or loss.

Where an available-for-sale debt instrument financial asset is impaired, the interest income shall be calculated at the rate used to discount the future cash flows when measuring the impairment loss.

As for the available-for-sale debt instruments whose impairment loss has been recognized, if, in subsequent accounting periods, the fair value has increased and it is objectively related to an event occurring after the recognition of original impairment loss, the previously recognized impairment loss shall be reversed and included in profit or loss for the current period.

10.9 Determination of fair value of financial assets and financial liabilities

The Group measures the fair value of relevant assets or liabilities based on the price in principal market. In the absence of a principal market, the Group will measure the fair value of relevant assets or liabilities based on the price in the most favorable market.

Principal market refers to the market in which both of the trading volume and activity of relevant assets or liabilities are the highest; the most favorable market refers to the market in which relevant assets can be sold at the highest price or relevant liabilities can be transferred at the lowest price after taking into account the transaction and transportation costs. The Group adopts the assumptions that market participants would use to maximize their economic benefits when pricing the assets or liabilities.

(1) Valuation techniques

The Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, which include market approach, income approach and cost approach. The Group measures fair value by using the approaches which are in line with one or more valuation techniques above. Where multiple valuation techniques are used to measure fair value, the amount that is the most representative of fair value in the current situation shall be selected as the fair value after taking into account the rationalities of each of the valuation results.

In application of valuation techniques, the Group gives priority to relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted. Observable inputs are inputs developed using market data, which reflect the assumptions that market participants would use when pricing relevant assets or liabilities. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing relevant assets or liabilities.

(2) Fair value hierarchy

The Group categorizes inputs for fair value measurement into three levels and uses the inputs by the order of Level 1, Level 2 and Level 3. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date. Level 2: inputs other than the quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: unobservable inputs for the asset or liability.

11. Long-term equity investments

11.1 Basis for determining the joint control and significant influence on the investees

Control refers to the power that the investor has over the investee; it means that the investor enjoys variable returns by taking part in the relevant activities of the investee and is capable of using its power over the investee to influence the amount of return. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over the formulation of those policies. When determining if there is any control over or significant influence on the investee, the potential voting right factors such as the current convertible bonds of the investee unit and the current executable warrants held by the investor and other parties have been taken into consideration.

11.2 Determination of investment cost

For a long-term equity investment acquired through a business combination under common control, the initial investment cost shall be the combining party's share of the carrying amount of combined party's equity at the combination date in the consolidated financial statements of ultimate holding party. The difference between the initial investment cost of the long-term equity investment and the total amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits. If the consideration for such combination is settled by issuance of equity securities, the initial investment cost of the long-term equity investment is the combining party's share of the carrying amount of combined party's equity at the combination date in the consolidated financial statements of ultimate holding party. If the capital is taken to be the total par value of the shares issued, the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

For a long-term equity investment acquired through a business combination not under common control, the initial investment cost of the long-term equity investment is the cost of combination on the date of acquisition.

The audit, legal service and appraisal consultation fees and other intermediary fees as well as other relevant management fees of the combining party or acquirer for business combination shall be included in the profit or loss for the period in which they are incurred.

The long-term equity investment acquired other than through a business combination is initially measured at its cost. For additional investment that can have a significant influence on the investee or implement common control but does not constitute control, the cost of long-term equity investment is the sum of the fair value of the original equity investment determined in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the additional investment costs.

11.3 Methods for follow-up measurement and profit and loss recognition

11.3.1 Long-term equity investments accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the financial statements of the Company. A subsidiary is an investee that is controlled by the Group.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. The current investment income is recognized in accordance with the cash dividends or profit distributions declared by the investee.

11.3.2 Long-term equity investment accounted for using the equity method

In addition to investments in associates and joint ventures classified in whole or in part as assets held-for-sale, the Group's investment in associates and joint ventures is accounted for using the equity method. An associate refers to the investee to which the Group can exert a significant influence, and a joint venture is a joint arrangement in which the Group only has the right to the net assets of the arrangement.

When using the equity method, if the initial investment cost of long-term equity investment is greater than the fair value share of the identifiable net assets of the investee at the time of investment, the initial investment cost of long-term equity investment shall not be adjusted. If the initial investment cost is less than the fair value share of the identifiable net assets of the investee at the time of investment, the difference shall be included in profit or loss for the current period, and the cost of long-term equity investment shall be adjusted at the same time.

When using the equity method, the investment income and other comprehensive income shall be recognized respectively according to the share of net profit or loss and other comprehensive income realized by the investee that should be enjoyed or shared, and the carrying amount of long-term equity investment shall be adjusted at the same time; the carrying amount of long-term equity investment shall be reduced accordingly by calculating the portion to be enjoyed according to the profit or cash dividend declared by the investee. The carrying amount of long-term equity investment shall be adjusted and included in the capital reserve for other changes in the owner's equity of the investee except for net profit or loss, other comprehensive income and profit distribution. When recognizing the share of the net profit or loss of the investee, the net profit of the investee shall be adjusted and recognized on the basis of the fair value of the identifiable assets of the investee at the time of acquiring the investment. If the accounting policies and accounting periods adopted by the investee are inconsistent with those of the Group, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Group, and the investment income and other comprehensive income shall be recognized accordingly. For transactions between the Group and the associates and joint ventures, if the assets invested or sold do not constitute business, the unrealized profits and losses of internal transactions shall be offset by the portion attributable to the Group calculated according to the proportion enjoyed, and the investment profits and losses shall be recognized on such basis. However, the unrealized internal transaction losses between the Group and the investee shall not be offset if they belong to the impairment losses of the transferred assets.

In determining the share of net loss of the investee, the carrying amount of the long-term equity investment and other long-term interests that substantially constitute the net investment of the investee shall be written down to zero. In addition, if the Group has the obligation to bear additional losses to the investee, it shall recognize the provisions according to the expected obligations and record them into the current investment loss. If the investee achieves net profit during the subsequent period, the Group shall resume recognizing the income sharing amount after the income sharing amount makes up the unrecognized loss sharing amount.

11.4 Disposal of long-term equity investment

At the time of the disposal of long-term equity investment, the difference between its carrying amount and the actual price obtained shall be included in profit or loss for the current period. For long-term equity investment accounted for using the equity method, if the residual equity after disposal is still accounted for using the equity method, other comprehensive income recognized using the equity method is accounted for on the same basis as the assets or liabilities directly disposed of by the investee, and shall be carried forward proportionally. The owner's equity recognized by changes in other owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, shall be carried forward to profit or loss for the current period proportionally.

For long-term equity investment accounted for using the cost method, if the residual equity is still accounted for using cost method after disposal, the other comprehensive income recognized by equity method or financial instrument recognition and measurement criteria before the control of the investee is obtained shall be accounted for on the same basis as the assets or liabilities directly disposed of by the investee, and shall be carried forward proportionally. The owner's equity changes in the net assets of the investee recognized by the equity method, except for net profit or loss, other comprehensive income and profit distribution, shall be carried forward to profit or loss for the current period proportionally.

12. Method for impairment test and impairment provision for accounts receivable (Applicable since 1 January 2019)

The Group conducts internal credit ratings with respect to customers, and determines expected loss ratio for different level of accounts receivable. Determination basis of each rating and provision for bad debts are as follows:

Internal credit rating	**Determination basis**	**Expected average loss ratio** *(%)*
A	Based on historical experience, customers are able to repay during the credit term, and the repayment record is good. The probability of nonrepayment in the foreseeable future is extremely low.	0.00-0.10
B	Based on historical experience, customers have records of overdue repayment, but are able to repay.	0.10-0.30
C	There is evidence that the customer's overdue credit risk has increased significantly and there is a possibility of non-payment by default.	0.30-50.00
D	There is evidence that the accounts receivable from customers have been impaired, and there is evidence that the customers have serious financial difficulties and cannot recover the amount in the foreseeable future.	50.00-100.00

13. Method for impairment test and impairment provision for receivables (applicable to 2018)

Based the inspection of the book value of receivables at the balance sheet date, if there exist objective evidences indicating that they are impaired, the impairment provision is made accordingly. Receivables mainly include accounts receivable and other receivables.

13.1 Receivables that are individually significant and subject to separate provision for bad debts

Basis or criteria for determining individually significant receivables: receivable of more than RMB1 million or other receivable of more than RMB0.5 million is considered as individually significant receivable by the Company.

Method of provision for bad debts for individually significant receivables on individual basis: individually significant receivables are subject to separate impairment test. If there exist objective evidences indicating that they are impaired, the impairment loss is recognized at the excess amount of their carry amount over the present value of their future cash flows, and provision for bad debts is made accordingly.

For short-term receivables, if the difference between their expected future cash flows and their present value is minimal, no discount is made to their expected future cash flows when determining the relevant impairment loss.

13.2 Receivables that are subject to provision for bad debts by portfolio of credit risk characteristics

Basis for determination of portfolio: for receivables that are individually significant but not impaired after separate test and receivables that are individually insignificant, the Company uses balance as portfolio of credit risk characteristics.

Method of provision for bad debts on portfolio basis: balance percentage method.

As the recovery rate of the Company's accounts receivable is relatively high and the aging is mainly within one year, the provision for bad debts is is made at 5‰ of the balance of receivables at the end of the year, based on actual loss ratio of accounts receivable groups that are the same as or similar to them with similar risk features in prior year.

13.3 Receivables that are individually insignificant but subject to separate provision for bad debts

For receivables that are individually insignificant and there exist objective evidences indicating that they are impaired, provision for bad debts by using balance percentage method does not reflect the actual situation. The Company conducts separate impairment test, and the impairment loss is recognized at the excess amount of their carry amount over the present value of their future cash flows, and provision for bad debts is made accordingly.

14. Inventories

14.1 Classification of inventories

The Group's inventories mainly include raw materials.

14.2 Valuation method of inventories delivered

The individual valuation method is adopted for determination of actual costs of inventories upon delivery.

14.3 Determination of net realizable value of inventories and provision for inventory write down

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for impairment of inventories is made. Net realizable value is the estimated selling price of inventories in the ordinary course of business less the estimated costs to completion, estimated selling expenses and related taxes. Net realizable value of inventories is determined on the basis of clear evidence obtained, taking into account the purpose of holding inventories and the effect of events after the balance sheet date.

Provision for impairment of inventories is made based on the excess of cost over net realizable value of individual inventory item.

After the provision for impairment of inventories is made, if the circumstances that previously caused inventories to be written-off no longer exist so that the net realizable value of inventories is higher than their carrying amount, the original provision for impairment of inventories is reversed and the reversed amount is recognized in profit or loss for the period.

14.4 Inventory system

The Company adopts the perpetual inventory system.

15. Fixed assets and depreciation

15.1 Recognition conditions

Fixed assets refer to the tangible assets held for the production of goods, provision of labor services, lease or management and whose service life exceeds one fiscal year. Fixed assets are recognized only when their economic benefits are likely to flow to the Group and their costs can be measured reliably. Fixed assets are initially measured at cost.

For the subsequent expenditures related to fixed assets, if the economic benefits related to the fixed assets are likely to flow in and their costs can be measured reliably, they shall be included in the cost of fixed assets and the carrying amount of the replaced part shall be terminated. Other subsequent expenditures shall be included in profit or loss for the current period when incurred.

15.2 Depreciation method

Fixed assets are depreciated using the straight-line method over their useful lives from the next month when they are available for intended use. The useful life, estimated net residual value rate and annual depreciation rate for each class of fixed assets are as follows:

Category	**Useful life**	**Estimated net residual value rate**	**Annual depreciation rate**
			(%)
Buildings	20-40 years	5%	4.75-2.38
Port and terminal facilities	20-40 years	5%	4.75-2.38
Automobiles and vessels	8-10 years	5%	11.88-9.50
Machinery and equipment, furniture, appliance and other equipment	4-15 years	5%	23.75-6.33

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

15.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is included in profit or loss for the current period.

The Group reviews the useful life, estimated net residual value of a fixed asset and the depreciation method at least at each financial year-end, and any change is accounted for as a change in accounting estimate.

16. Construction in progress

Construction in progress is measured at actual cost, which includes various construction expenditures incurred during the construction period, capitalized borrowing costs before the construction is ready for its intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to fixed asset while it is ready for its intended use.

17. Intangible assets

Intangible assets include land use rights and software use rights, etc.

Intangible assets shall be initially measured at cost. For an intangible asset with a finite useful life, its present value shall be amortized evenly using the straight-line method over its estimated useful life from the time when they are available for use. The amortization method, useful life and estimated net residual value of each class of intangible assets are as follows:

Category	**Amortization method**	**Useful life (Years)**	**Residual Value Rate**
Land use rights	Straight-line method	40-50	–
Software	Straight-line method	5-10	–

At the end of the period, the useful life and amortization method of intangible assets with finite useful lives are reviewed and adjusted if necessary.

18. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, fixed assets, construction in progress and intangible assets with finite useful lives may be impaired. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

If the estimated recoverable amount of an asset is based on a single asset and it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs. The recoverable amount is the higher of an asset's or asset group's fair value less costs of disposal and the present value of the estimated future cash flows.

If the recoverable amount of an asset is less than its carrying amount, a provision for impairment of the asset is made based on the difference and included in profit or loss for the current period. The impairment loss of asset mentioned above once recognized shall not be reversed in a subsequent accounting period.

19. Long-term prepaid expenses

Long-term prepaid expenses are expenses which have incurred but shall be amortized over the current period and subsequent periods of more than one year. Long-term prepaid expenses are amortized evenly over the estimated benefit period.

20. Contract liabilities

Contract liabilities refer to the obligation to pass products or services to customers in connection with customer consideration received or receivable, for example, amounts received prior to the transfer of the promised products or services.

21. Employee benefits

21.1 Accounting treatment for short-term employee benefits

In the accounting period in which an employee has rendered services, the Group recognizes the short-term employee compensation actually incurred as liabilities, and includes in profit or loss for the current period or the cost of relevant assets. The employee benefits expenses incurred by the Group are included in profit or loss for the current period or the cost of relevant assets based on the actual amount when actually incurred. The non-monetary employee benefits expenses are measured at fair value.

In determining the corresponding amount of employee compensation, social security contributions such as medical insurance, work injury insurance and maternity insurance and housing funds, as well as labor union running expenses and employee education expenses provided by the Group are calculated according to the prescribed provision bases and percentages during the accounting period in which the employees provide services to the Group, and the corresponding liabilities shall be recognized, and included in profit or loss for the current period or the cost of relevant assets.

21.2 Accounting treatment for post-employment benefits

Post-employment benefits are classified into defined contribution plan and defined benefit plan.

For the defined contribution plan, in the accounting period in which an employee has rendered service, the Group recognizes the amount payable under the defined contribution plan as a liability, and includes in profit or loss for the current period or the cost of relevant assets.

For the defined benefit plan, the Group ascribes the benefit obligations arising from the defined benefit plan to the period when the employees provide services, according to the formula determined based on the expected cumulative benefit unit method, and includes them in profit or loss for the current period or the cost of relevant assets. The employee compensation cost incurred by the defined benefit plan is divided into the following components:

- Service costs (including the service costs of the current and past periods and the gains and losses on settlements);

- Net interest of net liabilities or net assets of defined benefit plan (including interest income of assets in the plan, the interest cost of obligations under the defined benefit plan and the interest of the impact of the asset cap);

- Changes arising from re-measurement of net liabilities or net assets of defined benefit plan.

The service costs and the net interest of net liabilities or net assets of defined benefit plan shall be included in profit or loss for the current period or the cost of relevant assets. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan (including actuarial gains or losses, return on the asset in the plan deducting the amount included in the net interest of net liabilities or net assets of the defined benefit plan, changes in the impact of the asset cap deducting the amount included in the net interest of net liabilities or net assets of the defined benefit plan) shall be included in other comprehensive income.

22. Provision

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be resulted from settling the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the best estimate of provision is determined by discounting the estimated future cash outflows.

If all or part of the expenditure required to settle the provisions is expected to be compensated by a third party, the compensation amount shall be recognized as an asset when it can be basically assured, and the recognized compensation amount shall not exceed the carrying amount of the provisions.

23. Bonds payable

The bonds payable of the Group are measured at fair value at initial recognition, and relevant transaction costs are included in the initial recognized amount. Subsequent measurement is based on amortized cost.

The difference between the issue price of the bonds and the total carrying value of the bonds shall be treated as the premium or discount of the bonds, and shall be amortised at the time of interest accrual by using effective interest rate method during the duration of the bonds, and shall be treated in accordance with the principle of handling borrowing costs.

24. Recognition of revenue (applicable since 1 January 2020)

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

24.1 Contract on sales of goods

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

24.2 Contract on rendering of services

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

24.3 Significant financing component

Where a contract contains a significant financing component, the Group determines transaction prices based on amounts payable assumed to be settled in cash by customers immediately upon receiving the port operation services provided the Group. The difference between such transaction price and contract consideration is amortised over the contract period using the effective interest rate method based on a ratio that discounts the nominal contractual consideration to the current selling price of the services.

25. Recognition of revenue (applicable to 2018 and 2019)

25.1 Loading and discharging income

Loading and discharging income refers to the income derived by the Company from providing port cargo handling services. According to the flow of goods, it can be divided into loading and discharging income for foreign trade and loading and discharging income for domestic trade. The loading and discharging income for foreign trade is the income from providing port loading and discharging services for international trade goods. The loading and discharging income for domestic trade is the income from providing port loading and discharging services for domestic trade goods. The Company recognizes the revenue when the loading and discharging service is completed and the operation volume related thereto is confirmed by both parties.

25.2 Storage income

Storage income refers to the income received by the Company from providing customers with storage services in the port. The Company charges according to the tonnages and days of storage in the port and the corresponding billing standards, and recognizes the revenue during the corresponding period.

25.3 Revenue from port management services

Revenue from port management services refers to the service fee from shippers such as berthing fee, mooring and unmooring fee, and the Company recognizes the revenue when relevant services are completed.

25.4 Revenue from transfer of rights to use assets

Revenue from transfer of rights to use assets include royalty revenue. Revenue from transfer of rights to use assets shall be recognized only when both of the conditions, i.e., the relevant economic benefits is likely to flow into the enterprise and the amount of revenue can be measured reliably, are fulfilled.

25.5 Revenue from sales of goods

Revenue from sales of goods are recognized when the risk and reward of ownership of goods is transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, the relevant economic benefit is likely to flow into the enterprise, and the related costs incurred or to be incurred can be measured reliably.

26. Government grants

Government grants refer to the monetary assets and non-monetary assets obtained by the Group from the government at nil consideration. Government grants are recognized when the conditions attached to the government grants are fulfilled and the grants can be received.

If a government grant is a monetary asset, it shall be measured at the amount received or receivable. If a government grant is a non-monetary asset, it shall be measured at fair value, where the fair value cannot be obtained reliably, it shall be measured at the nominal amount. The government grants measured at nominal amount shall be directly included in profit or loss for the current period.

26.1 Basis and accounting treatment for determining government grants related to assets

The government grants related to assets should be recognized as deferred income, and are included in profit or loss in a reasonable and systematic way during the useful life of the relevant assets. The government grants measured at nominal amount shall be directly included in profit or loss for the current period.

26.2 Basis and accounting treatment for determining government grants related to income

For the business support subsidies among the government grants of the Group, as they are used to compensate the related future or incurred expenses and losses, these government grants shall be government grants related to income.

The government grants related to income that are used to compensate the related future costs, expenses or losses of the Group, shall be recognized as deferred income and shall be included in profit or loss for the current period during the period when the relevant costs, expenses or losses are recognized; the revenue-related government grants that are used to compensate the related costs, expenses or losses incurred to the Group, shall be directly included in profit or loss for the current period.

The government grants related to daily activities of the Group shall be included in other income based on the nature of economic business. The government grants not related to daily activities of the Group shall be included in non-operating income.

27. Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized when expenditures for the asset are being incurred, borrowing costs are being incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. The capitalization of qualifying assets under construction or production ceases when the assets are ready for their intended use or sale. If the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption lasts for more than 3 months, the capitalization of borrowing costs is suspended until the acquisition, construction or production of the asset is resumed.

The remaining borrowing costs are recognized as expenses in the period in which they are incurred.

Where funds are borrowed under a special borrowing, the amount to be capitalized is the actual interest expense incurred on that borrowing for the period less any interest income earned from depositing the unused borrowing funds into bank or any investment income on the temporary investment of those funds. Where funds are borrowed under a general borrowing, the amount capitalized is determined by applying the weighted average of the excess amounts of cumulative expenditures on the asset over the special borrowings multiplied by the capitalization rate of the general borrowings used. The capitalization rate is determined based on the weighted average interest rate of the general borrowings. During the capitalization period, the exchange differences on special foreign currency borrowings are all capitalized; the exchange differences on general-purpose foreign currency borrowings are included in profit or loss for the current period.

28. Income tax

Income tax expenses include current income tax and deferred income tax.

28.1 Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and previous periods shall be measured by the expected amount of income tax payable (or refundable) calculated in accordance with the provisions of tax laws.

28.2 Deferred income tax assets and deferred income tax liabilities

For the difference between the book value of some assets and liabilities and its tax base, as well as the temporary difference caused by the difference between the book value and the tax base of the items which are not recognized as assets and liabilities but whose tax basis can be determined according to tax laws, the balance sheet liability method is adopted to recognize the deferred income tax assets and deferred income tax liabilities.

Generally, deferred income taxes are recognized for all temporary differences. However, for deductible temporary differences, the Group recognizes the relevant deferred income tax assets to the extent that it is likely to utilize the taxable income to offset the deductible temporary differences. In addition, deferred income taxes or liabilities shall not be recognized for the temporary differences related to the initial recognition of goodwill and the initial recognition of assets or liabilities arising from transactions that are neither business combination nor affect accounting profit and taxable income (or deductible loss).

For the deductible losses and tax credits that can be carried forward to the following years, the corresponding deferred income tax assets shall be recognized to the extent of the future taxable income that is likely to be used to offset the deductible losses and tax credits.

The Group recognizes the deferred income tax liabilities arising from the taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless the Group can control the time of the reverse of the temporary differences and the temporary differences are likely not to be reversed in the foreseeable future. For the deductible temporary differences related to the investments in subsidiaries, associates and joint ventures, the Company recognizes deferred income tax assets only when the temporary differences are likely to be reversed in the foreseeable future and the taxable income to offset the deductible temporary differences is likely to be available in the future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured by using applicable tax rate during the period when the relevant assets are expected to be recovered or the relevant liabilities are settled according to tax laws.

Except that the current income tax and deferred income tax related to the transactions and events directly included in other comprehensive income or owners' equity are included in other comprehensive income or owners' equity, and the book value of goodwill is adjusted by the deferred income tax generated from business combination, the remaining current income tax and deferred income tax expense or income are included in the current profit and loss.

On the balance sheet date, the book value of the deferred income tax assets shall be reviewed. If it is likely that sufficient taxable income cannot be obtained in the future to offset the benefits of the deferred income tax assets, the book value of the deferred income tax assets shall be written down. When it is likely to obtain sufficient taxable income, the amount written down shall be reversed.

28.3 Offset of income tax

When the Group has the legal right to settle with net amount and intends to settle with net amount or acquire assets and settle liabilities at the same time, the Group's current income tax assets and current income tax liabilities are presented at the net amount after offsetting.

When the Group has the legal right to settle the current income tax assets and current income tax liabilities with net amount, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax authorities on the same taxpayer or different taxpayers, but, in the future, during the period when important deferred income tax assets and liabilities are reversed, when the involved taxpayer intends to settle the current income tax assets and liabilities with net amount or acquire assets and settle liabilities at the same time, the deferred income tax assets and deferred income tax liabilities of the Group are presented at the net amount after offsetting.

29. Lease

Operating leases refer to other leases except for finance leases. Where the Group is the lessee, the rents are included in the cost of relevant assets or the profit or loss for the current period on a straight-line basis during each period of the lease term. Where the Group is the lessor, the rents are recognized as revenue on a straight-line basis during each period of the lease term.

30. Work safety expenses

The Group withholds work safety expenses in accordance with the Administrative Measures for Withholding and Use of Work Safety Expenses of Enterprises (Cai Qi [2012] No. 16) jointly issued by the Ministry of Finance and the State Administration of Work Safety on February 14, 2012. When the work safety expenses are withheld, they shall be included in the cost of the relevant products or the current profit or loss, and transferred to special reserve at the same time. When the work safety expenses are used, they shall be directly used to offset the special reserve as expenditures. Where fixed assets are formed by the use of the work safety expenses withheld, the expenditures incurred shall be aggregated under the item "construction in progress", and then be recognized as fixed assets upon completion of the safety-related projects which have satisfied the conditions for its intended use. Meanwhile, special reserves shall be written down based on the costs of fixed assets formed, and accumulated depreciation of the same amount shall be recognized. No further provision for depreciation shall be made for such fixed assets in subsequent periods.

V. SIGNIFICANT JUDGMENTS MADE IN THE PROCESS OF APPLYING ACCOUNTING POLICIES AND CRITICAL ASSUMPTIONS AND UNCERTAINTIES USED IN ACCOUNTING ESTIMATES

In the process of applying the accounting policies described in the notes, due to the inherent uncertainty of business activities, the Group intends to make judgments, estimates and assumptions on the book value of the statement items that cannot be accurately measured. These judgments, estimates and assumptions are based on past historical experience of the Group's management and other relevant factors. The actual results may differ from the Group's estimates. The Group regularly reviews the above judgments, estimates and assumptions on going concern basis.

If the change in accounting estimate only affects the period when the change occurs, the impact amount is recognized in the period when the change occurs; if it affects both the period when the change occurs and future periods, the impact amount is recognized in the period when the change occurs and future periods.

1. Critical assumptions and uncertainties used in accounting estimates

On the balance sheet date, the critical assumptions and uncertainties that are likely to lead to significant adjustments in the book values of assets and liabilities in the future are as follows:

1.1 Recognition of deferred income tax

To the extent that the Group is likely to obtain sufficient taxable income to offset the deductible temporary differences and deductible losses in the future, the deferred income tax assets shall be recognized for all unused deductible temporary differences and deductible losses. This requires the management of the Group to use a lot of judgments to estimate the time and amount of future taxable income, and determine the amount of deferred income tax assets to be recognized in line with tax planning strategy.

1.2 Impairment of long-term equity investments

On 30 June 2020, the book value of the Group's investments in associates was RMB653,510,460.47 (31 December 2019: RMB633,453,377.02; 31 December 2018: RMB576,357,737.13); on 30 June 2020, the book value of the Group's investments in joint ventures was RMB315,312,110.87 (31 December 2019: RMB300,731,491.81; 31 December 2018: RMB281,270,560.07). As at the balance sheet date, for long-term equity investments with signs of impairment, the Group estimates the recoverable amount of long-term equity investments and compares it with its book value to determine whether there is impairment of long-term equity investments. If the book value of the long-term equity investments is greater than the expected recoverable amount, corresponding provision for impairment shall be made. As at the balance sheet date, the management reviewed material external investments of the Group and found no significant indication of impairment.

1.3 Expected useful life and expected residual value of fixed assets and intangible assets

The Group estimates the expected useful life and residual value of its fixed assets and intangible assets. The estimate is based on the historical experience of the actual useful life and residual value of fixed assets and intangible assets with similar properties and functions, and may have significant changes due to technological innovation and severe industry competition. When the expected useful life and residual value of fixed assets or intangible assets are less than the previous estimate, the Group will increase depreciation/amortization, or write off or offset obsolete fixed assets or intangible assets.

1.4 Fixed assets impairment

Fixed assets of the Group mainly include ports and terminal facilities, machinery and equipment and buildings. The carrying value as at 30 June 2020 was RMB9,174,461,757.24(31 December 2019: RMB9,508,266,691.46; 31 December 2018: RMB9,813,797,455.34). As at the balance sheet date, the management judges whether there is any indication that impairment may occur for fixed assets, and performs an impairment test when there is evidence of impairment. The recoverable amount of fixed assets is determined based on the higher of the use value of the asset or asset group and its fair value less the net amount of disposal costs. When estimating its use value, the future cash flows of fixed assets are determined and discounted using a discount rate. Management makes accounting estimates of asset use and predicts future cash flows on a reasonable and basis, and uses a discount rate that reflects the time value of money in the current market and specific risks related to the asset to determine the present value of future cash flows. As at the balance sheet date, given the current operation and profitability of the Company in combination with future outlook and expectation, the management found no significant indication of impairment of fixed assets.

1.5 Contingencies

The Group will encounter many legal disputes in the process of business operations, and the results of such disputes are highly uncertain. When the economic benefits related to specific legal disputes are considered to be highly likely to flow out and can be measured, the management of the Group will make corresponding provisions according to professional legal opinions. The management uses judgment to decide whether a provision should be made for such legal disputes or whether such disputes shall be disclosed as contingencies.

VI. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND EXPLANATIONS ON CORRECTION OF ACCOUNTING ERRORS

1. Changes in and impacts of significant accounting policies

(1) New Standards for Financial Instruments

On 31 March 2017, the Ministry of Finance issued the "Notice on Issuing the Amendments to Enterprise Accounting Standards No. 22 – Recognition and Measurement of Financial Instruments" (Cai Kuai [2017] No. 7), which provides for the amendments to Enterprise Accounting Standards No. 22 – Recognition and Measurement of Financial Instruments. For enterprises which are listed domestically and overseas and enterprises which are listed overseas and prepare financial reports by adopting IFRSs or accounting standards for business enterprises, such amendments shall be effective from 1 January 2018; for other domestically listed enterprises, such amendments shall be effective from 1 January 2019; and for unlisted enterprises which adopt accounting standards for business enterprises, such amendments shall be effective from 1 January 2021. Meanwhile, enterprises are encouraged to adopt such amendments prospectively. Enterprises which have adopted such amendments shall no longer apply Enterprise Accounting Standards No. 22 – Recognition and Measurement of Financial Instruments set out in the Notice of the Ministry of Finance on Issuing 38 Specific Standards Including Enterprise Accounting Standards No. 1 – Inventory (Cai Kuai [2016] No. 3) issued by the Ministry of Finance on 15 February 2006. Enterprises which have adopted such amendments shall concurrently adopt Enterprise Accounting Standards No. 23 – Transfer of Financial Assets (Cai Kuai [2017] No. 8) and Enterprise Accounting Standards No. 24 – Hedging Accounting (Cai Kuai [2017] No. 9) revised and issued by the Ministry of Finance in 2017.

According to Enterprise Accounting Standards No. 22 – Recognition and Measurement of Financial Instruments, Enterprise Accounting Standards No. 23 – Transfer of Financial Assets, Enterprise Accounting Standards No. 24 – Hedging Accounting and Enterprise Accounting Standards No. 37 – Presentation of Financial Instruments》 as amended by the Ministry of Finance (hereinafter referred to as the "New Standards for Financial Instruments"):

In respect of classification and measurement of financial assets, the New Standards for Financial Instruments require financial assets to be classified into three categories, namely, "financial assets measured at amortised cost", "financial assets at fair value through other comprehensive income" and "financial assets at fair value through profit or loss" based on their contractual cash flow characteristics and the business model of the enterprises managing such assets. The original categories of loans and receivables, held-to-maturity investments and available-for-sale financial assets were cancelled. Equity instrument investments are generally classified as financial assets at fair value through profit or loss. Enterprises are also allowed to designate non-tradable equity instrument investments as financial assets at fair value through other comprehensive income, provided that the designation cannot be cancelled and the accumulated changes in fair value originally included in other comprehensive income shall not be carried forward to current profit or loss on disposal.

In respect of impairment of financial assets, the requirements in the New Standards for Financial Instruments in relation to impairment are applicable to financial assets measured at amortised cost, financial assets at fair value through other comprehensive income, lease receivables, accounts receivable and specific undrawn loan commitments. The New Financial Instrument Standard require the use of expected credit loss model to replace the previous occurred credit loss model. The new impairment model requires the use of a three-stage model. Depending on whether the credit risk of the relevant item has increased significantly since initial recognition, the provision for credit loss shall be made for 12-month expected credit loss or full lifetime expected credit loss. For accounts receivable and lease receivables, there is a simplified approach which allows the provisions for impairment to be made at all times for full lifetime expected credit loss.

The Group adopted the above New Standards for Financial Instruments on 1 January 2019 and has since then recognized, measured and reported the financial instruments of the Group according to the New Standards for Financial Instruments. Details of the revised accounting policies of the Group are set out in Note IV. 9. "Financial Instruments".

If the recognition and measurement of financial instruments before 1 January 2019 are not in compliance with the requirements of the New Financial Instruments Standards, the Group shall make adjustments according to the requirements of the New Financial Instruments Standards. The Group will not make any adjustment if the data in previous comparative financial statements are not in compliance with the requirements of the New Standards for Financial Instruments. The difference between the original book value of the financial instruments and the new book value on the implementation date of the New Standards for Financial Instruments is included in the retained earnings or other comprehensive income as of 1 January 2019.

On 1 January 2019, the Group recognized impairment provisions for the credit losses of accounts receivable, other financial assets measured at amortised cost, and debt instruments measured at fair value through other comprehensive income in accordance with the requirements of the New Standards for Financial Instruments. Specific impacts include:

For receivables that do not contain significant financing components or do not take into account the financing components in contracts with a term of no more than one year, the Group adopts simplified method to measure the expected credit loss in accordance with the requirements of the New Standards for Financial Instruments, that is, the loss provisions are measured according to the amount equivalent to full lifetime expected credit loss.

For other financial assets measured at amortised cost, the Group adopts a three-stage model to measure the expected credit loss in accordance with the requirements of the New Standards for Financial Instruments. Depending on whether the credit risk of the relevant item has increased significantly since initial recognition, the provision for credit loss shall be made for 12-month expected credit loss or full lifetime expected credit loss.

The Group adopted the New Standards for Financial Instruments on 1 January 2019, which has significant impacts on the Group's financial data as at the beginning of the period as follows:

Summary of the impacts of the first adoption of the New Standards for Financial Instruments on 1 January 2019

Items	Book value under original standards as at 31 December 2018	Total impact of New Standards for Income	Impacts of the New Standards for Financial Instruments on Consolidated Balance Sheet Reclassified — Reclassified: Transferred from financial assets originally classified as available for sale	Reclassified: Transferred from investments originally classified as held to maturity	Reclassified: Transferred from financial assets/liabilities originally designated to be measured at fair value through profit or loss	Others	Remeasured: Expected credit loss	Remeasured: From cost measurement to fair value measurement	Book value under the New Standards for Financial Instruments as at 1 January 2019
Accounts receivable	307,798,501.58	–	–	–	–	–	14,465,234.00	–	293,333,267.58
Other receivables	806,972.70	–	–	–	–	–	-4,055.14	–	811,027.84
Undistributed profits	2,979,064,357.11	–	–	–	–	–	-14,461,178.86	–	2,964,603,178.25

(2) Presentation format of financial statements

The Group prepared the financial statements for 2019 in accordance with the Notice on Issuing the Revised Format of Consolidated Financial Statements (2019) (Cai Kuai (2019) No. 16, hereinafter referred to as "Cai Kuai Document No. 16") issued by the Ministry of Finance on 19 September 2019 and the Notice on Issuing the Revised Format of General Enterprise Financial Statements for 2019 (Cai Kuai (2019) No. 6, hereinafter referred to as "Cai Kuai Document No. 6") issued by the Ministry of Finance on 30 April 2019. Cai Kuai Document No. 16 and Cai Kuai Document No. 6 revised the items presented in the balance sheet, income statement, statement of cash flow and statement of changes in equity. The item "notes and accounts receivable" is divided into "notes receivable", "accounts receivable" and "Accounts receivable financing", and the item "notes and accounts payable" is divided into "notes payable" and "accounts payable". Under the item "investment income", the item "income from derecognition of financial assets measured at amortised cost" is newly added. The positions of some items in the income statement are adjusted, and the item of government subsidies in the statement of cash flow is clarified. In view of the changes in the above presentation items, the Group restated the comparative data of the previous year.

(3) New Standards for Income

In 2017, the Ministry of Finance issued the "Accounting Standards for Business Enterprises No. 14 – Revenues" ("New Standards for Income"), and the Group adopted the New Standards for Income since 1 January 2020. The New Standards for Income set up a "five-step method" model for the measurement of revenue recognition and more standards for certain specific transactions (or events). For details on accounting policies for revenue recognition and measurement of the Group, please refer to IV. 24. According to requirements of the New Standards for Income, the Group shall adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2020) of the new standard for the cumulative affected figures and amounts of other relative items in the financial statements, and need not to adjust information in comparable period.

Upon implementation of the New Standards for Income, the Group shall reassess the recognition and measurement, accounting and presentation of its main contract revenue in accordance with such standards. Accordingly, the retained earnings at the beginning of initial adoption shall be adjusted based on the cumulative affected figures and amounts of other relative items in the financial statements.

Effects of implementation of the New Standards for Income on relevant items of the Group's consolidated balance sheet since 1 January 2020 are as follows:

Items	31 December 2019	Reclassified	Remeasured	1 January 2020
Current liabilities:				
Advances from customers	180,338,406.10	-180,338,406.10	–	–
Contract liabilities	–	180,338,406.10	–	180,338,406.10

2. Changes in and impacts of significant accounting estimates

The Group had no changes in accounting estimates during the Reporting Period.

3. Correction of previous accounting errors and impacts

The Group had no correction of significant previous errors during the Reporting Period.

VII. TAXES

1. Major taxes and tax rates

Tax	Tax base	Tax rate for the period from January to June 2020	Tax rate for 2019	Tax rate for 2018
Value-added tax (VAT)	Revenue from sales of goods, revenue from processing and repair services, taxable service income and other taxable income	13%, 9%, 6%, 5%, 3%	16%, 13%, 10%, 9%, 6%, 5%, 3%	17%, 16%, 11%, 10%, 6%, 5%, 3%
City maintenance and construction tax	Turnover taxes paid	7%	7%	7%
Educational surcharge	Turnover taxes paid	3%	3%	3%
Local surcharge	Turnover taxes paid	2%	2%	2%
Property tax	Costs of properties and rental income	1.2%, 12%	1.2%, 12%	1.2%, 12%
Corporate income tax	Taxable income	25%	25%	25%

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知) (Cai Shui (No. 32 [2018]), the Group's sales of goods and transportation services are applicable to VAT rate of 16% and 10% respectively since 1 May 2018, while 17% and 11% respectively before 1 May 2018.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告) (Cai Shui (No. 39 [2019]), the Group's sales of goods and transportation services are applicable to VAT rate of 13% and 9% respectively since 1 April 2019, while 16% and 10% respectively before 1 April 2019.

2. Tax preference and approvals

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告) (Cai Shui (No. 39 [2019]), from 1 April 2019 to 31 December 2021, taxpayers whose sales of postal services, telecommunications services, modern services and living services accounts for more than 50% of total sales are allowed to add 10% of the current deductible input tax when deducting the tax payable.

According to the Announcement of the Ministry of Finance and the State Taxation Administration on Continuing the Implementation of the Preferential Urban Land Use Tax Policies for the Land Used by Logistics Enterprises for Bulk Commodity Storage Facilities (財政部、稅務總局關於繼續實施物流企業大宗商品倉儲設施用地城鎮土地使用稅優惠政策的公告) (Announcement No. 16 [2020] of the Ministry of Finance and the State Taxation Administration), from 1 January 2020 to 31 December 2022, the urban land use tax on the land for bulk commodity storage facilities owned (whether used by logistics enterprises themselves or leased out) or leased by logistics enterprises shall be collected at the reduced rate of 50% of the tax amount applicable to the grade of the land.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Implementation of the Preferential Urban Land Use Tax Policies regarding the Land Used by Logistics Enterprises for Bulk Commodity Storage Facilities (財政部、國家稅務總局關於繼續實施物流企業大宗商品倉儲設施用地城鎮土地使用稅優惠政策的通知) (Cai Shui (No. 33 [2017]), from 1 January 2017 to 31 December 2019, the urban land use tax on the land for bulk commodity storage facilities owned by logistics enterprises (whether used by themselves or leased out) shall be collected at the reduced rate of 50% of the tax amount applicable to the grade of the land.

VIII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Items	30 June 2020			31 December 2019			31 December 2018		
	Amount in original currency	Conversion rate	Amount in RMB	Amount in original currency	Conversion rate	Amount in RMB	Amount in original currency	Conversion rate	Amount in RMB
Cash on hand	–	–	–	–	–	–	–	–	584.44
Including: RMB	–	–	–	–	–	–	584.44	1.00	584.44
Cash at bank	–	–	3,091,183,396.83	–	–	3,014,705,566.94	–	–	3,251,789,871.19
Including:									
RMB	3,091,183,396.83	1.00	3,091,183,396.83	3,014,705,566.94	1.00	3,014,705,566.94	3,251,789,871.19	1.00	3,251,789,871.19
Total	–	–	3,091,183,396.83	–	–	3,014,705,566.94	–	–	3,251,790,455.63

(1) As at 30 June 2020, the balance of RMB1,817,359,304.63 were placed in China Merchants Group Finance Co., Ltd. (招商局集團財務有限公司), an associate of the Company.

(2) As at 30 June 2020, no cash at bank and on hand of the Group was restricted to use.

2. Notes receivable

(1) Category of notes receivable

Category	30 June 2020	31 December 2019	31 December 2018
Bank acceptance notes	338,933,602.27	330,757,150.59	325,265,957.03
Less: Bad debt provision	–	–	–
Book value	338,933,602.27	330,757,150.59	325,265,957.03

(2) As at 30 June 2020, the Group had no pledged notes receivable.

(3) Notes receivable endorsed or discounted by the Group as at 30 June 2020 and not yet due on the balance sheet date

Category	Amount derecognized as at 30 June 2020	Amount not derecognized as at 30 June 2020
Bank acceptance notes	103,192,212.36	–
Total	103,192,212.36	–

(4) As at 30 June 2020, the Group had no notes that were recognized as accounts receivable due to the drawer's failure to perform liability.

3. Accounts receivable

(1) General information on accounts receivable

Items	**30 June 2020**	**31 December 2019**	**31 December 2018**
Accounts receivable	211,665,905.03	212,150,237.74	329,919,072.64
Less: Bad debt provision	64,422,582.99	62,290,119.18	22,120,571.06
Total	147,243,322.04	149,860,118.56	307,798,501.58

(2) Classification of accounts receivable as at 30 June 2020

	Original amount as at 30 June 2020					
	Aging					
Items	**Within 180 days**	**180 days to 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Low risk	–	–	–	–	–	–
Normal risk	115,429,628.79	–	2,800,000.00	–	17,773,844.94	136,003,473.73
Significant impairment risk	33,974,936.27	25,718,741.28	–	–	15,968,753.75	75,662,431.30
Total	149,404,565.06	25,718,741.28	2,800,000.00	–	33,742,598.69	211,665,905.03

	Provision for credit loss as at 30 June 2020									
	Aging									
Items	**Within 180 days**	**180 days to 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**	**Net amount as at 30 June 2020**	**Original currency**	**Reasons for provision**	**Original amount as at 30 June 2020**
Low risk	–	–	–	–	–	–	–	RMB	Expectedcreditloss	–
Normal risk	2,154,448.03		2,800,000.00	–	17,773,844.94	22,728,292.97	113,275,180.76	RMB	Expectedcreditloss	136,003,473.73
Significant impairment risk	6,794.99	25,718,741.28	–	–	15,968,753.75	41,694,290.02	33,968,141.28	RMB	Expectedcreditloss	75,662,431.30
Total	2,161,243.02	25,718,741.28	2,800,000.00	–	33,742,598.69	64,422,582.99	147,243,322.04	–	–	211,665,905.03

(3) ***Overall aging of accounts receivable***

Items	30 June 2020 Book balance	Percentage (%)	Bad debt provision	31 December 2019 Book balance	Percentage (%)	Bad debt provision	31 December 2018 Book balance	Percentage (%)	Bad debt provision
Within 1 year (Including 1 year)	175,123,306.34	82.74	27,879,984.30	175,607,639.05	82.77	25,747,520.49	225,130,633.26	68.23	3,911,653.15
1 to 2 years (Including 2 year)	2,800,000.00	1.32	2,800,000.00	2,800,000.00	1.32	2,800,000.00	392,840.69	0.12	1,964.20
2 to 3 years (Including 3 year)	–	–	–	–	–	–	70,653,000.00	21.42	353,265.00
Over 3 years	33,742,598.69	15.94	33,742,598.69	33,742,598.69	15.91	33,742,598.69	33,742,598.69	10.23	17,853,688.71
Total	211,665,905.03	100.00	64,422,582.99	212,150,237.74	100.00	62,290,119.18	329,919,072.64	100.00	22,120,571.06

(4) The Group's bad debt provision for accounts receivable were RMB2,132,463.81, RMB25,704,314.12 and RMB2,549,006.85 for the period from January to June 2020 and the years of 2019 and 2018, respectively.

(5) The Group had no accounts receivable actually written off during the Reporting Period.

(6) The top balances of accounts receivable by debtors as at 30 June 2020

Name of companies	Relationship with the Group	Amount	Aging	Bad debt provision	Percentage of total accounts receivable (%)
Quanzhou Antong Logistics Co., Ltd. (泉州安通物流有限公司)	Customer	31,415,715.68	Within 1 year	25,719,880.67	14.84
Shanghai Sinograin Logistics Co., Ltd. (上海中谷物流股份有限公司)	Customer	18,656,093.96	Within 1 year	3,731.22	8.81
Dalian Wanhong Petrochemical Co., Ltd. (大連萬鴻石油化工有限公司)	Customer	15,968,753.75	Over 3 years	15,968,753.75	7.54
Trawind (Ningbo) Shipping Logistics Co., Ltd. (信風(寧波)海運物流有限公司)	Customer	15,624,201.72	Within 1 year	3,124.84	7.38
Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司)	Customer	9,769,674.20	Within 1 year	1,953.93	4.62
Total	–	91,434,439.31	–	41,697,444.41	43.19

(7) During the Reporting Period, the Group had no accounts receivable derecognized for transfer of financial assets.

(8) During the Reporting Period, the Group had no amounts of assets and liabilities resulted from the transfer and continuous involvement of receivables.

(9) Accounts receivable from related parties as of 30 June 2020

Name of companies	Relationship with the Group	Amount	Aging	Percentage of total accounts receivable (%)	Bad debt provision
Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司)	Other related party	9,769,674.20	Within 1 year	4.62	1,953.93
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	A joint venture of the parent company	7,009,096.33	Within 1 year	3.31	1,401.82
Huaneng Yingkou Port Co., Ltd. (華能營口港務有限責任公司)	A joint venture of the parent company	5,875,723.04	Within 1 year	2.78	1,175.14
Yingkou Gangjun Logistics Co., Ltd. (營口港駿物流有限公司)	A joint venture of the parent company	2,800,000.00	1-2 years	1.32	2,800,000.00
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Parent company	2,491,009.84	Within 1 year	1.18	498.20
Others	A subsidiary of the parent company, etc.	5,333,052.39	Within 1 year	2.51	1,066.61
Total	–	33,278,555.80	–	15.72	2,806,095.70

4. Advances to suppliers

(1) Prepayments by aging are as follows:

Items	30 June 2020	31 December 2019	31 December 2018
Within 1 year (including 1 year)	8,320,998.39	1,669,658.52	1,424,493.36
1-2 years (including 2 years)	30,643.00	104,677.80	–
Total	8,351,641.39	1,774,336.32	1,424,493.36

5. Other receivables

Items	30 June 2020	31 December 2019	31 December 2018
Other receivables	208,958.20	314,574.78	806,972.70
Total	208,958.20	314,574.78	806,972.70

(1) Classification by nature of accounts

Nature of accounts	30 June 2020	31 December 2019	31 December 2018
Current accounts	233,127.41	2,999.40	–
Deposits	–	311,575.38	738,857.90
Advanced payments collected on behalf of other parties	–	–	72,169.94
Subtotal	233,127.41	314,574.78	811,027.84
Less: Bad debt provision	24,169.21	–	4,055.14
Total	208,958.20	314,574.78	806,972.70

(2) ***Classification by aging***

Items	30 June 2020 Book balance	Percentage (%)	Bad debt provision	31 December 2019 Book balance	Percentage (%)	Bad debt provision	31 December 2018 Book balance	Percentage (%)	Bad debt provision
Within 1 year (including 1 year)	209,000.00	89.65	41.80	270,447.37	85.97	–	336,555.94	41.50	1,682.78
1 to 2 years (including 2 years)	–	–	–	20,000.00	6.36	–	125,823.17	15.51	629.12
2 to 3 years (including 3 years)	–	–	–	6,727.41	2.14	–	58,683.95	7.24	293.42
Over 3 years	24,127.41	10.35	24,127.41	17,400.00	5.53	–	289,964.78	35.75	1,449.82
Total	233,127.41	100.00	24,169.21	314,574.78	100.00	–	811,027.84	100.00	4,055.14

(3) The Group had no other receivables actually written off during the Reporting Period.

(4) As at 30 June 2020, the Group had no other amounts due from a shareholder holding 5% or above of the Company's voting shares.

(5) During the Reporting Period, the Group had no other receivables derecognized for transfer of financial assets.

6. Inventories

(1) Classification of inventories

Items	Book balance	30 June 2020 Provision for impairment of inventories	Book value
Raw materials	33,057,679.17	1,457,110.59	31,600,568.58
Goods in stock	54,025.74	–	54,025.74
Total	33,111,704.91	1,457,110.59	31,654,594.32

Items	31 December 2019 Book balance	Provision for impairment of inventories	Book value	31 December 2018 Book balance	Provision for impairment of inventories	Book value
Raw materials	32,744,150.05	–	32,744,150.05	39,218,464.02	–	39,218,464.02
Goods in stock	54,025.74	–	54,025.74	252,341.60	–	252,341.60
Turnover materials	–	–	–	25,170.69	–	25,170.69
Fuel expenses	–	–	–	36,123.13	–	36,123.13
Total	32,798,175.79	–	32,798,175.79	39,532,099.44	–	39,532,099.44

(2) The Group made provision of RMB1,457,110.59 for impairment of inventories from January to June 2020.

(3) As at 30 June 2020, the Group had no capitalized borrowing costs included in balance of inventories.

7. Other current assets

Items	30 June 2020	31 December 2019	31 December 2018
Prepaid tax and input tax to be deducted	47,458.71	5,941,894.47	35,742,712.26
Prepaid expenses	4,299,303.65	3,844,154.79	3,570,974.81
Subtotal	4,346,762.36	9,786,049.26	39,313,687.07
Less: Provision for impairment	–	–	–
Total	4,346,762.36	9,786,049.26	39,313,687.07

8. Long-term equity investments

(1) Classification of long-term equity investments

Items	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020
Investment in joint ventures	300,731,491.81	14,580,619.06	–	315,312,110.87
Investment in associates	633,453,377.02	28,323,283.45	8,266,200.00	653,510,460.47
Subtotal	934,184,868.83	42,903,902.51	8,266,200.00	968,822,571.34
Less: Provision for impairment of long-term equity investments	–	–	–	–
Total	934,184,868.83	42,903,902.51	8,266,200.00	968,822,571.34

Items	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
Investment in joint ventures	281,270,560.07	44,067,646.36	24,606,714.62	300,731,491.81
Investment in associates	576,357,737.13	57,095,639.89	–	633,453,377.02
Subtotal	857,628,297.20	101,163,286.25	24,606,714.62	934,184,868.83
Less: Provision for impairment of long-term equity investments	–	–	–	–
Total	857,628,297.20	101,163,286.25	24,606,714.62	934,184,868.83

Items	31 December 2017	Increase in 2018	Decrease in 2018	31 December 2018
Investment in joint ventures	270,136,459.35	30,845,462.69	19,711,361.97	281,270,560.07
Investment in associates	529,044,619.68	49,132,013.71	1,818,896.26	576,357,737.13
Subtotal	799,181,079.03	79,977,476.40	21,530,258.23	857,628,297.20
Less: Provision for impairment of long-term equity investments	–	–	–	–
Total	799,181,079.03	79,977,476.40	21,530,258.23	857,628,297.20

(2) Details of long-term equity investments

			Changes from January to June 2020			
Investees	Investment cost	31 December 2019	Share of profit/(loss) under equity method	Declaration of cash dividends or profits	30 June 2020	Balance of provision for impairment as at 30 June 2020
Joint ventures						
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	16,458,690.85	72,578,156.63	19,744,362.52	–	92,322,519.15	–
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	192,118,114.69	228,153,335.18	-5,163,743.46	–	222,989,591.72	–
Associates						
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	245,000,000.00	400,815,827.07	23,713,734.98	–	424,529,562.05	–
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	213,224,500.00	232,637,549.95	4,609,548.47	8,266,200.00	228,980,898.42	–
Total	666,801,305.54	934,184,868.83	42,903,902.51	8,266,200.00	968,822,571.34	–

Investees	Investment cost	31 December 2018	Changes in 2019: Share of profit/(loss) under equity method	Changes in 2019: Declaration of cash dividends or profits	31 December 2019	Balance of provision for impairment as at 31 December 2019
Joint ventures						
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	16,458,690.85	61,449,684.23	35,735,187.02	24,606,714.62	72,578,156.63	–
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	192,118,114.69	219,820,875.84	8,332,459.34	–	228,153,335.18	–
Associates						
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	245,000,000.00	352,824,834.98	47,990,992.09	–	400,815,827.07	–
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	213,224,500.00	223,532,902.15	9,104,647.80	–	232,637,549.95	–
Total	666,801,305.54	857,628,297.20	101,163,286.25	24,606,714.62	934,184,868.83	–

Investees	Investment cost	31 December 2017	Changes in 2018: Share of profit/(loss) under equity method	Changes in 2018: Declaration of cash dividends or profits	31 December 2018	Balance of provision for impairment as at 31 December 2018
Joint ventures						
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	16,458,690.85	53,820,252.18	27,340,794.02	19,711,361.97	61,449,684.23	–
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	192,118,114.69	216,316,207.17	3,504,668.67	–	219,820,875.84	–
Associates						
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	245,000,000.00	308,131,232.32	44,693,602.66	–	352,824,834.98	–
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	213,224,500.00	220,913,387.36	4,438,411.05	1,818,896.26	223,532,902.15	–
Total	666,801,305.54	799,181,079.03	79,977,476.40	21,530,258.23	857,628,297.20	–

(3) *Investment in joint ventures*

Name of investees	Place of registration	Nature of business	Registered capital	Shareholding percentage (%)	Voting right percentage (%)	Total assets as at 30 June 2020	Total liabilities as at 30 June 2020	Total net assets as at 30 June 2020	January to June 2020 Total operating income	January to June 2020 Net profit	Net profit of investees attributable to the parent company from January to June 2020
Joint ventures											
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Yingkou	Loading and unloading of containers	8,000,000.00	50.00	50.00	194,960,905.98	10,315,867.68	184,645,038.30	150,109,535.80	39,488,725.04	39,488,725.04
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Yingkou	Storage and processing of grain and oil	393,152,400.00	48.30	48.30	3,139,270,414.98	2,677,594,241.63	461,676,173.35	38,294,080.87	-10,690,980.24	-10,690,980.24
Total	–	–	–	–	–	3,334,231,320.96	2,687,910,109.31	646,321,211.65	188,403,616.67	28,797,744.80	28,797,744.80

Name of investees	Place of registration	Nature of business	Registered capital	Shareholding percentage (%)	Voting right percentage (%)	Total assets as at 31 December 2019	Total liabilities as at 31 December 2019	Total net assets as at 31 December 2019	2019 Total operating income	2019 Net profit	Net profit of investees attributable to the parent company in 2019
Joint ventures											
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Yingkou	Loading and unloading of containers	8,000,000.00	50.00	50.00	152,368,546.49	7,212,233.23	145,156,313.26	313,684,630.05	71,470,374.03	71,470,374.03
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Yingkou	Storage and processing of grain and oil	393,152,400.00	48.30	48.30	3,213,950,745.00	2,741,583,591.41	472,367,153.59	711,513,103.52	23,644,962.65	23,644,962.65
Total	–	–	–	–	–	3,366,319,291.49	2,748,795,824.64	617,523,466.85	1,025,197,733.57	95,115,336.68	95,115,336.68

Name of investees	Place of registration	Nature of business	Registered capital	Shareholding percentage (%)	Voting right percentage (%)	Total assets as at 31 December 2018	Total liabilities as at 31 December 2018	Total net assets as at 31 December 2018	2018 Total operating income	2018 Net profit	Net profit of investees attributable to the parent company in 2018
Joint ventures											
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Yingkou	Loading and unloading of containers	8,000,000.00	50.00	50.00	128,192,026.48	5,292,658.02	122,899,368.46	278,302,335.44	54,681,588.03	54,681,588.03
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Yingkou	Storage and processing of grain and oil	393,152,400.00	48.30	48.30	3,888,872,590.29	3,433,756,905.32	455,115,684.97	2,352,780,989.12	8,131,664.02	8,131,664.02
Total	–	–	–	–	–	4,017,064,616.77	3,439,049,563.34	578,015,053.43	2,631,083,324.56	62,813,252.05	62,813,252.05

(4) Investment in associates

Name of investees	Place of registration	Nature of business	Registered capital	Shareholding percentage (%)	Voting right percentage (%)	Total assets as at 30 June 2020	Total liabilities as at 30 June 2020	Total net assets as at 30 June 2020	January to June 2020 Total operating income	Net profit from January to June 2020	Net profit of investees attributable to the parent company from January to June 2020
Associates											
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Yingkou	Non-bank financial institution	500,000,000.00	49.00	49.00	868,475,303.29	2,088,441.98	866,386,861.31	29,356,523.01	48,395,377.50	48,395,377.50
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	Yingkou	Port construction, loading and unloading and transportation	801,545,800.00	20.00	20.00	970,302,993.20	34,699,317.44	935,603,675.76	154,542,616.92	24,054,236.83	24,054,236.83
Total	–	–	–	–	–	1,838,778,296.49	36,787,759.42	1,801,990,537.07	183,899,139.93	72,449,614.33	72,449,614.33

Name of investees	Place of registration	Nature of business	Registered capital	Shareholding percentage (%)	Voting right percentage (%)	31 December 2019 Total assets	Total liabilities as at 31 December 2019	Total net assets as at 31 December 2019	2019 Total operating income	2019 Net profit	Net profit of investees attributable to the parent company in 2019
Associates											
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Yingkou	Non-bank financial institution	500,000,000.00	49.00	49.00	6,428,434,712.39	5,610,443,228.58	817,991,483.81	179,224,346.20	97,940,800.18	97,940,800.18
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	Yingkou	Port construction, loading and unloading and transportation	801,545,800.00	20.00	20.00	1,006,446,969.97	52,560,036.58	953,886,933.39	273,638,135.53	46,853,852.78	46,853,852.78
Total	–	–	–	–	–	7,434,881,682.36	5,663,003,265.16	1,771,878,417.20	452,862,481.73	144,794,652.96	144,794,652.96

Name of investees	Place of registration	Nature of business	Registered capital	Shareholding percentage (%)	Voting right percentage (%)	31 December 2018 Total assets	Total liabilities as at 31 December 2018	31 December 2018 Total net assets	2018 Total operating income	2018 Net profit	Net profit of investees attributable to the parent company in 2018
Associates											
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Yingkou	Non-bank financial institution	500,000,000.00	49.00	49.00	4,873,162,398.24	4,153,111,714.61	720,050,683.63	188,877,775.40	91,211,433.99	91,211,433.99
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	Yingkou	Port construction, loading and unloading and transportation	801,545,800.00	20.00	20.00	930,507,096.24	22,143,401.83	908,363,694.41	261,203,624.35	22,947,834.91	22,947,834.91
Total	–	–	–	–	–	5,803,669,494.48	4,175,255,116.44	1,628,414,378.04	450,081,399.75	114,159,268.90	114,159,268.90

9. **Fixed assets**

Items	30 June 2020	31 December 2019	31 December 2018
Fixed assets	9,174,461,757.24	9,508,266,691.46	9,813,797,455.34
Total	9,174,461,757.24	9,508,266,691.46	9,813,797,455.34

(1) Classification of fixed assets

Items	Buildings	Port and terminal facilities	Automobiles and vessels	Machinery and equipment, furniture, appliance and other equipment	Total
I. Original value					
31 December 2019	3,475,174,465.07	8,072,352,711.74	203,732,002.08	5,224,664,416.08	16,975,923,594.97
Additions from January to June 2020	–	–	–	727,629.23	727,629.23
Transfers from construction in progress from January to June 2020	161,365.81	–	–	25,566.04	186,931.85
Obsolescence amount from January to June 2020	143,744.32	–	28,604,974.78	21,973,982.00	50,722,701.10
30 June 2020	3,475,192,086.56	8,072,352,711.74	175,127,027.30	5,203,443,629.35	16,926,115,454.95
II. Accumulated depreciation					
31 December 2019	1,654,112,434.03	2,301,995,838.10	169,258,448.53	3,342,290,182.85	7,467,656,903.51
Provisions from January to June 2020	60,361,663.25	111,711,450.64	5,537,232.86	154,405,255.52	332,015,602.27
Obsolescence from January to June 2020	136,557.10	–	27,008,637.87	20,873,613.10	48,018,808.07
30 June 2020	1,714,337,540.18	2,413,707,288.74	147,787,043.52	3,475,821,825.27	7,751,653,697.71
III. Provision for impairment					
31 December 2019	–	–	–	–	–
30 June 2020	–	–	–	–	–
IV. Net amount					
31 December 2019	1,821,062,031.04	5,770,356,873.64	34,473,553.55	1,882,374,233.23	9,508,266,691.46
30 June 2020	1,760,854,546.38	5,658,645,423.00	27,339,983.78	1,727,621,804.08	9,174,461,757.24

Items	Buildings	Port and terminal facilities	Automobiles and vessels	Machinery and equipment, furniture, appliance and other equipment	Total
I. Original value					
31 December 2018	3,455,575,017.39	8,072,352,711.74	203,732,002.08	4,880,260,214.16	16,611,919,945.37
Additions in 2019	–	–	–	89,844,356.01	89,844,356.01
Transfers from construction in progress in 2019	19,599,447.68	–	–	255,054,238.91	274,653,686.59
Disposal in 2019	–	–	–	494,393.00	494,393.00
31 December 2019	3,475,174,465.07	8,072,352,711.74	203,732,002.08	5,224,664,416.08	16,975,923,594.97
II. Accumulated depreciation					
31 December 2018	1,486,529,787.14	2,099,738,551.89	155,608,270.58	3,056,245,880.42	6,798,122,490.03
Provisions in 2019	167,582,646.89	202,257,286.21	13,650,177.95	286,513,615.56	670,003,726.61
Disposal in 2019	–	–	–	469,313.13	469,313.13
31 December 2019	1,654,112,434.03	2,301,995,838.10	169,258,448.53	3,342,290,182.85	7,467,656,903.51
III. Provision for impairment					
31 December 2018	–	–	–	–	–
31 December 2019	–	–	–	–	–
IV. Net amount					
31 December 2018	1,969,045,230.25	5,972,614,159.85	48,123,731.50	1,824,014,333.74	9,813,797,455.34
31 December 2019	1,821,062,031.04	5,770,356,873.64	34,473,553.55	1,882,374,233.23	9,508,266,691.46

Items	Buildings	Port and terminal facilities	Automobiles and vessels	Machinery and equipment, furniture, appliance and other equipment	Total
I. Original value					
31 December 2017	3,450,041,942.98	8,072,352,711.74	203,275,767.34	4,765,093,121.34	16,490,763,543.40
Additions in 2018	647,409.45	–	717,948.74	26,903,445.08	28,268,803.27
Transfers from construction in progress in 2018	6,204,185.08	–	–	109,868,473.82	116,072,658.90
Disposal in 2018	1,318,520.12	–	261,714.00	21,604,826.08	23,185,060.20
31 December 2018	3,455,575,017.39	8,072,352,711.74	203,732,002.08	4,880,260,214.16	16,611,919,945.37
II. Accumulated depreciation					
31 December 2017	1,322,195,563.50	1,897,471,314.24	140,166,869.54	2,798,236,005.92	6,158,069,753.20
Provisions in 2018	165,409,561.80	202,267,237.65	15,690,029.34	278,546,433.13	661,913,261.92
Disposal in 2018	1,075,338.16	–	248,628.30	20,536,558.63	21,860,525.09
31 December 2018	1,486,529,787.14	2,099,738,551.89	155,608,270.58	3,056,245,880.42	6,798,122,490.03
III. Provision for impairment					
31 December 2017	–	–	–	–	–
31 December 2018	–	–	–	–	–
IV. Net amount					
31 December 2017	2,127,846,379.48	6,174,881,397.50	63,108,897.80	1,966,857,115.42	10,332,693,790.20
31 December 2018	1,969,045,230.25	5,972,614,159.85	48,123,731.50	1,824,014,333.74	9,813,797,455.34

(2) ***Details of fixed assets fully depreciated but still in use as at 30 June 2020***

Items	Amount	Note
Original value of fixed assets fully depreciated but still in use as at 30 June 2020	1,672,984,654.93	–

(3) The Group has no fixed assets leased in through financing lease.

(4) ***Fixed assets leased out through operation lease***

Items	30 June 2020 Book value	31 December 2019 Book value	31 December 2018 Book value
Buildings	73,022,873.51	77,158,148.39	75,562,344.95
Port and terminal facilities	238,795,391.51	243,307,548.89	241,685,541.63
Vehicles and vessels	363,987.00	–	–
Machinery and equipment, furniture, appliance and other equipment	140,735,961.81	146,558,868.90	136,358,125.36
Total	452,918,213.83	467,024,566.18	453,606,011.94

10. Construction in progress

(1) ***Summary of construction in progress***

Items	30 June 2020	31 December 2019	31 December 2018
Construction in progress	16,572,758.56	16,553,890.64	281,238,816.84
Construction materials	–	–	5,766.00
Total	16,572,758.56	16,553,890.64	281,244,582.84

(2) ***Construction in progress***

	30 June 2020		
Items	Book balance	Provision for impairment	Book value
Upgrading and Reformation of Fire Control System	15,826,652.11	–	15,826,652.11
Container Customs Supervision Workplace Upgrading and Reformation Project in the Bayuquan Port Area	727,238.53	–	727,238.53
Reconstruction Project for Berth 59# and 60#	18,867.92	–	18,867.92
Total	16,572,758.56	–	16,572,758.56

Items	31 December 2019 Book balance	31 December 2019 Provision for impairment	31 December 2019 Book value	31 December 2018 Book balance	31 December 2018 Provision for impairment	31 December 2018 Book value
5 Sets of Quayside Container Cranes Project	–	–	–	210,068,698.59	–	210,068,698.59
Aluminium Oxide Powder Ship Unloader Project	–	–	–	25,024,707.60	–	25,024,707.60
Upgrading and Reformation of Fire Control System	15,826,652.11	–	15,826,652.11	10,875,971.97	–	10,875,971.97
Refined Oil and Liquid Chemicals Storage and Transportation Process Pipelines Maintenance Project at Harbour Basin No. 1 of the Bayuquan	–	–	–	9,828,501.79	–	9,828,501.79
Expansion Project for Grain Transition Facilities	–	–	–	7,883,343.16	–	7,883,343.16
Fence and Gate Project for the Restricted Areas at the Entry Port of the Bayuquan Port Area	–	–	–	4,214,442.47	–	4,214,442.47
Video Monitoring System Project in the Bayuquan Port Area	–	–	–	1,568,910.45	–	1,568,910.45
Reformation Project for Domestic Sewage Treatment Plant	–	–	–	1,429,545.46	–	1,429,545.46
Video Monitoring System Project in the Bayuquan Port Area of Yingkou Port	–	–	–	1,034,557.20	–	1,034,557.20
Reformation Project of Heat Supply Boiler Room at Harbour Basin No. 1 of the Bayuquan Port Area of Yingkou Port	–	–	–	4,985,288.79	–	4,985,288.79
Container Customs Supervision Workplace Upgrading and Reformation Project in the Bayuquan Port Area	727,238.53		727,238.53	–	–	–
Other projects	–		–	4,324,849.36	–	4,324,849.36
Total	16,553,890.64	–	16,553,890.64	281,238,816.84	–	281,238,816.84

(3) Details of large construction in progress projects as at 30 June 2020:

Items	Budgeted amount	31 December 2019	Increase from January to June 2020	Amount transferred to fixed assets from January to June 2020	30 June 2020	Proportion of expenditure incurred to budgeted amount (%)	Progress of Construction (%)	Source of funds
Upgrading and Reformation of Fire Control System	19,771,491.53	15,826,652.11	–	–	15,826,652.11	80.00	80.00	Self-raised funds
Container Customs Supervision Workplace Upgrading and Reformation Project in the Bayuquan Port Area	990,000.00	727,238.53	–	–	727,238.53	73.46	73.46	Self-raised funds
Total	20,761,491.53	16,553,890.64	–	–	16,553,890.64	–	–	–

(4) As at 30 June 2020, as there was no sign of impairment of construction in progress, no provision for impairment of construction in progress was made.

11. Intangible assets

Items	Amortization period (years)	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020
I. Total original value	–	1,353,104,110.85	–	–	1,353,104,110.85
Including: land use rights	40-50	1,311,487,650.70	–	–	1,311,487,650.70
Software and others	5, 10	41,616,460.15	–	–	41,616,460.15
II. Total accumulated amortization	–	330,763,657.84	16,585,099.67	–	347,348,757.51
Including: land use rights		302,012,497.86	14,945,289.11	–	316,957,786.97
Software and others		28,751,159.98	1,639,810.56	–	30,390,970.54
III. Total amount of impairment provision		–	–	–	–
Including: land use rights		–	–	–	–
Software and others		–	–	–	–
IV. Total book value	–	1,022,340,453.01	–	–	1,005,755,353.34
Including: land use rights		1,009,475,152.84	–	–	994,529,863.73
Software and others		12,865,300.17	–	–	11,225,489.61

Items	Amortization period (years)	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
I. Total original value	–	1,352,263,402.88	840,707.97	–	1,353,104,110.85
Including: land use rights	40-50	1,311,487,650.70	–	–	1,311,487,650.70
Software and others	5, 10	40,775,752.18	840,707.97	–	41,616,460.15
II. Total accumulated amortization	–	297,289,839.65	33,473,818.19	–	330,763,657.84
Including: land use rights		272,121,919.66	29,890,578.20	–	302,012,497.86
Software and others		25,167,919.99	3,583,239.99	–	28,751,159.98
III. Total amount of impairment provision		–	–	–	–
Including: land use rights		–	–	–	–
Software and others		–	–	–	–
IV. Total book value	–	**1,054,973,563.23**	–	–	1,022,340,453.01
Including: land use rights		1,039,365,731.04	–	–	1,009,475,152.84
Software and others		15,607,832.19	–	–	12,865,300.17

Items	Amortization period (years)	31 December 2017	Increase in 2018	Decrease in 2018	31 December 2018
I. Total original value	–	1,348,729,245.42	3,534,157.46	–	1,352,263,402.88
Including: land use rights	40-50	1,311,487,650.70	–	–	1,311,487,650.70
Software and others	5, 10	37,241,594.72	3,534,157.46	–	40,775,752.18
II. Total accumulated amortization	–	263,724,258.12	33,565,581.53	–	297,289,839.65
Including: land use rights		242,231,341.49	29,890,578.17	–	272,121,919.66
Software and others		21,492,916.63	3,675,003.36	–	25,167,919.99
III. Total amount of impairment provision		–	–	–	–
Including: land use rights		–	–	–	–
Software and others		–	–	–	–
IV. Total book value	–	**1,085,004,987.30**	–	–	1,054,973,563.23
Including: land use rights		1,069,256,309.21	–	–	1,039,365,731.04
Software and others		15,748,678	–	–	15,607,832.19

12. Deferred income tax

(1) Deferred tax assets before offsetting

	30 June 2020		31 December 2019		31 December 2018	
Items	**Deferred tax assets**	**Deductible temporary differences and deductible losses**	**Deferred tax assets**	**Deductible temporary differences and deductible losses**	**Deferred tax assets**	**Deductible temporary differences and deductible losses**
Deductible cargo damages	14,661,066.96	58,644,267.83	14,721,837.35	58,887,349.40	14,721,837.35	58,887,349.41
Deferred income	10,467,808.99	41,871,235.96	11,405,224.64	45,620,898.56	13,280,056.16	53,120,224.72
Unrealised profit/(loss) of intra transactions	152,454,616.64	609,818,466.56	157,275,642.43	629,102,569.73	166,880,758.10	667,523,032.39
Provision for asset impairments	364,277.65	1,457,110.59	–	–	5,531,156.54	22,124,626.20
Provision for credit impairment	16,111,688.05	64,446,752.20	15,572,529.80	62,290,119.18	–	–
Total	194,059,458.29	776,237,833.14	198,975,234.22	795,900,936.87	200,413,808.15	801,655,232.72

(2) As at 30 June 2020, the Group had no deductible temporary differences and deductible losses that are not recognised as deferred tax assets.

13. Other non-current assets

Items	30 June 2020	31 December 2019	31 December 2018
Advances for construction projects and equipment	–	–	570,000.00
Total	–	–	570,000.00

14. Assets with restricted ownership or right of use

As at 30 June 2020, the long-term equity investment in Sinograin Yingkou Storage and Transportation Co., Ltd. held by the Group with a carrying amount of RMB222,989,591.72 was frozen due to the litigation with Kunlun International. For details, please refer to Note XIII. 1.

15. Provisions for asset impairment and credit loss

Items	31 December 2019	Provision from January to June 2020	30 June 2020
Bad debt provision	62,290,119.18	2,156,633.02	64,446,752.20
Including: Provision for credit loss of accounts receivable	62,290,119.18	2,132,463.81	64,422,582.99
Including: Provision for credit loss of other receivables	–	24,169.21	24,169.21
Provision for impairment of inventories	–	1,457,110.59	1,457,110.59
Total	62,290,119.18	3,613,743.61	65,903,862.79

Items	1 January 2019	Provisions in 2019	31 December 2019
Bad debt provision	36,585,805.06	25,704,314.12	62,290,119.18
Including: Provision for credit loss of accounts receivable	36,585,805.06	25,704,314.12	62,290,119.18
Total	36,585,805.06	25,704,314.12	62,290,119.18

Items	31 December 2017	Provisions in 2018	31 December 2018
Bad debt provision	19,599,031.49	2,525,594.71	22,124,626.20
Including: Provision for bad debts of accounts receivable	19,571,564.21	2,549,006.85	22,120,571.06
Including: Provision for bad debts of other receivables	27,467.28	-23,412.14	4,055.14
Total	19,599,031.49	2,525,594.71	22,124,626.20

16. Short-term borrowings

(1) Classification of short-term borrowings

Category	30 June 2020	31 December 2019	31 December 2018
Unsecured borrowings	–	400,531,666.68	850,000,000.00
Total	–	400,531,666.68	850,000,000.00

(2) As at 30 June 2020, the Group had no overdue and unsettled short-term borrowings.

17. Accounts payable

(1) Classification of accounts payable by nature of amounts

Nature of accounts	30 June 2020	31 December 2019	31 December 2018
Construction costs payable	10,338,323.91	11,962,959.97	41,378,259.47
Survey and assessment costs payable	50,470.00	1,135,500.00	4,025,769.00
Cargo and equipment costs payable	17,520,410.87	70,660,958.77	192,828,064.34
Labour costs and storage costs payable	7,482,092.44	21,368,319.98	20,011,826.99
Cargo reconfiguration costs and flow machine costs payable	56,734,249.89	52,464,982.84	2,673,047.33
Others	1,175,826.78	7,161,083.93	15,542,276.16
Total	93,301,373.89	164,753,805.49	276,459,243.29

(2) Details of accounts payable

Aging	30 June 2020		31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (including 1 year)	70,696,632.91	75.77	146,428,640.25	88.88	242,971,029.93	87.89
1 to 2 years (including 2 years)	8,917,477.74	9.56	6,041,065.72	3.67	29,699,769.83	10.74
2 to 3 years (including 3 years)	1,531,103.72	1.64	8,506,315.99	5.16	248,453.00	0.09
Over 3 years	12,156,159.52	13.03	3,777,783.53	2.29	3,539,990.53	1.28
Total	93,301,373.89	100.00	164,753,805.49	100.00	276,459,243.29	100.00

(3) Significant advances from customers aged over one year

Name of companies	Amount owed	Reasons for non-repayment
Yingkou Lianfeng Logistics Co., Ltd. (營口聯豐物流有限公司)	6,822,092.44	Not yet settled
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	5,417,391.95	Not yet settled
Panjin Hengtaili Jian'an Engineering Co., Ltd. (盤錦恒泰利建安工程有限公司)	4,453,038.63	Not yet settled
Total	16,692,523.02	–

(4) Amounts due to the shareholders holding 5% or above of the Company's voting shares

Name of companies	30 June 2020	31 December 2019	31 December 2018
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	1,563,532.12	5,086,933.52	364,209.64
Total	1,563,532.12	5,086,933.52	364,209.64

18. Advances from customers

(1) Details of advances from customers

Items	30 June 2020	31 December 2019	31 December 2018
Advances of port operation and cargo costs and others	–	180,338,406.10	53,890,691.32
Total	–	180,338,406.10	53,890,691.32

(2) As at 30 June 2020, the Group had no significant advances from customers aged over one year.

(3) As at 30 June 2020, the Group had no amounts due to a shareholder holding 5% or above of the Company's voting shares.

19. Contract liabilities

Items	30 June 2020	31 December 2019	31 December 2018
Advances of port operation and cargo costs and others	153,394,989.93	–	–
Total	153,394,989.93	–	–

20. Employee benefits payable

(1) Classification of employee benefits payable

Items	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020
I. Short-term employee benefits	70,704,483.41	463,191,090.71	518,875,050.90	15,020,523.22
II. Post-employment benefits-defined contribution plan	10,591,803.09	24,987,735.23	34,684,837.66	894,700.66
Total	81,296,286.50	488,178,825.94	553,559,888.56	15,915,223.88

Items	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
I. Short-term employee benefits	43,465,139.75	1,027,857,382.20	1,000,618,038.54	70,704,483.41
II. Post-employment benefits-defined contribution plan	7,854,151.40	83,584,934.47	80,847,282.78	10,591,803.09
Total	51,319,291.15	1,111,442,316.67	1,081,465,321.32	81,296,286.50

Items	31 December 2017	Increase in 2018	Decrease in 2018	31 December 2018
I. Short-term employee benefits	31,027,193.99	978,302,714.76	965,864,769.00	43,465,139.75
II. Post-employment benefits-defined contribution plan	5,660,442.76	86,023,182.89	83,829,474.25	7,854,151.40
Total	36,687,636.75	1,064,325,897.65	1,049,694,243.25	51,319,291.15

(2) ***Short-term employee benefits***

Items	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020
I. Wages and salaries, bonus, allowances and subsidies	62,570,352.07	212,952,392.54	261,020,417.45	14,502,327.16
II. Employee welfare	–	8,068,102.33	8,068,102.33	–
III. Social insurance contributions	5,620,533.54	13,563,922.68	18,735,715.70	448,740.52
Including: Medical insurance	4,470,930.07	11,439,960.98	15,685,467.28	225,423.77
Work injury insurance	830,269.13	1,968,131.67	2,732,145.83	66,254.97
Maternity insurance	319,334.34	155,830.03	318,102.59	157,061.78
IV. Housing funds	3,004.00	24,197,278.00	24,197,278.00	3,004.00
V. Labour union funds and employee education funds	422,993.80	4,226,033.36	4,582,575.62	66,451.54
VI. Other short-term employee benefits	2,087,600.00	200,183,361.80	202,270,961.80	–
Total	70,704,483.41	463,191,090.71	518,875,050.90	15,020,523.22

Items	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
I. Wages and salaries, bonus, allowances and subsidies	39,192,478.66	473,405,911.95	450,028,038.54	62,570,352.07
II. Employee welfare	–	17,530,545.92	17,530,545.92	–
III. Social insurance contributions	3,371,154.43	41,835,628.23	39,586,249.12	5,620,533.54
Including: Medical insurance	2,681,599.98	33,273,243.91	31,483,913.82	4,470,930.07
Work injury insurance	498,011.46	6,183,943.72	5,851,686.05	830,269.13
Maternity insurance	191,542.99	2,378,440.60	2,250,649.25	319,334.34
IV. Housing funds	–	46,736,616.00	46,733,612.00	3,004.00
V. Labour union funds and employee education funds	901,506.66	11,031,092.98	11,509,605.84	422,993.80
VI. Other short-term employee benefits	–	437,317,587.12	435,229,987.12	2,087,600.00
Total	43,465,139.75	1,027,857,382.20	1,000,618,038.54	70,704,483.41

Items	31 December 2017	Increase in 2018	Decrease in 2018	31 December 2018
I. Wages and salaries, bonus, allowances and subsidies	28,044,972.71	401,029,479.47	389,881,973.52	39,192,478.66
II. Employee welfare	–	39,082,318.80	39,082,318.80	–
III. Social insurance contributions	2,422,390.10	37,053,835.29	36,105,070.96	3,371,154.43
Including: Medical insurance	1,926,901.19	29,476,968.00	28,722,269.21	2,681,599.98
Work injury insurance	357,853.08	5,467,081.26	5,326,922.88	498,011.46
Maternity insurance	137,635.83	2,109,786.03	2,055,878.87	191,542.99
IV. Housing funds	–	22,327,592.81	22,327,592.81	–
V. Labour union funds and employee education funds	559,831.18	6,219,888.17	5,878,212.69	901,506.66
VI. Other short-term employee benefits	–	472,589,600.22	472,589,600.22	–
Total	31,027,193.99	978,302,714.76	965,864,769.00	43,465,139.75

(3) ***Defined contribution plan***

Items	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020
I. Basic pensions	10,271,512.01	24,230,530.99	33,633,781.77	868,261.23
II. Unemployment insurance	320,291.08	757,204.24	1,051,055.89	26,439.43
Total	10,591,803.09	24,987,735.23	34,684,837.66	894,700.66

Items	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
I. Basic pensions	7,661,714.25	81,209,639.43	78,599,841.67	10,271,512.01
II. Unemployment insurance	192,437.15	2,375,295.04	2,247,441.11	320,291.08
Total	7,854,151.40	83,584,934.47	80,847,282.78	10,591,803.09

Items	31 December 2017	Increase in 2018	Decrease in 2018	31 December 2018
I. Basic pensions	5,505,431.96	83,918,517.99	81,762,235.70	7,661,714.25
II. Unemployment insurance	155,010.80	2,104,664.90	2,067,238.55	192,437.15
Total	5,660,442.76	86,023,182.89	83,829,474.25	7,854,151.40

21. Taxes payable

Items	31 December 2019	Provision from January to June 2020	Amount paid from January to June 2020	30 June 2020
VAT	13,957,639.14	83,986,260.24	79,745,872.73	18,198,026.65
Corporate income tax	7,503,092.81	180,070,104.84	163,832,898.11	23,740,299.54
City maintenance and construction tax	823,859.56	5,741,827.96	5,427,126.08	1,138,561.44
Property tax	545,359.39	3,346,573.63	3,363,633.52	528,299.50
Land use tax	481,797.20	9,672,950.96	8,869,989.68	1,284,758.48
Vehicle and vessel use tax	111,943.49	458,578.81	570,522.30	–
Individual income tax	1,132,807.22	7,202,914.10	2,839,209.12	5,496,512.20
Educational surcharge	588,471.12	4,101,305.70	3,876,518.66	813,258.16
Other taxes	610,635.60	1,349,064.79	1,159,546.49	800,153.90
Total	25,755,605.53	295,929,581.03	269,685,316.69	51,999,869.87

Items	31 December 2018	Provisions in 2019	Amount paid in 2019	31 December 2019
VAT	6,061,603.67	115,915,415.53	108,019,380.06	13,957,639.14
Corporate income tax	11,629,407.90	302,666,290.49	306,792,605.58	7,503,092.81
City maintenance and construction tax	132,400.27	7,321,349.46	6,629,890.17	823,859.56
Property tax	361,265.99	5,977,187.14	5,793,093.74	545,359.39
Land use tax	2,678,173.44	15,417,101.28	17,613,477.52	481,797.20
Vehicle and vessel use tax	–	3,465,808.38	3,353,864.89	111,943.49
Individual income tax	1,516,409.23	7,057,951.81	7,441,553.82	1,132,807.22
Educational surcharge	94,571.63	5,229,535.37	4,735,635.88	588,471.12
Other taxes	1,437,488.75	3,486,761.48	4,313,614.63	610,635.60
Total	23,911,320.88	466,537,400.94	464,693,116.29	25,755,605.53

Items	31 December 2017	Provisions in 2018	Amount paid in 2018	31 December 2018
VAT	373,229.67	121,924,306.94	116,235,932.94	6,061,603.67
Corporate income tax	13,521,889.39	311,467,765.13	313,360,246.62	11,629,407.90
City maintenance and construction tax	26,126.07	8,534,701.50	8,428,427.30	132,400.27
Property tax	285,203.68	6,966,922.24	6,890,859.93	361,265.99
Land use tax	–	19,023,032.17	16,344,858.73	2,678,173.44
Vehicle and vessel use tax	–	146.88	146.88	–
Individual income tax	1,237,004.67	13,837,662.46	13,558,257.90	1,516,409.23
Educational surcharge	18,661.49	6,096,215.34	6,020,305.20	94,571.63
Other taxes	601,980.94	4,297,358.74	3,461,850.93	1,437,488.75
Total	16,064,095.91	492,148,111.40	484,300,886.43	23,911,320.88

22. Other payables

Items	30 June 2020	31 December 2019	31 December 2018
Interest payable	–	–	14,656,500.21
Dividends payable	310,703,184.14	–	–
Other payables	43,727,035.31	34,943,481.06	31,889,185.66
Total	354,430,219.45	34,943,481.06	46,545,685.87

(1) Interest payable

(1) Interest payable

Items	30 June 2020	31 December 2019	31 December 2018
Interest of long-term borrowings with instalment payments and principal due for maturity	–	–	2,838,437.71
Interest on corporate bonds	–	–	11,200,000.00
Interest of short-term borrowings	–	–	618,062.50
Total	–	–	14,656,500.21

(2) As at 30 June 2020, the Group had no overdue and unsettled interests.

(2) Dividends payable

Items	Name of companies	30 June 2020	31 December 2019	31 December 2018
Dividends of common shares	Yingkou Port Group (營口港集團)	243,249,522.86	–	–
Dividends of common shares	Public shares	67,453,661.28	–	–
Total	–	310,703,184.14	–	–

(3) Other payables

(1) Other payables by nature of amounts

Items	30 June 2020	31 December 2019	31 December 2018
Security deposit, deposit, etc.	29,578,422.09	32,979,533.01	28,878,131.59
Others	14,148,613.22	1,963,948.05	3,011,054.07
Total	43,727,035.31	34,943,481.06	31,889,185.66

(2) Aging of other payables

Aging	30 June 2020 Amount	30 June 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)	31 December 2018 Amount	31 December 2018 Percentage (%)
Within 1 year (including 1 year)	16,832,731.71	38.49	17,033,518.62	48.75	19,940,384.12	62.53
1 to 2 years (including 2 years)	11,508,261.08	26.32	12,807,333.72	36.65	5,512,082.88	17.29
2 to 3 years (including 3 years)	10,547,281.72	24.12	2,831,156.60	8.10	4,290,509.76	13.45
Over 3 years	4,838,760.80	11.07	2,271,472.12	6.50	2,146,208.90	6.73
Total	43,727,035.31	100.00	34,943,481.06	100.00	31,889,185.66	100.00

(3) Other payables of significance as at 30 June 2020

Name of companies	Amount owed	Aging	Nature or content of amounts
Yingkou Seaport Handling Co., Ltd. (營口海港裝卸有限公司)	9,283,422.23	Within 1 year	Withheld social insurance contribution
Liaoning Lvgang Technology Co., Ltd. (遼寧綠港科技有限公司)	7,138,568.75	2-3 years	Deposit, security deposit
Yingkou Haodong Industrial Co., Ltd. (營口浩東實業有限公司)	49,850.00	Within 1 year	Deposit, security deposit
	1,000,000.00	Over 3 years	Deposit, security deposit
Total	17,471,840.98	–	–

(4) As at 30 June 2020, the Group had no amounts due to a shareholder holding 5% or above of the Company's voting shares.

23. Non-current liabilities due within one year

Items	30 June 2020	31 December 2019	31 December 2018
Long-term borrowings due within one year	–	358,511,958.34	661,200,000.00
Including: Unsecured borrowings	–	358,511,958.34	151,000,000.00
Guaranteed borrowings	–	–	510,200,000.00
Bonds payable due within one year	38,887,270.21	11,023,163.21	–
Total	38,887,270.21	369,535,121.55	661,200,000.00

24. Long-term borrowings

Categories of borrowings	30 June 2020	31 December 2019	31 December 2018	Interest rate range *(%)*
Unsecured borrowings	–	358,511,958.34	1,099,000,000.00	4.51-4.90
Guaranteed borrowings	–	–	510,200,000.00	4.41-4.90
Total	–	358,511,958.34	1,609,200,000.00	–
Less: Long-term borrowings due within one year	–	358,511,958.34	661,200,000.00	4.41-4.90
Including: Unsecured borrowings	–	358,511,958.34	151,000,000.00	4.51-4.90
Guaranteed borrowings	–	–	510,200,000.00	4.41-4.90
Long-term borrowings due after one year	–	–	948,000,000.00	–

25. Bonds payable

(1) Bonds payable

Items	30 June 2020	31 December 2019	31 December 2018
14 Yingkou Port Bonds	984,211,000.00	984,211,000.00	1,000,000,000.00
Total	984,211,000.00	984,211,000.00	1,000,000,000.00

(2) Increase or decrease of bonds payable

Bond Name	Par value	Issuance date	Maturity	Issuance amount	31 December 2019	Interest at par value	Repayment from January to June 2020	30 June 2020
14 Yingkou Port Bonds	100.00	20 October 2014	7 years	1,000,000,000.00	995,234,163.21	27,864,107.00	–	1,023,098,270.21
Total	–	–	–	1,000,000,000.00	995,234,163.21	27,864,107.00	–	1,023,098,270.21
Less: Bonds payable due within one year	–	–	–	–	11,023,163.21	–	–	38,887,270.21
Bonds payable due after one year	–	–	–	1,000,000,000.00	984,211,000.00	–	–	984,211,000.00

Bond Name	Par value	Issuance date	Maturity	Issuance amount	31 December 2018	Interest at par value	Repayment in 2019	31 December 2019
14 Yingkou Port Bonds	100.00	20 October 2014	7 years	1,000,000,000.00	1,000,000,000.00	55,823,163.21	71,789,000.00	995,234,163.21
Total	–	–	–	1,000,000,000.00	1,000,000,000.00	55,823,163.21	71,789,000.00	995,234,163.21
Less: Bonds payable due within one year	–	–	–	–	–	–	–	11,023,163.21
Bonds payable due after one year	–	–	–	1,000,000,000.00	1,000,000,000.00	–	–	984,211,000.00

Bond Name	Par value	Issuance date	Maturity	Issuance amount	31 December 2017	Interest at par value	Repayment in 2018	31 December 2018
10 Yingkou Port Bonds	100.00	2 March 2010	8 years	1,200,000,000.00	1,200,000,000.00	6,096,666.67	1,265,452,283.11	–
14 Yingkou Port Bonds	100.00	20 October 2014	7 years	1,000,000,000.00	1,000,000,000.00	53,666,666.69	53,666,666.69	1,000,000,000.00
Total	–	–	–	2,200,000,000.00	2,200,000,000.00	59,763,333.36	1,319,118,949.80	1,000,000,000.00
Less: Bonds payable due within one year	–	–	–	–	1,200,000,000.00	–	–	–
Bonds payable due after one year	–	–	–	2,200,000,000.00	1,000,000,000.00	–	–	1,000,000,000.00

Note: Pursuant to the investors' option to resell as agreed in the Prospectus on the Public Offering of 2014 Corporate Bonds by Yingkou Port Liability Co., Ltd. (《營口港務股份有限公司公開發行 2014 年公司債券募集說明書》), which was issued by the Company on 15 October 2014, the investors were entitled to resell all or any part of the bonds held by them to the Company at the par value on the 5th interest payment day during the public offering of 2014 corporate bonds by the Company (hereinafter referred to as the "14 Yingkou Port Bonds"). The aggregate amount of this bond issuance was RMB1 billion with a term of 7 years and coupon rate of 5.60%. Based on the bonds resale reporting data offered by the Shanghai Branch of China Securities Depository and Clearing Company Limited, 14 Yingkou Port Bonds reported a resale of 15,789 lots in the amount of RMB15,789,000.00 (before taxes) in 2019.

26. Provision

Items	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020	Reason for change
Pending litigation					
Including: Contract lawsuit with Kunlun International Trading Limited (昆侖國際貿易有限公司)	32,760,218.42	–	–	32,760,218.42	–
Total	32,760,218.42	–	–	32,760,218.42	–

Items	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019	Reason for change
Pending litigation					
Including: Contract lawsuit with Kunlun International Trading Limited (昆侖國際貿易有限公司)	32,760,218.42	–	–	32,760,218.42	–
Contract lawsuit with Dalian Zhongyi Petrochemical Co., Ltd. (大連中乙石油化工有限公司)	243,081.59	681,397.41	924,479.00	–	Change in provisions as a result of a change in amounts payable and paid in the period
Total	33,003,300.01	681,397.41	924,479.00	32,760,218.42	–

Items	31 December 2017	Increase in 2018	Decrease in 2018	31 December 2018	Reason for change
Pending litigation					
Including: Contract lawsuit with Kunlun International Trading Limited (昆侖國際貿易有限公司)	–	32,760,218.42	–	32,760,218.42	–
Contract lawsuit with Dalian Zhongyi Petrochemical Co., Ltd. (大連中乙石油化工有限公司)	–	243,081.59	–	243,081.59	–
Total	–	**33,003,300.01**	–	**33,003,300.01**	–

Note: See XIII.1 "Lawsuit with Kunlun International" in this appendix for details.

27. Deferred income

Items	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020
Government grants	45,620,898.88	–	3,749,662.92	41,871,235.96
Total	45,620,898.88	–	3,749,662.92	41,871,235.96
Less: Deferred income due within one year	–	–	–	–
Deferred income due after one year	45,620,898.88	–	3,749,662.92	41,871,235.96

Items	31 December 2018	2019 Increase	2019 Decrease	31 December 2019
Government grants	53,120,224.72	–	7,499,325.84	45,620,898.88
Total	53,120,224.72	–	7,499,325.84	45,620,898.88
Less: Deferred income due within one year	–	–	–	–
Deferred income due after one year	53,120,224.72	–	7,499,325.84	45,620,898.88

Items	31 December 2017	2018 Increase	2018 Decrease	31 December 2018
Government grants	–	55,620,000.00	2,499,775.28	53,120,224.72
Total	–	55,620,000.00	2,499,775.28	53,120,224.72
Less: Deferred income due within one year	–	–	–	–
Deferred income due after one year	–	55,620,000.00	2,499,775.28	53,120,224.72

(1) Government grants

Items	31 December 2019	Increase from January to June 2020	Amounts recognized from January to June 2020 Amounts recognized as other revenues	30 June 2020	Assets/ revenue-related
Subsidies for 17 sets of terminal shore power facilities in the Bayuquan Port Area	45,620,898.88	–	3,749,662.92	41,871,235.96	Assets-related
Total	45,620,898.88	–	3,749,662.92	41,871,235.96	–

Items	31 December 2018	Increase in 2019	Amounts recognized in 2019 Amounts recognized as other revenues	31 December 2019	Assets/ revenue-related
Subsidies for 17 sets of terminal shore power facilities in the Bayuquan Port Area	53,120,224.72	–	7,499,325.84	45,620,898.88	Assets-related
Total	53,120,224.72	–	7,499,325.84	45,620,898.88	–

Items	31 December 2017	Increase in 2018	Amounts recognized in 2018 Amounts recognized as other revenues	31 December 2018	Assets/ revenue-related
Subsidies for 17 sets of terminal shore power facilities in the Bayuquan Port Area	–	55,620,000.00	2,499,775.28	53,120,224.72	Assets-related
Total	–	55,620,000.00	2,499,775.28	53,120,224.72	–

28. Share capital

Items	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020
Total shares	6,472,983,003.00	–	–	6,472,983,003.00
Total	6,472,983,003.00	–	–	6,472,983,003.00

Items	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
Total shares	6,472,983,003.00	–	–	6,472,983,003.00
Total	6,472,983,003.00	–	–	6,472,983,003.00

Items	31 December 2017	Increase in 2018	Decrease in 2018	31 December 2018
Total shares	6,472,983,003.00	–	–	6,472,983,003.00
Total	6,472,983,003.00	–	–	6,472,983,003.00

29. Capital reserve

Items	**31 December 2019**	**Increase from January to June 2020**	**Decrease from January to June 2020**	**30 June 2020**
Share capital premium	1,523,865,673.28	–	–	1,523,865,673.28
Other capital reserve	13,179,828.16	–	–	13,179,828.16
Total	1,537,045,501.44	–	–	1,537,045,501.44

Items	**31 December 2018**	**Increase in 2019**	**Decrease in 2019**	**31 December 2019**
Share capital premium	1,523,865,673.28	–	–	1,523,865,673.28
Other capital reserve	13,179,828.16	–	–	13,179,828.16
Total	1,537,045,501.44	–	–	1,537,045,501.44

Items	**31 December 2017**	**Increase in 2018**	**Decrease in 2018**	**31 December 2018**
Share capital premium	1,523,865,673.28	–	–	1,523,865,673.28
Other capital reserve	13,179,828.16	–	–	13,179,828.16
Total	1,537,045,501.44	–	–	1,537,045,501.44

30. Special reserve

Items	**31 December 2019**	**Increase from January to June 2020**	**Decrease from January to June 2020**	**30 June 2020**
Work safety expenses	67,468,103.82	25,841,130.84	16,185,027.66	77,124,207.00
Total	67,468,103.82	25,841,130.84	16,185,027.66	77,124,207.00

Items	**31 December 2018**	**Increase in 2019**	**Decrease in 2019**	**31 December 2019**
Work safety expenses	54,498,642.62	45,182,286.81	32,212,825.61	67,468,103.82
Total	54,498,642.62	45,182,286.81	32,212,825.61	67,468,103.82

Items	**31 December 2017**	**Increase in 2018**	**Decrease in 2018**	**31 December 2018**
Work safety expenses	53,091,458.52	34,734,370.12	33,327,186.02	54,498,642.62
Total	53,091,458.52	34,734,370.12	33,327,186.02	54,498,642.62

31. Surplus reserve

Items	**31 December 2019**	**Increase from January to June 2020**	**Decrease from January to June 2020**	**30 June 2020**
Statutory surplus reserve	686,687,457.89	–	–	686,687,457.89
Total	686,687,457.89	–	–	686,687,457.89

Items	**31 December 2018**	**Increase in 2019**	**Decrease in 2019**	**31 December 2019**
Statutory surplus reserve	595,767,230.03	90,920,227.86	–	686,687,457.89
Total	595,767,230.03	90,920,227.86	–	686,687,457.89

Items	**31 December 2017**	**Increase in 2018**	**Decrease in 2018**	**31 December 2018**
Statutory surplus reserve	512,320,984.75	83,446,245.28	–	595,767,230.03
Total	512,320,984.75	83,446,245.28	–	595,767,230.03

Note: The surplus reserve in 2019 to increased, as the Company appropriate 10% of net profit in 2019 to the statutory surplus reserve, in accordance with the Company Law of the PRC.

The surplus reserve in 2018 to increased, as the Company appropriate 10% of net profit in 2018 to the statutory surplus reserve, in accordance with the Company Law of the PRC.

32. Undistributed profits

Items	**January to June 2020**	**2019**	**2018**
Amount at the end of the previous period	3,581,085,066.92	2,979,064,357.11	2,223,429,684.81
Add: Adjustment of undistributed profit at the beginning of the period	–	-14,461,178.86	–
Including: Changes in accounting policies	–	-14,461,178.86	–
Amount at the beginning of the period	3,581,085,066.92	2,964,603,178.25	2,223,429,684.81
Increase in the period	619,101,541.50	1,011,632,317.93	1,000,905,501.38
Add: Net profit for the period attributable to the parent company	619,101,541.50	1,011,632,317.93	1,000,905,501.38
Decrease in the period	310,703,184.14	395,150,429.26	245,270,829.08
Less: Appropriation to statutory surplus reserve in the period	–	90,920,227.86	83,446,245.28
Distributed profits	310,703,184.14	304,230,201.40	161,824,583.80
Amount at the end of the period	3,889,483,424.28	3,581,085,066.92	2,979,064,357.11

Note: During the reporting period, the general meeting of Yingkou Port passed the resolution and determined the profit distribution plan. Relevant accounting treatment has been reflected in the financial data for January to June 2020. On 31 July 2020, such dividend was paid.

33. Revenue and cost of sales

	January to June 2020		2019		2018	
Items	**Revenue**	**Cost**	**Revenue**	**Cost**	**Revenue**	**Cost**
Principal operations	2,349,985,698.46	1,455,961,833.33	4,633,670,282.79	3,022,068,758.79	4,677,299,508.46	2,951,628,105.59
Other operations	57,335,340.46	35,246,978.00	134,656,668.81	87,481,640.21	136,238,643.13	89,114,528.06
Total	2,407,321,038.92	1,491,208,811.33	4,768,326,951.60	3,109,550,399.00	4,813,538,151.59	3,040,742,633.65

34. Taxes and surcharges

Items	January to June 2020	2019	2018
Land use tax	9,672,950.96	15,417,101.28	19,023,032.17
City maintenance and construction tax	5,741,827.96	7,369,445.46	8,534,701.50
Property tax	3,346,573.63	5,977,187.14	6,966,922.24
Employment guarantee fund for the disabled	2,848,806.45	5,652,045.11	5,342,921.21
Educational surcharge	2,460,783.41	3,137,721.21	3,657,729.20
Local education surcharge	1,640,522.29	2,091,814.16	3,328,883.30
Environmental protection tax	1,034,934.59	2,752,479.63	2,438,486.14
Stamp duty	314,130.20	734,281.85	968,475.44
Vehicle and vessel use tax	458,578.81	3,181,821.14	146.88
Total	27,519,108.30	46,313,896.98	50,261,298.08

35. General and administrative expenses

Items	January to June 2020	2019	2018
Employee benefits	38,736,996.85	116,498,872.50	101,551,390.00
Rental expenses	21,704,164.63	43,603,074.78	43,002,317.28
Amortisation of intangible assets and long-term prepaid expenses	16,585,099.67	33,473,818.16	33,565,581.53
Telephone charges and internet access charges	10,222,285.23	25,116,068.14	24,509,407.28
Intermediary expenses	2,402,664.98	4,692,254.75	3,841,120.77
Office expenses	1,645,889.65	3,263,967.16	4,667,346.58
Business entertainment expenses	1,167,768.00	2,482,579.65	4,074,114.49
Travelling expenses	144,694.05	2,327,519.73	2,978,939.25
Depreciation	487,050.12	2,275,762.00	2,091,883.50
Power and lighting costs	167,172.42	588,698.13	767,137.57
Repair charges	47,153.02	403,637.87	298,796.20
Others	4,508,843.11	9,829,786.06	15,649,308.66
Total	97,819,781.73	244,556,038.93	236,997,343.11

36. Financial expenses

Items	January to June 2020	2019	2018
Interest expenses	35,622,259.76	130,885,998.22	186,006,114.16
Including: Bank and other borrowings	7,758,152.76	75,062,835.01	118,561,730.60
Bond interest and discount on notes	27,864,107.00	55,823,163.21	67,444,383.56
Less: Interest income	21,197,542.45	22,195,776.62	11,744,540.95
Commission charges	36,981.08	96,883.80	176,508.08
Total	14,461,698.39	108,787,105.40	174,438,081.29

37. Other income

Items	**January to June 2020**	**2019**	**2018**
Subsidies for 17 sets of terminal shore power facilities in the Bayuquan Port Area	3,749,662.92	7,499,325.84	2,499,775.28
Additional deduction of input tax	7,209,552.08	9,136,491.63	–
Others	1,203,326.05	1,364,959.37	697,300.00
Total	12,162,541.05	18,000,776.84	3,197,075.28

38. Investment income

Items	**January to June 2020**	**2019**	**2018**
Income from long-term equity investments	42,903,902.51	101,163,286.25	82,454,568.55
Including: Income from long-term equity investments under equity method	42,903,902.51	101,163,286.25	79,977,476.40
Income from disposal of long-term equity investments	–	–	2,477,092.15
Total	42,903,902.51	101,163,286.25	82,454,568.55

There are no significant restrictions on the repatriation of investment income of the Group.

39. Credit impairment losses (Losses are indicated with "-")

Items	**January to June 2020**	**2019**	**2018**
Losses on bad debts of accounts receivable	-2,132,463.81	-25,704,314.12	–
Losses on bad debts of other receivables	-24,169.21	–	–
Total	-2,156,633.02	-25,704,314.12	–

40. Asset impairment losses (Losses are indicated with "-")

Items	**January to June 2020**	**2019**	**2018**
Impairment losses on inventories	-1,457,110.59	–	–
Losses on bad debts of accounts receivable	–	–	-2,549,006.85
Losses on bad debts of other receivables	–	–	23,412.14
Total	-1,457,110.59	–	-2,525,594.71

41. Gains on disposal of assets

Items	January to June 2020	2019	2018	Amount recognised in non-recurring profit or loss from January to June 2020	Amount recognised in non-recurring profit or loss in 2019	Amount recognised in non-recurring profit or loss in 2018
Gains on disposal of non-current assets	–	38,146.55	-25,984.11	–	38,146.55	-25,984.11
Including: Gains on disposal of fixed assets	–	38,146.55	-25,984.11	–	38,146.55	-25,984.11
Total	–	38,146.55	-25,984.11	–	38,146.55	-25,984.11

42. Non-operating income

Items	January to June 2020	2019	2018	Amount recognised in non-recurring profit or loss from January to June 2020	Amount recognised in non-recurring profit or loss in 2019	Amount recognised in non-recurring profit or loss in 2018
Government grants	–	–	1,391,701.90	–	–	1,391,701.90
Handling fee income	150,387.02	583,769.92	596,098.88	150,387.02	583,769.92	596,098.88
Income on disposal of waste materials	–	1,425,815.25	1,767,289.27	–	1,425,815.25	1,767,289.27
Compensation income	194,800.00	243,772.96	–	194,800.00	243,772.96	–
Liquidated damages and penalties received	799,119.66	359,872.72	2,621,059.94	799,119.66	359,872.72	2,621,059.94
Others	426,101.23	984,512.23	1,042,521.84	426,101.23	984,512.23	1,042,521.84
Total	1,570,407.91	3,597,743.08	7,418,671.83	1,570,407.91	3,597,743.08	7,418,671.83

43. Non-operating expenses

Items	January to June 2020	2019	2018	Amount recognised in non-recurring profit or loss from January to June 2020	Amount recognised in non-recurring profit or loss in 2019	Amount recognised in non-recurring profit or loss in 2018
Losses from damages and obsolescence of non-current assets	2,703,893.03	25,079.87	1,180,092.48	2,703,893.03	25,079.87	1,180,092.48
Including: Losses on obsolescence of non-current assets	2,703,893.03	25,079.87	1,180,092.48	2,703,893.03	25,079.87	1,180,092.48
Donation	806,000.00	776,000.00	2,036,400.00	806,000.00	776,000.00	2,036,400.00
Compensation, liquidated damages and penalties paid	10,427.70	2,231,127.66	61,165,527.30	10,427.70	2,231,127.66	61,165,527.30
Others	–	790,028.40	43,073.79	–	790,028.40	43,073.79
Total	3,520,320.73	3,822,235.93	64,425,093.57	3,520,320.73	3,822,235.93	64,425,093.57

44. Income tax expenses

(1) Breakdown of income tax expenses

Items	January to June 2020	2019	2018
Current income tax	176,774,901.35	302,666,290.50	311,467,765.13
Adjustment of deferred income tax	8,880,999.12	1,438,573.93	-9,939,606.71
Total	185,655,900.47	304,104,864.43	301,528,158.42

(2) Adjustment process for accounting profit and income tax expenses

Items	Amount from January to June 2020	Amount in 2019	Amount in 2018
Accounting profit	825,814,426.30	1,352,392,913.96	1,337,192,438.73
Income tax expenses calculated at the income tax rate of 25%	206,453,606.58	338,098,228.49	334,298,109.68
Tax effect of non-deductible expenses	2,786,971.28	4,068,117.80	2,781,065.69
Tax effect of tax-free income	-10,725,975.62	-25,290,821.56	-20,613,642.14
Others	-13,528,721.47	-12,770,660.30	-14,937,374.81
Income tax expenses	184,104,864.43	304,104,864.43	301,528,158.42

45. Lease

(1) Lessor of operating leases

Categories of assets leased under operating leases	30 June 2020	31 December 2019	31 December 2018
Buildings	73,022,873.51	77,158,148.39	75,562,344.95
Port and terminal facilities	238,795,391.51	243,307,548.89	241,685,541.63
Vehicles and vessels	363,987.00	–	–
Machinery and equipment, furniture, appliance and other equipment	140,735,961.81	146,558,868.90	136,358,125.36
Total	452,918,213.83	467,024,566.18	453,606,011.94

46. Items in consolidated statement of cash flows

(1) Cash received/paid relating to operating/investing/financing activities

1) Cash paid relating to other operating activities

Items	January to June 2020	2019	2018
Accounts received and amounts collected for other companies	9,706,575.31	19,561,834.26	11,126,714.69
Interest income	21,197,542.45	9,520,776.62	11,744,540.95
Government grants	1,203,326.05	1,364,959.37	57,709,001.90
Others	1,570,407.91	3,597,743.08	2,041,716.96
Total	33,677,851.72	34,045,313.33	82,621,974.50

2) *Cash paid relating to other operating activities*

Items	January to June 2020	2019	2018
Telephone charges and internet access charges	10,222,285.23	25,116,068.14	26,960,348.01
Deposit and security deposit	6,279,482.64	6,002,517.96	2,246,659.31
Intermediary expenses	2,402,664.98	4,692,254.75	4,071,588.02
Office supplies expenses	1,645,889.65	3,263,967.16	4,667,346.58
Travelling expenses	144,694.05	2,327,519.73	2,978,939.25
Business entertainment expenses	1,167,768.00	2,482,579.65	4,074,114.49
Compensation paid	10,427.70	2,231,127.66	1,264,405.82
Petty cash	259,193.77	1,656,464.00	242,800.00
Rental expenses	836,375.04	1,430,083.50	1,915,416.67
Utility fees	167,172.42	588,698.13	767,137.57
Maintenance charges	47,153.02	403,637.87	298,796.20
Others	8,111,895.01	15,330,093.71	35,301,059.23
Total	31,295,001.51	65,525,012.26	84,788,611.15

3) *Cash paid relating to other financing activities*

Items	January to June 2020	2019	2018
Bonds repayment fee paid	–	3,705.24	–
Total	–	3,705.24	–

(2) Supplementary information to the cash flow statement

Items	January to June 2020	2019	2018
1. Reconciliation from net profit to cash flows from operating activities:			
Net profit	640,828,545.53	1,048,288,049.53	1,035,664,280.31
Add: Asset impairment losses	1,457,110.59	–	2,525,594.71
Credit impairment losses	2,156,633.02	25,704,314.12	–
Depreciation of fixed assets and investment properties	332,015,602.27	670,003,726.61	661,913,261.92
Amortisation of intangible assets	16,585,099.67	33,473,818.19	33,565,581.53
Losses from disposal of assets (Gains represented by "-")	–	-38,146.55	25,984.11
Losses from damages and obsolescence of non-current assets (Gains represented by "-")	2,703,893.03	25,079.87	1,180,092.48
Financial expenses (Income represented by "-")	35,622,259.76	130,885,998.22	186,006,114.16
Investment losses (Income represented by "-")	-42,903,902.51	-101,163,286.25	-82,454,568.55
Decrease in deferred tax assets (Increase represented by "-")	4,915,775.93	1,438,573.93	-9,939,606.71
Increase in deferred tax liabilities (Decrease represented by "-")	–	–	–
Decrease in inventories (Increase represented by "-")	-313,529.12	6,733,923.65	-7,951,209.02
Decrease in operating receivables (Increase represented by "-")	-14,187,976.67	65,077,371.75	74,454,070.75
Increase in operating payables (Decrease represented by "-")	-116,886,773.89	85,390,110.90	-204,505,918.15
Others	–	–	1,407,184.10
Net cash flows from operating activities	861,992,737.61	1,965,819,533.97	1,691,890,861.64

Items	January to June 2020	2019	2018
2. Net change in cash and cash equivalents:			
Closing balance of cash	3,091,183,396.83	3,014,705,566.94	3,251,790,455.63
Less: Opening balance of cash	3,014,705,566.94	3,251,790,455.63	2,927,845,577.26
Net increase in cash and cash equivalents	76,477,829.89	-237,084,888.69	323,944,878.37

47. Cash and cash equivalents

Items	January to June 2020	2019	2018
I. Cash	3,091,183,396.83	3,014,705,566.94	3,251,790,455.63
Including: Cash on hand	–	–	584.44
Bank deposits that can be readily drawn on demand	3,091,183,396.83	3,014,705,566.94	3,251,789,871.19
II. Closing balance of cash and cash equivalents	3,091,183,396.83	3,014,705,566.94	3,251,790,455.63

48. Government grants

Breakdown of government grants:

Items	January to June 2020	2019	2018
Government grants related to assets:			
Infrastructure subsidies	–	–	55,620,000.00
Government grants related to income:			
Financial subsidies	–	–	1,391,701.90
Others	1,203,326.05	1,364,959.37	697,300.00
Total	1,203,326.05	1,364,959.37	57,709,001.9
Less: Government grants included in deferred income	–	–	55,620,000.00
Add: Government grants transferred from deferred income to profit or loss for the current period	3,749,662.92	7,499,325.84	2,499,775.28
Less: Other government grants included in profit or loss for the current period	7,209,552.08	9,136,491.63	–
Government grants included in profit or loss for the current period	12,162,541.05	18,000,776.84	4,588,777.18
Including: Government grants included in other income	12,162,541.05	18,000,776.84	3,197,075.28
Government grants included in non-operating income	–	–	1,391,701.90

IX. CHANGES OF CONSOLIDATION SCOPE

The Group has no changes of consolidation scope from January to June 2020.

The Group has no changes of consolidation scope in 2019.

Changes of consolidation scope in 2018:

On 25 April 2018, the fifth meeting of the sixth session of the Board of Directors of the Company considered and approved the Resolution on the Merger by Absorption with Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司), whereby the Company intends to merge by absorption with Yingkou Xingang Petrochemical Terminal Co., Ltd. (hereinafter referred to as "Xingang Petrochemical"), cancel its legal person status and change it into a branch company of the Company. On 2018 September 30, Yingkou Xingang Petrochemical Terminal Co., Ltd. obtained the permit for the de-registration (Ying Kai) (Gong Shang Deng Ji Nei Xiao Zi [2018] No. 2018033251), pursuant to which, Yingkou Xingang Petrochemical Terminal Co., Ltd. has completed the de-registration procedures and has been changed to a branch of the Company.

X. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Constitution of the corporate group

30 June 2020

No.	Name of subsidiaries	Principal place of operation	Place of registration	Nature of business	Shareholding (%)	Method of acquisition	Minority shareholding percentage (%)	Profit or loss attributable to minority interests from January to June 2020	Dividends paid to minority shareholders from January to June 2020	Accumulated minority interests as at 30 June 2020
1	Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	Yingkou	Yingkou	Port services	88.00	Investment	12.00	6,406,410.07	–	500,952,245.62
2	Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	Yingkou	Yingkou	Port services	60.00	Business combinations involving entities under common control	40.00	15,320,593.96	25,552,870.04	50,546,935.34

31 December 2019

No.	Name of subsidiaries	Principal place of operation	Place of registration	Nature of business	Shareholding (%)	Method of acquisition	Minority shareholding percentage (%)	Profit or loss attributable to minority interests in 2019	Dividends paid to minority shareholders in 2019	Accumulated minority interests as at 31 December 2019
1	Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	Yingkou	Yingkou	Port services	88.00	Investment	12.00	8,263,653.78	–	494,507,306.02
2	Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	Yingkou	Yingkou	Port services	60.00	Business combinations involving entities under common control	40.00	28,392,077.82	19,740,325.43	60,794,181.10

31 December 2018

No.	Name of subsidiary	Principal place of operation	Place of registration	Nature of business	Shareholding (%)	Method of acquisition	Minority shareholding percentage (%)	Profit or loss attributable to minority interests in 2018	Dividend declared to be paid to minority interests in 2018	Total minority interests as at 31 December 2018
1	Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	Yingkou	Yingkou	Port services	88.00	Investment	12.00	12,825,084.01	–	485,897,273.18
2	Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	Yingkou	Yingkou	Port services	60.00	Business combinations involving entities under common control	40.00	21,933,694.92	17,621,666.05	51,854,108.95

(2) Main financial information of important non-wholly-owned subsidiaries

Items	January to June 2020		2019		2018	
	Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)
Current assets	2,082,757,827.61	101,767,331.07	2,018,243,238.05	120,001,385.79	1,771,677,532.34	90,117,332.98
Non-current assets	2,128,898,628.73	40,159,617.04	2,191,299,676.66	42,896,979.76	2,318,916,505.50	47,941,726.81
Total assets	4,211,656,456.34	141,926,948.11	4,209,542,914.71	162,898,365.55	4,090,594,037.84	138,059,059.79
Current liabilities	36,868,323.83	15,559,609.76	88,066,798.09	10,912,912.80	41,449,495.95	8,423,787.37
Non-current liabilities	186,085.65	–	–	–	–	–
Total liabilities	37,054,409.48	15,559,609.76	88,066,798.09	10,912,912.80	41,449,495.95	8,423,787.37
Operating income	280,787,933.14	147,710,154.45	554,915,341.87	309,169,948.58	631,753,002.96	294,634,123.33
Net profit	52,804,850.87	38,301,484.90	68,863,781.53	70,980,194.56	106,875,714.97	54,834,237.31
Total comprehensive income	52,804,850.87	38,301,484.90	68,863,781.53	70,980,194.56	106,875,714.97	54,834,237.31
Cash flow from operating activities	154,091,170.42	39,142,192.64	313,857,987.21	82,002,669.69	255,697,265.00	68,790,663.49

2. Transaction in which the share of owner's equity in the subsidiary changes while control over the subsidiary remaining unchanged

During the Reporting Period, there was no change in the share of owner's equity in the subsidiaries.

3. Interests in joint ventures or associates

(1) Important joint ventures or associates

30 June 2020

Name of joint venture or associate	Principal place of operation	Place of registration	Nature of business	Shareholding percentage (%) Direct	Indirect	Accounting treatment for investments in joint ventures or associates
Joint ventures						
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Yingkou	Yingkou	Loading and unloading of containers	50.00	–	Equity method
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Yingkou	Yingkou	Storage and processing of grain and oil	48.30	–	Equity method
Associates						
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	Yingkou	Yingkou	Port construction, loading and unloading and transportation	20.00	–	Equity method
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Yingkou	Yingkou	Non-bank financial institution	49.00	–	Equity method

31 December 2019

Name of joint venture or associate	Principal place of operation	Place of registration	Nature of business	Shareholding percentage (%) Direct	Indirect	Accounting treatment for investments in joint ventures or associates
Joint ventures						
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Yingkou	Yingkou	Loading and unloading of containers	50.00	–	Equity method
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Yingkou	Yingkou	Storage and processing of grain and oil	48.30	–	Equity method
Associates						
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	Yingkou	Yingkou	Port construction, loading and unloading and transportation	20.00	–	Equity method
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Yingkou	Yingkou	Non-bank financial institution	49.00	–	Equity method

31 December 2018

Name of joint venture or associate	Principal place of operation	Place of registration	Nature of business	Shareholding percentage (%) Direct	Indirect	Accounting treatment for investments in joint ventures or associates
Joint ventures						
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Yingkou	Yingkou	Loading and unloading of containers	50.00	–	Equity method
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Yingkou	Yingkou	Storage and processing of grain and oil	48.30	–	Equity method
Associates						
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	Yingkou	Yingkou	Port construction, loading and unloading and transportation	20.00	–	Equity method
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Yingkou	Yingkou	Non-bank financial institution	49.00	–	Equity method

(2) Main financial information of important joint ventures

Items	As at 30 June 2020/ from January to June 2020 Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	31 December 2019/2019 Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	31 December 2018/2018 Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)
Current assets	156,189,295.21	2,699,272,385.98	110,903,449.04	2,765,742,928.36	81,751,792.10	3,493,085,874.08
Including: Cash and cash equivalents	136,837,561.54	406,973.38	99,501,632.72	6,322,427.99	64,972,150.52	27,815,256.12
Non-current assets	38,771,610.77	439,998,029.00	41,465,097.45	448,207,816.64	46,440,234.38	395,786,716.21
Total assets	194,960,905.98	3,139,270,414.98	152,368,546.49	3,213,950,745.00	128,192,026.48	3,888,872,590.29
Current liabilities	10,315,867.68	2,487,609,942.38	7,212,233.23	2,552,070,992.64	5,292,658.02	3,315,673,199.77
Non-current liabilities	–	189,984,299.25	–	189,512,598.77	–	118,083,705.55
Total liabilities	10,315,867.68	2,677,594,241.63	7,212,233.23	2,741,583,591.41	5,292,658.02	3,433,756,905.32
Equity attributable to shareholders of the parent company	184,645,038.30	461,676,173.35	145,156,313.26	472,367,153.59	122,899,368.46	455,115,684.97
Share of net assets based on shareholding	92,322,519.15	222,989,591.72	72,578,156.63	228,153,335.18	61,449,684.23	219,820,875.84
Carrying amount of equity investments in joint ventures	92,322,519.15	222,989,591.72	72,578,156.63	228,153,335.18	61,449,684.23	219,820,875.84
Operating income	150,109,535.80	38,294,080.87	313,684,630.05	711,513,103.52	278,302,335.44	2,352,780,989.12
Financial expenses	-510,911.09	5,074,729.27	-554,057.12	9,908,607.52	-483,426.75	15,594,501.13
Income tax expenses	13,218,697.51	–	23,859,323.06	–	18,292,417.32	–
Net profit	39,488,725.04	-10,690,980.24	71,470,374.03	23,644,962.65	54,681,588.03	8,131,664.02
Total comprehensive income	39,488,725.04	-10,690,980.24	71,470,374.03	23,644,962.65	54,681,588.03	8,131,664.02
Dividends received from joint ventures from January to June 2020	–	–	24,606,714.62	–	19,711,361.97	–

(3) Main financial information of important associates

Items	As at 30 June 2020/ from January to June 2020		31 December 2019/2019		31 December 2018/2018	
	Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)
Current assets	868,475,303.29	485,613,304.61	5,896,538,570.16	492,173,875.95	4,866,656,017.64	405,605,916.76
Including: Cash and cash equivalents	862,142,752.31	82,686,220.03	2,778,881,493.08	137,978,613.87	1,403,172,289.07	62,267,256.21
Non-current assets	–	484,689,688.59	531,896,142.23	514,273,094.02	6,506,380.60	524,901,179.48
Total assets	868,475,303.29	970,302,993.20	6,428,434,712.39	1,006,446,969.97	4,873,162,398.24	930,507,096.24
Current liabilities	2,088,441.98	34,699,317.44	5,610,443,228.58	52,560,036.58	4,153,111,714.61	22,143,401.83
Total liabilities	2,088,441.98	34,699,317.44	5,610,443,228.58	52,560,036.58	4,153,111,714.61	22,143,401.83
Equity attributable to shareholders of the parent company	866,386,861.31	935,603,675.76	817,991,483.81	953,886,933.39	720,050,683.63	908,363,694.41
Share of net assets based on shareholding	424,529,562.04	187,120,735.15	400,815,827.07	190,777,386.68	352,824,834.98	181,672,738.88
Adjustments	–	41,860,163.27	–	41,860,163.27	–	41,860,163.27
– Goodwill	–	41,860,163.27	–	41,860,163.27	–	41,860,163.27
Carrying amount of equity investments in associates	424,529,562.04	228,980,898.42	400,815,827.07	232,637,549.95	352,824,834.98	223,532,902.15
Operating income	29,356,523.01	154,542,616.96	179,224,346.20	273,638,135.53	188,877,775.40	261,203,624.35
Income tax expenses	17,216,692.11	8,023,074.58	26,928,014.36	15,617,950.93	36,262,415.09	7,649,278.30
Net profit	48,395,377.50	24,054,236.83	97,940,800.18	46,853,852.78	91,211,433.99	22,947,834.91
Total comprehensive income	48,395,377.50	24,054,236.83	97,940,800.18	46,853,852.78	91,211,433.99	22,947,834.91

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The major financial instruments of the Group include accounts receivable, borrowings, accounts payable, etc. For detailed descriptions of these financial instruments, please refer to the notes to each item above. The followings are risks relevant to these financial instruments and the risk management policies taken by the Group for reducing these risks. The management of the Group manages and supervises these risk exposures to ensure that the above risks are limited to a controllable extent.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve balance between risks and return, minimize the adverse effect of risks on the operating results of the Group and maximize the interests of shareholders and other equity investors. Based on these objectives, the Group formulated a basic strategy of defining and analyzing various risks faced by the Group, setting a bottom line of appropriate risk tolerance for risk management and conducting timely and reliable supervision on the risks to keep them under control.

(1) Market risk

1) Risk arising from changes in interest rate

The major liabilities of the Group with interest rate risk include borrowings, bonds payable, etc. Financial liabilities at variable rates expose the Group to cash flow interest rate risk, while financial liabilities at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and variable rate contracts based on the prevailing market conditions and performs regular reviews and monitoring to maintain an appropriate mix of fixed and variable rates.

(2) Credit risk

As at 30 June 2020, the maximum exposure to credit risk that may cause financial losses to the Group mainly arises from the losses incurred to the financial assets of the Group due to the failure of the other party to perform its obligations, which specifically include: carrying amount of the financial assets recognized in the consolidated balance sheet.

The Group's cash at bank and on hand are primarily deposited in China Merchants Group Finance Co., Ltd. (招商局集團財務有限公司), commercial banks and other financial institutions. The Group believes that these financial institutions has higher reputation and lower credit risk.

The Group has formulated the relevant policies to control the credit risk exposure on notes receivable and accounts receivable. The Group assesses credit quality and sets credit terms on its customers by taking account their financial position, the availability of guarantee from third parties, their credit history and other factors such as prevailing market conditions. The credit history of customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit terms, to ensure that the overall credit risk of the Group is limited to a controllable extent.

(3) Liquidity risk

In the management of the liquidity risk, the management of Group believes that it monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilization of bank borrowings and ensures compliance with loan agreements.

The maturity analysis for financial assets and financial liabilities held by the Group which are based on undiscounted contractual cash flows as at 30 June 2020 is as follows:

Items	Book value	Within 1 year	1 to 5 years	Total
Non-derivative financial assets and liabilities				
Cash at bank and on hand	3,091,183,396.83	3,091,183,396.83	–	3,091,183,396.83
Notes receivable	338,933,602.27	338,933,602.27	–	338,933,602.27
Accounts receivable	147,243,322.04	147,243,322.04	–	147,243,322.04
Accounts receivable financing	–	–	–	–
Other receivables	208,958.20	208,958.20	–	208,958.20
Accounts payable	93,301,373.89	70,598,995.42	22,702,378.47	93,301,373.89
Other payables	354,430,219.45	327,535,915.85	26,894,303.60	354,430,219.45
Non-current liabilities due within one year	38,887,270.21	38,887,270.21	–	38,887,270.21
Bonds payable	984,211,000.00	–	984,211,000.00	984,211,000.00

2. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with the following methods:

The fair value of financial assets and financial liabilities with standard terms and conditions and in active markets are determined by reference to the prevailing bid and quoted prices in the corresponding active market;

The fair value of other financial assets and financial liabilities (other than derivative instruments) are determined by the general pricing model based on the discounted future cash flow method or recognized by observable current market transaction prices;

The fair value of the derivative instruments is determined by quoted price in active markets.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the financial statements approximate to the fair value of such assets and liabilities.

XII. RELATED PARTIES AND RELATED TRANSACTIONS

1. Related parties with controlling relationship

Name of parent company	Place of registration	Nature of business	Registered capital *(RMB'0,000)*	Shareholding *(%)*	Voting right percentage *(%)*
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Yingkou	Port services	2,000,000	78.29	78.29

Note: The actual controller of the Group is China Merchants Group Limited with its registered place in Beijing, its business nature is transportation business, and it has a registered capital of RMB16.9 billion.

2. See Note X.1 for details about subsidiaries of the Company.

3. The main related parties that have transactions with the Group but do not have a controlling relationship are as follows:

Name of related parties	Relationship with related parties
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Joint ventures
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Joint ventures
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Associates
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	Associates
Yingkou Gangtong E-Commerce Co., Ltd. (營口港通電子商務有限公司)	A subsidiary of the parent company
Yingkou Port Group Bonded Goods Storage and Transportation Co., Ltd. (營口港務集團保稅貨物儲運有限公司)	A subsidiary of the parent company
Faku Yinggang Logistics Co., Ltd. (法庫營港物流有限公司)	A subsidiary of the parent company
Liaoning New Silk Road International Logistics Co., Ltd. (遼寧新絲路國際物流有限公司)	A subsidiary of the parent company
Yingkou Gangfeng Hotel Co., Ltd. (營口港豐大酒店有限公司)	A subsidiary of the parent company
Liaoning Harbour Shipping Engineering Technology Co., Ltd. (遼寧港灣船務工程技術有限公司)	A subsidiary of the parent company
Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	A subsidiary of the parent company
Yingkou Port Property Management Co., Ltd. (營口港物業管理有限公司)	A subsidiary of the parent company
Yingkou Port Fairy Island Pier Co., Ltd. (營口港仙人島碼頭有限公司)	A subsidiary of the parent company
Hailutong (Beijing) Railway Transportation Services Co., Ltd. (海陸通(北京)鐵路運輸服務有限公司)	A subsidiary of the parent company
Panjin Port Logistics Development Co., Ltd. (盤錦港物流發展有限公司)	A subsidiary of the parent company
Shenyang Port Group Co., Ltd. (瀋陽港集團有限公司)	A subsidiary of the parent company
Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	A subsidiary of the parent company
Yingkou Port Vessel Fuel Supply Co., Ltd. (營口港船舶燃料供應有限責任公司)	A subsidiary of the parent company
Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司)	A subsidiary of the parent company
Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司)	A subsidiary of the parent company
Yingkou Hongyun Port Container Development Co., Ltd. (營口紅運港口集裝箱發展有限公司)	A subsidiary of the parent company
Yingkou Ocean Shipping Tally Co., Ltd. (營口中理外輪理貨有限責任公司)	A subsidiary of the parent company
Yingkou Port Engineering Supervision Consulting Co., Ltd. (營口港工程監理諮詢有限公司)	A subsidiary of the parent company
Yingkou Port Tank Cleaning Co., Ltd. (營口港清洗艙有限公司)	A subsidiary of the parent company
Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司)	A subsidiary of the parent company

Name of related parties	Relationship with related parties
Yingkou Gangxin Technology Co., Ltd. (營口港信科技有限公司)	A subsidiary of the parent company
Yingkou Port Mechanical & Electrical Engineering Co., Ltd. (營口港機電工程有限公司)	A subsidiary of the parent company
Yingkou Harbour Building Co., Ltd. (營口海港大廈有限公司)	A subsidiary of the parent company
Liaoning Gangfeng Logistics Co., Ltd. (遼寧港豐物流有限公司)	A subsidiary of the parent company
Yingkou Port Engineering Design & Research Institute Co., Ltd. (營口港口工程設計研究院有限公司)	A subsidiary of the parent company
Yingkou Duty Free Foreign Supply Port Service Company Limited (營口中免對外供應港口服務有限責任公司)	A joint venture of the parent company
Huaneng Yingkou Port Co., Ltd. (華能營口港務有限責任公司)	A joint venture of the parent company
Yingkou Port Jixing Logistics Co., Ltd. (營口港吉星物流有限公司)	A joint venture of the parent company
Yingkou COSCO Shipping Agency Co., Ltd. (營口中遠海運船務代理有限公司)	A joint venture of the parent company
Beidahuang Logistics Co., Ltd. (北大荒物流股份有限公司)	A joint venture of the parent company
Jilin Inland Port Logistics Co., Ltd. (吉林省陸港物流有限公司)	A joint venture of the parent company
Yingkou Gangjun Logistics Co., Ltd. (營口港駿物流有限公司)	A joint venture of the parent company
Yingkou Economic and Technological Development Zone Yugang Logistics Co. Ltd. (營口經濟技術開發區裕港物流有限公司)	A joint venture of the parent company
Yingkou Ocean Shipping Agency Co., Ltd. (營口外輪代理有限公司)	A joint venture of the parent company
Yingkou Haihui Shipping Agency Co., Ltd. (營口海億船務代理有限公司)	A joint venture of the parent company
Yingkou Yinlong Port Co., Ltd. (營口銀龍港務股份有限公司)	An associate of the parent company
Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	An associate of the parent company
Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司)	An associate of the parent company
Korea Fanying Ferry Co., Ltd. (韓國泛營輪渡株式會社)	An associate of the parent company
Yingkou Ocean Shipping Agency Co., Ltd. (營口外輪代理有限公司)	An associate of the parent company
Yingkou COSCO Shipping Container Service Co., Ltd. (營口中遠海運集裝箱服務有限公司)	An associate of the parent company
Yingkou Xintonghe Logistics Co., Ltd. (營口新通合物流有限公司)	An associate of the parent company
Tianjin Tianying Container Freight Co., Ltd. (天津天營集裝箱貨運有限公司)	An associate of the parent company
Yingkou Gangpeng Shipping Engineering Co., Ltd. (營口港蓬船務工程有限公司)	An associate of the parent company
Liaoning Gangxing New Energy Co., Ltd. (遼寧港星新能源有限公司)	An associate of the parent company
China Merchants Group Finance Co., Ltd. (招商局集團財務有限公司)	Controlled by the same ultimate controlling party
China Shipping Terminal Development Co., Ltd. (中海碼頭發展有限公司)	Other related party
Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司)	Other related party
COSCO SHIPPING Lines Co., Ltd. (中遠海運集裝箱運輸有限公司)	Other related party
COSCO SHIPPING Lines (Dalian) Co., Ltd. (大連中遠海運集裝箱運輸有限公司)	Other related party
Shenzhen Merchant Property Management Co., Ltd. (深圳招商物業管理有限公司)	Other related party
Shenzhen Merchant Home Technology Co., Ltd. (深圳招商到家匯科技有限公司)	Other related party
Dailian Port Electric Co., Ltd. (大連港埠機電有限公司)	Other related party
Dailain Shen Railway Shipping Logistics Co., Ltd. (大連瀋鐵遠港物流有限公司)	Other related party
China Export Northern-East Co., Limited Yingkou Branch (中國外運東北有限公司營口分公司)	Other related party
China Export Sunlight Express Transportation Co., Ltd. (中國外運陽光速航運輸有限公司)	Other related party
Liaoning China Foreign Shipping Agency Co., Ltd. Yingkou Branch (遼寧中外運船務代理有限公司營口分公司)	Other related party
Haitong (Shanghai) Trading Co.,Ltd. (海通(上海)貿易有限公司)	Other related party
Dalian Port Wantong Logistics Company Limited (大連港萬通物流有限公司)	Other related party

4. During the Reporting Period, the Group and the above related parties had the following major related transactions:

(1) Income and expenses

Name of related parties	Related parties Type of Transaction	Details of related party transactions	Pricing of related party transactions Methods and decision-making procedures	January to June 2020	2019	2018
Parent company						
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Purchase of goods/receiving of services	Weighing fees, tugging fees, etc.	Contractual pricing	43,477,140.09	123,153,551.67	154,839,770.52
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Sales of goods/ rendering of services	Office supplies, property fees, machinery services, stockpiling services, job package services, etc.	Contractual pricing	103,870,878.75	167,129,402.06	125,292,053.55
Joint ventures						
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Purchase of goods/receiving of services	Machinery operating fees	Contractual pricing	1,396,090.78	39,492,185.33	21,826,858.14
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Sales of goods/ rendering of services	Machinery services, stockpiling services, office supplies, property fees, etc.	Contractual pricing	287,428.08	499,390.13	968,187.62
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	Sales of goods/ rendering of services	Machinery services, stockpiling services, job package services, office supplies, etc.	Contractual pricing	186,494.56	249,494.73	5,439,346.76
Associates						
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Sales of goods/ rendering of services	Office supplies etc.	Contractual pricing	–	557.52	2,232.76
A subsidiary of the parent company						
Yingkou Gangtong E-Commerce Co., Ltd. (營口港通電子商務有限公司)	Purchase of goods/receiving of services	Machinery costs, cargo reconfiguration costs, etc.	Contractual pricing	13,401,126.82	86,047,821.18	77,164,911.52
Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司)	Purchase of goods/receiving of services	Machinery costs, cargo reconfiguration costs, etc.	Contractual pricing	2,516,369.88	7,032,085.19	7,607,737.14
Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	Purchase of goods/receiving of services	Repair charges	Contractual pricing	–	2,309,284.52	6,307,792.68

Name of related parties	Related parties Type of Transaction	Details of related party transactions	Pricing of related party transactions Methods and decision-making procedures	January to June 2020	2019	2018
Yingkou Port Tank Cleaning Co., Ltd. (營口港清洗艙有限公司)	Purchase of goods/receiving of services	Clean-up fees	Contractual pricing	634,403.65	959,923.76	1,996,660.00
Yingkou Gangfeng Hotel Co., Ltd. (營口港豐大酒店有限公司)	Purchase of goods/receiving of services	Conference and catering fees	Contractual pricing	580,867.05	849,507.31	2,988,381.86
Yingkou Ocean Shipping Tally Co., Ltd. (營口中理外輪理貨有限責任公司)	Purchase of goods/receiving of services	Machinery costs, cargo reconfiguration costs, etc.	Contractual pricing	11,946.32	449,705.01	1,286,906.25
Other subsidiaries of the parent company	Purchase of goods/receiving of services	Machinery costs, cargo reconfiguration costs, etc.	Contractual pricing	1,325,364.75	924,698.85	2,759,341.14
A subsidiary of the parent company						
Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	Sales of goods/ rendering of services	Tarpaulin, office supplies, repair, machinery services, processing services, etc.	Contractual pricing	820,506.19	10,656,269.50	8,124,462.16
Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司)	Sales of goods/ rendering of services	Properties, car rental, office supplies, etc.	Contractual pricing	76,603.77	1,340,887.90	1,254,977.79
Yingkou Port Group Bonded Goods Storage and Transportation Co., Ltd. (營口港務集團保稅貨物儲運有限公司)	Sales of goods/ rendering of services	Office supplies, property fees, machinery services, stockpiling services, etc.	Contractual pricing	478,083.03	1,000,285.15	926,688.79
Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司)	Sales of goods/ rendering of services	Office supplies, property fees, machinery services, stockpiling services, etc.	Contractual pricing	1,115,515.56	1,876,891.99	1,174,171.13
Yingkou Port Fairy Island Pier Co., Ltd. (營口港仙人島碼頭有限公司)	Sales of goods/ rendering of services	Repair services, processing services, job package services, office supplies, property fees, etc.	Contractual pricing	283,439.69	1,763,220.19	1,650,807.06
Other subsidiaries of the parent company	Sales of goods/ rendering of services	Office supplies, property fees, repair costs, processing services, etc.	Contractual pricing	323,976.97	1,043,513.50	1,651,227.52

Name of related parties	Related parties Type of Transaction	Details of related party transactions	Pricing of related party transactions Methods and decision-making procedures	January to June 2020	2019	2018
Associates and joint ventures of the parent company						
Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司)	Purchase of goods/receiving of services	Machinery costs, cargo reconfiguration costs, etc.	Contractual pricing	44,923,098.19	47,202,532.80	40,312,225.38
Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧瀋哈紅運物流有限公司)	Purchase of goods/receiving of services	Machinery costs, cargo reconfiguration costs, etc.	Contractual pricing	4,217,047.41	7,513,707.47	11,741,365.77
Yingkou Port Jixing Logistics Co., Ltd. (營口港吉星物流有限公司)	Purchase of goods/receiving of services	Machinery costs, cargo reconfiguration costs, etc.	Contractual pricing	–	5,134,281.99	6,446,927.43
Beidahuang Logistics Co., Ltd. (北大荒物流股份有限公司)	Sales of goods/ rendering of services	Job package services, etc.	Contractual pricing	4,080,806.35	2,723,514.49	9,999,093.42
Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧瀋哈紅運物流有限公司)	Sales of goods/ rendering of services	Repair services, processing services, machinery services, stockpiling services, office supplies, property fees, etc.	Contractual pricing	485,522.60	567,823.34	366,994.38
Other associates and joint ventures of the parent company	Sales of goods/ rendering of services	Job package services, office supplies, etc.	Contractual pricing	227,726.94	1,478,093.77	4,047,714.66
Other related party						
Other related party	Purchase of good/receiving of services	Office tools, etc.	Contractual pricing	1,681,506.03	–	–
Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司)	Sales of goods/ rendering of services	Office supplies, property fees, job package services, etc.	Contractual pricing	66,821,592.68	147,265,787.30	133,042,518.06
Dailian Shen Railway Shipping Logistics Co., Ltd. (大連瀋鐵遠港物流有限公司)	Sales of goods/ rendering of services	Job package services, etc.	Contractual pricing	2,065,236.13	–	–
COSCO SHIPPING Lines (Dalian) Co., Ltd. (大連中遠海運集裝箱運輸有限公司)	Sales of goods/ rendering of services	Job package services, etc.	Contractual pricing	1,678,462.29	4,043,860.09	6,291,016.98
COSCO SHIPPING Lines Co., Ltd. (中遠海運集裝箱運輸有限公司)	Sales of goods/ rendering of services	Job package services, etc.	Contractual pricing	–	844,453.62	1,041,504.86
China Export Northern-East Co., Limited Yingkou Branch (中國外運東北有限公司營口分公司)	Sales of goods/ rendering of services	Job package services, etc.	Contractual pricing	13,484,606.34	–	–
Other related party	Sales of goods/ rendering of services	Job package services, etc.	Contractual pricing	936,580.02	1,698.12	320,080.06

(2) Balance of major credit and debt

Subject	Name of related parties	30 June 2020	31 December 2019	31 December 2018
Accounts receivable	Huaneng Yingkou Port Co., Ltd. (華能營口港務有限責任公司)	5,875,723.04	8,806,241.54	9,460,609.04
Accounts receivable	Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司)	9,769,674.20	8,708,974.16	9,565,031.68
Accounts receivable	Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	7,009,096.33	–	–
Accounts receivable	Yingkou Gangjun Logistics Co., Ltd. (營口港駿物流有限公司)	2,800,000.00	2,800,000.00	2,800,000.00
Accounts receivable	Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	1,532,870.15	7,567,380.57	9,674,790.41
Accounts receivable	Yingkou Branch of Sinotrans Northeast China Co., Ltd. (中國外運東北有限公司營口分公司)	1,486,965.40	–	–
Accounts receivable	Panjin Port Group Co., Ltd. (盤錦港集團有限公司)	–	–	75,733,166.00
Accounts receivable	Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	2,491,009.84	–	4,708,078.70
Accounts receivable	Other related party	2,313,216.84	1,070,145.40	1,683,949.28
Prepayments	Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	4,856,941.20	–	–
Prepayments	Yingkou Gangxin Technology Co., Ltd. (營口港信科技有限公司)	502,243.00	–	–
Prepayments	Yingkou Port Vessel Fuel Supply Co., Ltd. (營口港船舶燃料供應有限責任公司)	–	–	5,673.91
Other receivables	Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	–	2,999.40	–
Accounts payable	Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	5,417,391.95	5,417,391.95	5,417,391.95
Accounts payable	Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司)	2,571,913.20	–	–

Subject	Name of related parties	30 June 2020	31 December 2019	31 December 2018
Accounts payable	Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	1,181,172.97	959,130.00	5,372,805.00
Accounts payable	Yingkou Gangxin Technology Co., Ltd. (營口港信科技有限公司)	622,936.94	–	1,390,400.00
Accounts payable	Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	1,563,532.12	5,086,933.52	364,209.64
Accounts payable	Other related party	40,844.49	169,669.00	216,340.00
Advances from customers	Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司)	–	28,827,383.64	1,255,720.11
Advances from customers	Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司)	–	2,533,745.75	30,331.63
Advances from customers	Yingkou Ocean Shipping Agency Co., Ltd. (營口外輪代理有限公司)	–	1,226,891.88	104,030.72
Advances from customers	Other related party	–	9,514.68	887,114.54
Other payables	Yingkou Port Group Construction and Installation Engineering Co., Ltd. (營口港務集團建築安裝工程有限公司)	818,811.85	888,619.50	755,938.45
Other payables	Yingkou Gangpeng Shipping Engineering Co., Ltd. (營口港蓬船務工程有限公司)	510,400.00	–	–
Other payables	Haitong (Shanghai) Trading Co., Ltd. (海通(上海)貿易有限公司)	182,800.00	–	–
Other payables	Yingkou Gangxin Technology Co., Ltd. (營口港信科技有限公司)	148,228.37	218,857.42	145,136.65
Other payables	Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司)	–	1,932,112.00	1,391,888.00
Other payables	Other related party	183,026.71	288,694.70	153,129.70

Subject	Name of related parties	30 June 2020	31 December 2019	31 December 2018
Contract liabilities	Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司)	23,814,527.78	–	–
Contract liabilities	Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司)	2,800,997.88	–	–
Contract liabilities	Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	2,473,426.78	–	–
Contract liabilities	Yingkou Ocean Shipping Agency Co., Ltd. (營口外輪代理有限公司)	2,458,355.03	–	–
Contract liabilities	Other related party	358,218.27	–	–

(3) Lease with related parties

The Company as the lessor:

Name of Lessees	Type of leasing assets	Rental income recognized from January to June 2020	Rental income recognized in 2019	Rental income recognized in 2018
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	Berth, etc.	50,786,625.54	103,884,848.76	86,734,002.31
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Loading and unloading, machinery and equipment	714,285.72	1,318,851.09	1,290,340.40
Liaoning Harbour Shipping Engineering Technology Co., Ltd. (遼寧港灣船務工程技術有限公司)	Berth, etc.	–	1,088,623.85	583,333.34
Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	Vehicles and vessels	345,787.59	965,718.71	714,722.07
Jilin Inland Port Logistics Co., Ltd. (吉林省陸港物流有限公司)	Office buildings of a printing factory	314,285.71	314,285.71	461,818.18

The Company as the lessee:

Name of Lessors	Type of leasing assets	Rental fee recognized from January to June 2020	Rental fee recognized in 2019	Rental fee recognized in 2018
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Berth, etc.	140,016,598.41	174,904,187.73	174,904,187.72
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Land	21,492,158.64	42,984,317.30	42,984,317.30
Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司)	Stacking yard	–	10,307,477.11	13,051,597.04
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Stacking yard	3,428,571.42	6,857,142.84	6,857,142.84
Huaneng Yingkou Port Co., Ltd. (華能營口港務有限責任公司)	Equipment	2,809,734.50	5,619,469.00	5,474,137.92
Yingkou Yinlong Port Co., Ltd. (營口銀龍港務股份有限公司)	Oil tank assets	2,155,593.41	4,761,904.76	4,761,904.76
Others	Stacking yard, etc.	2,705,097.15	7,901,804.02	15,514,777.96

(4) Guarantee with related parties

Guarantors	Guaranteed amount	Commencement date	Maturity date	Whether the guarantee has been fulfilled
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	50,000,000.00	2009-2-5	2/4/2019	Yes
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	61,200,000.00	5/31/2009	5/25/2019	Yes
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	14,000,000.00	6/18/2009	9/16/2019	Yes
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	385,000,000.00	4/28/2016	4/27/2019	Yes

(5) Other related transactions

(1) Purchase of goods

Name of related parties	Details of related party transaction	January to June 2020	2019	2018
Yingkou Port Vessel Fuel Supply Co., Ltd. (營口港船舶燃料供應有限責任公司)	Purchase of fuel, etc.	33,427,601.11	89,944,220.94	106,246,952.86
Liaoning Gangxing New Energy Co., Ltd. (遼寧港星新能源有限公司)	Purchase of fuel, etc.	–	–	641,061.84

(2) Purchase of water, electricity, gas and information service

Name of related parties	Details of related party transaction	January to June 2020	2019	2018
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Purchase of water, electricity, etc.	67,644,839.93	135,887,886.46	133,415,937.85
Yingkou Port Group Co., Ltd. (營口港務集團有限公司)	Purchase of information service	11,816,693.54	28,202,351.98	24,509,407.28

(3) Deposits with related parties

Name of related parties	30 June 2020	31 December 2019	31 December 2018
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	–	2,628,903,542.31	3,032,920,992.01
China Merchants Group Finance Co., Ltd. (招商局集團財務有限公司)	1,817,359,304.63	–	–

(4) Interest incomes from related parties

Name of related parties	Details of related party transaction	January to June 2020	2019	2018
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Interest income	601,788.77	21,592,906.99	8,889,014.75
China Merchants Group Finance Co., Ltd. (招商局集團財務有限公司)	Interest income	12,239,520.79	–	–

(5) Borrowings from related parties

Name of related parties	Categories of borrowings	Balance	Commencement date	Maturity date
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Short-term borrowings	300,000,000.00	2/23/2018	2/22/2019
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Short-term borrowings	150,000,000.00	4/10/2018	4/9/2019

(6) Interest expenses to related parties

Name of related parties	Details of related party transaction	January to June 2020	2019	2018
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	Interest expenses	–	3,838,875.00	19,174,437.50

(7) Remuneration of key management staff

Currency: RMB'0,000

Items	January to June 2020	2019	2018
Compensation of key management staff	253.62	464.22	492.52

(8) Agency and settlement of related parties

① Some related parties of the Group are engaged in port freight forwarding business, that is, the freight forwarding company is entrusted by the client to arrange cargo handling in the port area, including signing contracts with the Group and settlement of port charges, etc. Given that the end customers whom the revenue between the Group and the related parties actually corresponds to are not the aforementioned related parties, the Group has not recognized the revenue generated from the related parties in respect of shipping agency business as income from related party transactions.

② The related parties with which the Group had shipping agency business during the reporting period mainly include: Yingkou Port Shipping Agency Co., Ltd. (營口港船貨代理有限責任公司), Yingkou Ocean Shipping Agency Co., Ltd. (營口外輪代理有限公司), Shenyang Yingkou Port Co., Ltd. (瀋陽營口港港務有限公司), Korea Fanying Ferry Co., Ltd. (韓國泛營輪渡株式會社), Huaneng Yingkou Port Co., Ltd. (華能營口港務有限責任公司), Liaoning New Silk Road International Logistics Co., Ltd. (遼寧新絲路國際物流有限公司), Yingkou Port Foreign Economic Cooperation Development Co., Ltd. (營口港對外經濟合作發展有限公司), Yingkou Port Group Bonded Goods Storage and Transportation Co., Ltd. (營口港務集團保稅貨物儲運有限公司), Yingkou Huifeng Logistics Co., Ltd. (營口滙豐物流有限公司), Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司), Yingkou Haihui Shipping Agency Co., Ltd. (營口海億船務代理有限公司), Yingkou Gangtong E-Commerce Co., Ltd. (營口港通電子商務有限公司), Yingkou COSCO Shipping Agency Co., Ltd. (營口中遠海運船務代理有限公司) and Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司).

③ Some customers of the Group conduct business with the Group through Yingkou Gangrong Big Data Co., Ltd. (營口港融大數據股份有限公司) (hereinafter referred to as "Gangrong Company"). Gangrong Company is the first e-commerce platform for port and shipping industry comprising port, shipping and third-party e-commerce platform businesses in the PRC. From January to June 2020, the Group's business in a total amount of RMB975,517,229.95 was settled by Gangrong Company, of which the amount of invoices issued by the Group to Gangrong Company for container business was RMB227,909,287.69 (excluding tax); in 2019, the Group's business in a total amount of RMB2,009,549,288.64 was settled by Gangrong Company, of which the amount of invoices issued by the Group to Gangrong Company for container business was RMB523,629,637.19 (excluding tax); in 2018, the business in a total amount of RMB1,680,929,890.26 was settled by Gangrong Company, of which the amount of invoices issued by the Group to Gangrong Company for container business was RMB496,733,979.73 (excluding tax).

(9) Asset transfer of related parties

Name of related parties	Details of related party transaction	January to June 2020	2019	2018
Panjin Port Group Co., Ltd. (盤錦港務集團有限公司)	Purchase loading and unloading machinery and equipment	–	47,459,162.16	–
Other related parties	Engineering construction, etc.	–	622,936.94	10,799,900.65

XIII. CONTINGENCIES

1. Litigation with Kunlun International

On 19 August 2015, Kunlun International Trading Limited (昆侖國際貿易有限公司) (hereinafter referred to as "Kunlun International") filed a lawsuit with Dalian Maritime Court against the Company on the rejection of its application for delivery of goods, requesting the Company to compensate for a loss of RMB285.60 million and accrued interest. On 28 December 2018, Dalian Maritime Court issued the first instance ruling titled (2015) Dahaishang Chuzi No. 517, ruling that the Company shall pay Kunlun International short delivery losses of RMB50,455,700, and the interest accrued at the loan interest rate set by the People's Bank of China from 20 August 2015 to the date of actual payment. The court ruled that the Company shall pay Kunlun International a net compensation of RMB32,760,200 taking into account of the storage fee and other fees of RMB25,884,000 payable to the Company by Kunlun International. At the same time, the equity in Yingkou Xingang Ore Terminal Co., Ltd. and Sinograin Yingkou Storage and Transportation Co., Ltd. held by the Group was frozen. The Company made provisions of RMB32,760,200 as at the end of 2018 based the above ruling.

Both the Company and Kunlun International refused to accept the judgment and filed a second instance to the Higher People's Court of Liaoning Province in January 2019. The Higher People's Court of Liaoning Province issued a civil ruling ((2019) Liao Min Zhong No. 685) on 6 November 2019, it is ordered that: 1) the civil ruling titled (2015) Dahaishang Chuzi No. 517 issued by Dalian Maritime Court be revoked; 2) the case be remanded to Dalian Maritime Court.

On 9 July 2020, Dalian Maritime Court held a public and open hearing of the case and has not yet decided.

Currently, the Company was unable to reasonably estimate its financial impact.

2. As of 30 June 2020, except for the above-mentioned matters, the Company has no other material contingencies that shall be disclosed.

XIV. COMMITMENTS ON OPERATING LEASE

As of the balance sheet date, the irrevocable operating lease contracts signed by the Group are as follows:

Remaining lease term	30 June 2020	31 December 2019	31 December 2018
Minimum lease payments under irrevocable operating leases:	689,730,985.13	709,437,584.70	748,850,783.85
1 year after the balance sheet date	39,413,199.15	39,413,199.15	39,413,199.15
2 year after the balance sheet date	39,413,199.15	39,413,199.15	39,413,199.15
3 year after the balance sheet date	39,413,199.15	39,413,199.15	39,413,199.15
Subsequent years	571,491,387.68	591,197,987.25	630,611,186.40
Total	689,730,985.13	709,437,584.70	748,850,783.85

XV. NON-ADJUSTING EVENTS SUBSEQUENT TO BALANCE SHEET DATE

1. On 7 July 2020, the fifth meeting of the seventh session of the Board of Directors of the Company adopted twelve related proposals including the Proposal regarding Merger by Absorption through Share Swap between Dalian Port (PDA) Company Limited and Yingkou Port Liability Co., Ltd. and Connected Transaction and Fundraising in Compliance with Relevant Laws and Regulations on Major Asset Restructuring Rules of Listed Companies (關於大連港股份有限公司換股吸收合併營口港務股份有限公司並募集配套資金符合上市公司重大資產重組相關法律法規規定的議案) and the Proposal regarding Merger by Absorption through Share Swap between Dalian Port (PDA) Company Limited and Yingkou Port Liability Co., Ltd. and Connected Transaction and Fundraising (關於大連港股份有限公司換股吸收合併營口港務股份有限公司並募集配套資金暨關聯交易方案的議案), pursuant to which Dalian Port (PDA) Company Limited intended to issue A shares to Yingkou Port Liability Co., Ltd. to merge with Yingkou Port by absorption through share swap, and intended to raise supporting funds of no more than RMB2.1 billion through non-public offering of A shares to no more than 35 specific investors through inquiry.

2. On 3 September 2020, Yingkou Port Group Finance Co., Ltd., an associate of the Company ("Yingkou Port Finance") received the (Liao Ying) Shi Jian He Zhu Tong Nei Zi (2020) No. 2020002215 ((遼營)市監核注通內字(2020)第2020002215號) Notice of Approving the Cancellation of the Registration issued by the Administrative Examination and Approval Authority of Yingkou City. The cancellation of the registration of Yingkou Port Finance was approved.

3. Due to the litigation between Kunlun International, the Grain Branch of the Company and the Company, on 18 December 2018, the Dalian Maritime Court rendered the (2015) Da Hai Shang Chu Zi No. 517 (大海商初字第517號) Civil Ruling, ruling that the equity in Yingkou Xingang Ore Terminal Co., Ltd. and Sinograin Yingkou Storage and Transportation Co., Ltd. held by the Group shall be frozen. On 31 August 2020, the Grain Branch of the Company and the Company offered the Dalian Maritime Court with a bank guarantee of RMB216,107,800.40 as equivalent guarantee asset, pleading for the release of the above-mentioned equity. On 1 September 2020, the Dalian Maritime Court issued the (2020) Liao 72 Min Chu No. 27 ((2020)遼72民初27號) Civil Ruling, ruling that the equity in Yingkou Xingang Ore Terminal Co., Ltd. and Sinograin Yingkou Storage and Transportation Co., Ltd. held by the Group shall be released.

4. Except for the above events subsequent to the balance sheet date, the Group has no other significant events subsequent to the balance sheet date.

XVI. OTHER IMPORTANT ISSUES

1. Segment information

The Company's business operation is concentrated in Yingkou City. There is no need for the Company to disclose segment information as the Company is not engaged in diversified operations or cross-region operations.

2. Change of actual controller

On 31 May 2019, the State-owned Assets Supervision and Administration Commission of the People's Government of Liaoning Province (hereinafter referred to as the "Liaoning SASAC") and China Merchants (Liaoning) Port Development Company Limited (hereinafter referred to as "China Merchants Liaoning") entered into the Agreement on the Gratuitous Transfer of the Equity Interests in Liaoning Port Group Limited (《關於遼寧港口集團有限公司之股權無償劃轉協議》), pursuant to which Liaoning SASAC intends to transfer its 1.1% equity interest in Liaoning Port Group Limited (hereinafter referred to as "Liaoning Port Group") to China Merchants Liaoning at nil consideration. The actual controller of China Merchants Liaoning is China Merchants Group Limited.

On 30 September 2019, the Company received a notice from Yingkou Port Group, the parent company, that the business registration procedures for the relevant changes in respect of the gratuitous transfer of its 1.1% equity interest in Liaoning Port Group by Liaoning SASAC to China Merchants Liaoning have been completed. At the same time, the business registration procedures for the relevant changes in respect of the gratuitous transfer of its 36.34% equity interests in Liaoning Port Group by Liaoning SASAC to the State-owned Assets Supervision and Administration Commission of the People's Government of Dalian City (hereinafter referred to as "Dalian SASAC"), and the gratuitous transfer of its 2.66% equity interests in Liaoning Port Group by Liaoning SASAC to the State-owned Assets Supervision and Administration Commission of the People's Government of Yingkou City (hereinafter referred to as "Yingkou SASAC") have also been completed simultaneously. Upon the completion of above business registration procedures for relevant changes, Liaoning Port Group is held by China Merchants Liaoning as to 51.00%; Dalian SASAC as to 36.34%; Liaoning SASAC as to 10.00%; and Yingkou SASAC as to 2.66%.

As such, the actual controller of the Company has been changed from Liaoning SASAC to China Merchants Group Limited, and the parent company of the Company remains unchanged and remains Yingkou Port Group.

3. Assessment of the impacts from the COVID-19 outbreak:

Since the outbreak of the new coronavirus disease (hereinafter referred to as the "COVID-19 outbreak") in January 2020, the containment of the COVID-19 outbreak has been being under way throughout the country. The Group actively responds to and implements the national regulations and requirements for the prevention and control of the COVID-19. Since 30 June 2020, the COVID-19 outbreak was contained to some extent, but not completely eradicated, so that the Group will continue to responds to and implements the national regulations and requirements for the prevention and control of the COVID-19.

It is expected that the COVID-19 outbreak and its containment measures will have a certain temporary impact on the Group's production and operations in the second half of 2020. The extent of impact depends on the progress and duration of the containment of the outbreak and the implementation of prevention and control policies in various regions.

The Group keeps eyes on the development of the COVID-19 outbreak, evaluates its impact on the financial status and operating results of the Group, strengthens its efforts to contain the outbreak and promotes the resumption of work and production in an active and orderly manner.

4. Except for the above-mentioned matters, the Company has no other important matters that shall be disclosed during the Reporting Period.

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Cash at bank and on hand

	30 June 2020			31 December 2019			31 December 2018		
Items	Amount in original currency	Conversion rate	Amount in RMB	Amount in original currency	Conversion rate	Amount in RMB	Amount in original currency	Conversion rate	Amount in RMB
Cash at bank	–	–	–	–	–	1,125,431,383.39	–	–	1,721,258,456.79
Including: RMB	1,072,567,363.32	1.00	1,072,567,363.32	1,125,431,383.39	1.00	1,125,431,383.39	1,721,258,456.79	1.00	1,721,258,456.79
Total	–	–	1,072,567,363.32	–	–	1,125,431,383.39	–	–	1,721,258,456.79

(1) As at 30 June 2020, the balance of RMB6,051,125.07 were placed in China Merchants Group Finance Co., Ltd. (招商局集團財務有限公司), an associate of the Company.

(2) As at 30 June 2020, no cash at bank and on hand of the Company was restricted to use.

2. Notes receivable

(1) Classification of notes receivable

Category	30 June 2020	31 December 2019	31 December 2018
Bank acceptance notes	215,629,351.00	144,892,916.49	112,250,548.95
Less: Bad debt provision	–	–	–
Book value	215,629,351.00	144,892,916.49	112,250,548.95

(2) As at 30 June 2020, the Company had no pledged notes receivable.

(3) Notes receivable endorsed or discounted by the Company as at 30 June 2020 and not yet due on the balance sheet date

Category	Amount derecognized as at 30 June 2020	Amount not derecognized as at 30 June 2020
Bank acceptance notes	103,192,212.36	–
Total	103,192,212.36	–

3. Accounts receivable

(1) General information on accounts receivable

Items	30 June 2020	31 December 2019	31 December 2018
Accounts receivable	199,508,028.75	172,273,592.05	231,055,667.83
Less: Bad debt provision	62,616,899.41	60,482,948.15	19,834,480.90
Total	136,891,129.34	111,790,643.90	211,221,186.93

(2) Classification of accounts receivable as at 30 June 2020

	Original amount as at 30 June 2020					
	Aging					
Items	Within 180 days	180 days to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Low risk	–	–	–	–	–	–
Normal risk	93,925,259.53	–	2,800,000.00	–	15,973,067.92	112,698,327.45
Significant impairment risk	45,122,206.27	25,718,741.28	–	–	15,968,753.75	86,809,701.30
Total	139,047,465.80	25,718,741.28	2,800,000.00	–	31,941,821.67	199,508,028.75

	Provision for credit loss as at 30 June 2020									
	Aging									
Items	Within 180 days	180 days to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total	Net amount as at 30 June 2020	Original currency	Reasons for provision	Original amount as at 30 June 2020
Low risk	–	–	–	–	–	–	–	RMB	Expected credit loss	–
Normal risk	2,149,541.47	–	2,800,000.00	–	15,973,067.92	20,922,609.39	91,775,718.06	RMB	Expected credit loss	112,698,327.45
Significant impairment risk	6,794.99	25,718,741.28	–	–	15,968,753.75	41,694,290.02	45,115,411.28	RMB	Expected credit loss	86,809,701.30
Total	2,156,336.46	25,718,741.28	2,800,000.00	–	31,941,821.67	62,616,899.41	136,891,129.34	–	–	199,508,028.75

(3) Overall aging of accounts receivable

	30 June 2020			31 December 2019			31 December 2018		
Items	Book balance	Percentage (%)	Bad debt provision	Book balance	Percentage (%)	Bad debt provision	Book balance	Percentage (%)	Bad debt provision
Within 1 year (Including 1 year)	164,766,207.08	82.59	27,875,077.74	137,531,770.38	79.83	25,741,126.48	128,068,005.47	55.43	3,426,340.01
1 to 2 years (Including 2 year)	2,800,000.00	1.40	2,800,000.00	2,800,000.00	1.63	2,800,000.00	392,840.69	0.17	1,964.20
2 to 3 years (Including 3 year)	–	–	–	–	–	–	70,653,000.00	30.58	353,265.00
Over 3 years	31,941,821.67	16.01	31,941,821.67	31,941,821.67	18.54	31,941,821.67	31,941,821.67	13.82	16,052,911.69
Total	199,508,028.75	100.00	62,616,899.41	172,273,592.05	100.00	60,482,948.15	231,055,667.83	100.00	19,834,480.90

(4) The Company's bad debt provision for accounts receivable were RMB2,133,951.26, RMB25,716,900.48 and RMB2,549,006.85 for the period from January to June 2020 and the years of 2019 and 2018, respectively.

(5) The Company had no accounts receivable actually written off during the Reporting Period.

(6) As at 30 June 2020, the Company had no amounts due to a shareholder holding 5% or above of the Company's voting shares.

(7) The top balances of accounts receivable by debtors as of 30 June 2020

Name of companies	Relationship with the Group	Amount	Aging	Bad debt provision	Percentage of total accounts receivable (%)
Quanzhou Antong Logistics Co., Ltd. (泉州安通物流有限公司)	Customer	31,415,715.68	Within 1 year (Including 1 year)	25,719,880.67	15.75
Shanghai Sinograin Logistics Co., Ltd. (上海中谷物流股份有限公司)	Customer	18,656,093.96	Within 1 year (Including 1 year)	3,731.22	9.35
Dalian Wanhong Petrochemical Co., Ltd. (大連萬鴻石油化工有限公司)	Customer	15,968,753.75	Over 3 years	15,968,753.75	8.00
Trawind (Ningbo) Shipping Logistics Co., Ltd. (信風(寧波)海運物流有限公司)	Customer	12,005,730.60	Within 1 year (Including 1 year)	2,401.15	6.02
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	Customer	11,147,270.00	Within 1 year (Including 1 year)	–	5.59
Total	–	89,193,563.99	–	41,694,766.79	44.71

(8) Accounts receivable from related parties as of 30 June 2020

Name of companies	Relationship with the Company	Amount	Aging	Percentage of total accounts receivable (%)	Bad debt provision
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	A joint venture of the parent company	7,009,096.33	Within 1 year	3.51	1,401.82
Yingkou Gangjun Logistics Co., Ltd. (營口港駿物流有限公司)	A joint venture of the parent company	2,800,000.00	1-2 years	1.40	2,800,000.00
Liaoning Shenha Hongyun Logistics Co., Ltd. (遼寧沈哈紅運物流有限公司)	An associate of the parent company	1,532,870.15	Within 1 year	0.77	306.57
Others	A subsidiary of the parent company, etc.	5,198,511.48	Within 1 year	2.61	1,039.70
Total	–	16,540,477.96	–	8.29	2,802,748.09

4. Other receivables

Items	**30 June 2020**	**31 December 2019**	**31 December 2018**
Other receivables	199,960.00	304,574.78	806,007.61
Total	199,960.00	304,574.78	806,007.61

(1) Classification by nature of accounts

Nature of accounts	**30 June 2020**	**31 December 2019**	**31 December 2018**
Current accounts	224,127.41	2,999.40	–
Deposits	–	301,439.50	738,857.90
Others	–	135.88	71,200.00
Subtotal	224,127.41	304,574.78	810,057.90
Less: Bad debt provision	24,167.41	–	4,050.29
Total	199,960.00	304,574.78	806,007.61

(2) Classification by aging

	30 June 2020			31 December 2019			31 December 2018		
Items	Book balance	Percentage (%)	Bad debt provision	Book balance	Percentage (%)	Bad debt provision	Book balance	Percentage (%)	Bad debt provision
Within 1 year (Including 1 year)	200,000.00	89.23	40.00	260,447.37	85.51	–	321,895.76	39.74	1,677.93
1 to 2 years (Including 2 year)	–	–	–	20,000.00	6.57	–	289,493.41	35.74	629.12
2 to 3 years (Including 3 year)	–	–	–	6,727.41	2.21	–	58,683.95	7.24	293.42
Over 3 years	24,127.41	10.77	24,127.41	17,400.00	5.71	–	139,984.78	17.28	1,449.82
Total	224,127.41	100.00	24,167.41	304,574.78	100.00	–	810,057.90	100.00	4,050.29

(3) The Company had no other receivables actually written off during the Reporting Period.

(4) As at 30 June 2020, the Company had no other amounts due from a shareholder holding 5% or above of the Company's voting shares.

(5) During the Reporting Period, the Company had no prepayments transferred to other accounts receivable.

5. Long-term equity investments

(1) Classification of long-term equity investments

Items	**31 December 2019**	**January to June 2020 Increase**	**January to June 2020 Decrease**	**30 June 2020**
Investments in subsidiaries	3,174,455,500.00	–	–	3,174,455,500.00
Investment in joint ventures	300,731,491.81	14,580,619.06	–	315,312,110.87
Investment in associates	633,453,377.02	28,323,283.45	8,266,200.00	653,510,460.47
Subtotal	4,108,640,368.83	42,903,902.51	8,266,200.00	4,143,278,071.34
Less: Provision for impairment of long-term equity investments	–	–	–	–
Total	4,108,640,368.83	42,903,902.51	8,266,200.00	4,143,278,071.34

Items	**31 December 2018**	**Increase in 2019**	**Decrease in 2019**	**31 December 2019**
Investments in subsidiaries	3,174,455,500.00	–	–	3,174,455,500.00
Investment in joint ventures	281,270,560.07	44,067,646.36	24,606,714.62	300,731,491.81
Investment in associates	576,357,737.13	57,095,639.89	–	633,453,377.02
Subtotal	4,032,083,797.20	101,163,286.25	24,606,714.62	4,108,640,368.83
Less: Provision for impairment of long-term equity investments	–	–	–	–
Total	4,032,083,797.20	101,163,286.25	24,606,714.62	4,108,640,368.83

Items	**December 31, 2017**	**Increase in 2018**	**Decrease in 2018**	**31 December 2018**
Investments in subsidiaries	5,730,717,139.67	–	2,556,261,639.67	3,174,455,500.00
Investment in joint ventures	270,136,459.35	30,845,462.69	19,711,361.97	281,270,560.07
Investment in associates	529,044,619.68	49,132,013.71	1,818,896.26	576,357,737.13
Subtotal	6,529,898,218.70	79,977,476.40	2,577,791,897.90	4,032,083,797.20
Less: Provision for impairment of long-term equity investments	–	–	–	–
Total	6,529,898,218.70	79,977,476.40	2,577,791,897.90	4,032,083,797.20

(2) Details of long-term equity investments

Investees	**Investment cost**	**31 December 2019**	**Changes from January to June 2020**		**30 June 2020**	**Balance of provision for impairment as at 30 June 2020**
			Share of profit/(loss) under equity method	**Declaration of cash dividends or profits**		
Subsidiary						
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	3,150,455,500.00	3,150,455,500.00	–	–	3,150,455,500.00	–
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	24,000,000.00	24,000,000.00	–	–	24,000,000.00	–
Joint ventures						
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	16,458,690.85	72,578,156.63	19,744,362.52	–	92,322,519.15	–
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	192,118,114.69	228,153,335.18	-5,163,743.46	–	222,989,591.72	–

Investees	Investment cost	31 December 2019	Changes from January to June 2020		30 June 2020	Balance of provision for impairment as at 30 June 2020
			Share of profit/(loss) under equity method	Declaration of cash dividends or profits		
Associates						
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	245,000,000.00	400,815,827.07	23,713,734.98	–	424,529,562.05	–
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	213,224,500.00	232,637,549.95	4,609,548.47	8,266,200.00	228,980,898.42	–
Total	3,841,256,805.54	4,108,640,368.83	42,903,902.51	8,266,200.00	4,143,278,071.34	–

Investees	Investment cost	31 December 2018	Changes in 2019		31 December 2019	Balance of provision for impairment as at 31 December 2019
			Share of profit/(loss) under equity method	Declaration of cash dividends or profits		
Subsidiary						
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	3,150,455,500.00	3,150,455,500.00	–	–	3,150,455,500.00	–
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	24,000,000.00	24,000,000.00	–	–	24,000,000.00	–
Joint ventures						
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	16,458,690.85	61,449,684.23	35,735,187.02	24,606,714.62	72,578,156.63	–
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	192,118,114.69	219,820,875.84	8,332,459.34	–	228,153,335.18	–
Associates						
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	245,000,000.00	352,824,834.98	47,990,992.09	–	400,815,827.07	–
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	213,224,500.00	223,532,902.15	9,104,647.80	–	232,637,549.95	–
Total	3,841,256,805.54	4,032,083,797.20	101,163,286.25	24,606,714.62	4,108,640,368.83	–

Investees	Investment cost	December 31, 2017	Changes in 2018 Share of profit/(loss) under equity method	Changes in 2018 Declaration of cash dividends or profits	31 December 2018	Balance of provision for impairment as at 31 December 2018
Subsidiary						
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	3,150,455,500.00	3,150,455,500.00	–	–	3,150,455,500.00	–
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	24,000,000.00	24,000,000.00	–	–	24,000,000.00	–
Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司)	2,556,261,639.67	2,556,261,639.67	–	–	–	–
Joint ventures						
Yingkou Container Terminal Co., Ltd. (營口集裝箱碼頭有限公司)	16,458,690.85	53,820,252.18	27,340,794.02	19,711,361.97	61,449,684.23	–
Sinograin Yingkou Storage and Transportation Co., Ltd. (中儲糧營口儲運有限責任公司)	192,118,114.69	216,316,207.17	3,504,668.67	–	219,820,875.84	–
Associates						
Yingkou Port Group Finance Co., Ltd. (營口港務集團財務有限公司)	245,000,000.00	308,131,232.32	44,693,602.66	–	352,824,834.98	–
Angang Yingkou Port Co., Ltd. (鞍鋼營口港務有限公司)	213,224,500.00	220,913,387.36	4,438,411.05	1,818,896.26	223,532,902.15	–
Total	6,397,518,445.21	6,529,898,218.70	79,977,476.40	21,530,258.23	4,032,083,797.20	–

(3) Investments in subsidiaries

Name of investees	Initial investment cost	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	3,150,455,500.00	3,150,455,500.00	–	–	3,150,455,500.00
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	24,000,000.00	24,000,000.00	–	–	24,000,000.00
Total	3,174,455,500.00	3,174,455,500.00	–	–	3,174,455,500.00

Name of investees	Initial investment cost	31 December 2018	2019 Increase	2019 Decrease	31 December 2019
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	3,150,455,500.00	3,150,455,500.00	–	–	3,150,455,500.00
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	24,000,000.00	24,000,000.00	–	–	24,000,000.00
Total	3,174,455,500.00	3,174,455,500.00	–	–	3,174,455,500.00

Name of investees	Initial investment cost	December 31, 2017	2018 Increase	2018 Decrease	31 December 2018
Yingkou Xingang Ore Terminal Co., Ltd. (營口新港礦石碼頭有限公司)	3,150,455,500.00	3,150,455,500.00	–	–	3,150,455,500.00
Yingkou New Century Container Terminal Co., Ltd. (營口新世紀集裝箱碼頭有限公司)	24,000,000.00	24,000,000.00	–	–	24,000,000.00
Yingkou Xingang Petrochemical Terminal Co., Ltd. (營口新港石化碼頭有限公司)	2,556,261,639.67	2,556,261,639.67	–	2,556,261,639.67	–
Total	5,730,717,139.67	5,730,717,139.67	–	2,556,261,639.67	3,174,455,500.00

6. Short-term borrowings

Categories of borrowings	30 June 2020	31 December 2019	31 December 2018
Unsecured borrowings	–	400,531,666.68	850,000,000.00
Total	–	400,531,666.68	850,000,000.00

7. Long-term borrowings

Categories of borrowings	30 June 2020	31 December 2019	31 December 2018	Interest rate range (%)
Unsecured borrowings	–	358,511,958.34	1,099,000,000.00	4.51-4.90
Guaranteed borrowings	–	–	510,200,000.00	4.41-4.90
Total	–	358,511,958.34	1,609,200,000.00	–
Less: Long-term borrowings due within one year	–	358,511,958.34	661,200,000.00	4.41-4.90
Including: Unsecured borrowings	–	358,511,958.34	151,000,000.00	4.51-4.90
Guaranteed borrowings	–	–	510,200,000.00	4.41-4.90
Long-term borrowings due after one year	–	–	948,000,000.00	–

8. Bonds payable

(1) Bonds payable

Items	30 June 2020	31 December 2019	31 December 2018
14 Yingkou Port Bonds	984,211,000.00	984,211,000.00	1,000,000,000.00
Total	984,211,000.00	984,211,000.00	1,000,000,000.00

(2) Increase or decrease of bonds payable (excluding preference shares, perpetual bonds and other financial instruments that are classified as financial liabilities)

Bond Name	Par value	Issuance date	Maturity	Issuance amount	31 December 2019	Interest at par value	Principal and interest repaid from January to June 2020	30 June 2020
14 Yingkou Port Bonds	100.00	10/20/2014	7 years	1,000,000,000.00	995,234,163.21	27,864,107.00	–	1,023,098,270.21
Total	–	–	–	1,000,000,000.00	995,234,163.21	27,864,107.00	–	1,023,098,270.21
Less: Bonds payable due within one year	–	–	–	–	11,023,163.21	–	–	38,887,270.21
Bonds payable due after one year	–	–	–	1,000,000,000.00	984,211,000.00	–	–	984,211,000.00

Bond Name	Par value	Issuance date	Maturity	Issuance amount	31 December 2018	Interest at par value	Principal and interest repaid in 2019	31 December 2019
14 Yingkou Port Bonds	100.00	10/20/2014	7 years	1,000,000,000.00	1,000,000,000.00	55,823,163.21	71,789,000.00	995,234,163.21
Total	–	–	–	1,000,000,000.00	1,000,000,000.00	55,823,163.21	71,789,000.00	995,234,163.21
Less: Bonds payable due within one year	–	–	–	–	–	–	–	11,023,163.21
Bonds payable due after one year	–	–	–	1,000,000,000.00	1,000,000,000.00	–	–	984,211,000.00

Bond Name	Par value	Issuance date	Maturity	Issuance amount	December 31, 2017	Interest at par value	Principal and interest repaid in 2018	31 December 2018
10 Yingkou Port Bonds	100.00	3/2/2010	8 years	1,200,000,000.00	1,200,000,000.00	6,096,666.67	1,265,452,283.11	–
14 Yingkou Port Bonds	100.00	10/20/2014	7 years	1,000,000,000.00	1,000,000,000.00	53,666,666.69	53,666,666.69	1,000,000,000.00
Total	–	–	–	2,200,000,000.00	2,200,000,000.00	59,763,333.36	1,319,118,949.80	1,000,000,000.00
Less: Bonds payable due within one year	–	–	–	–	1,200,000,000.00	–	–	–
Bonds payable due after one year	–	–	–	2,200,000,000.00	1,000,000,000.00	–	–	**1,000,000,000.00**

Note: See Note VIII.26 for details.

9. Capital reserve

Items	31 December 2019	Increase from January to June 2020	Decrease from January to June 2020	30 June 2020
Capital (or share capital) premium	1,523,865,673.28	–	–	1,523,865,673.28
Other capital reserve	13,179,828.16	–	–	13,179,828.16
Total	1,537,045,501.44	–	–	1,537,045,501.44

Items	31 December 2018	Increase in 2019	Decrease in 2019	31 December 2019
Capital (or share capital) premium	1,523,865,673.28	–	–	1,523,865,673.28
Other capital reserve	13,179,828.16	–	–	13,179,828.16
Total	1,537,045,501.44	–	–	1,537,045,501.44

Items	December 31, 2017	Increase in 2018	Decrease in 2018	31 December 2018
Capital (or share capital) premium	1,523,865,673.28	–	–	1,523,865,673.28
Other capital reserve	30,015,302.77	–	16,835,474.61	13,179,828.16
Total	1,553,880,976.05	–	16,835,474.61	1,537,045,501.44

10. Undistributed profits

Items	January to June 2020	2019	2018
Amount at the end of the previous period	3,522,017,668.25	3,022,893,335.34	2,433,701,711.61
Add: Adjustment of undistributed profit at the beginning of the period	–	-14,927,516.48	–
Including: Changes in accounting policies	–	-14,927,516.48	–
Amount at the beginning of the period	3,522,017,668.25	3,007,965,818.86	2,433,701,711.61
Increase in the period	573,638,163.19	909,202,278.65	834,462,452.81
Add: Net profit for the period attributable to the parent company	573,638,163.19	909,202,278.65	834,462,452.81
Decrease in the period	310,703,184.14	395,150,429.26	245,270,829.08
Less: Appropriation to statutory surplus reserve in the period	–	90,920,227.86	83,446,245.28
Distributed profits	310,703,184.14	304,230,201.40	161,824,583.80
Amount at the end of the period	3,731,216,369.32	3,522,017,668.25	3,022,893,335.34

11. OPERATING INCOME

Items	January to June 2020		2019		2018	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Principal operations	1,964,097,065.09	1,234,438,486.70	3,844,109,794.79	2,499,950,190.69	3,724,529,553.31	2,327,831,214.28
Other operations	119,255,127.98	63,881,624.98	260,966,184.80	188,701,284.61	260,748,306.99	153,677,949.65
Total	2,083,352,193.07	1,301,129,846.18	4,105,075,979.59	2,688,651,475.30	3,985,277,860.30	2,481,509,163.93

12. Financial expenses

Items	January to June 2020	2019	2018
Interest expenses	35,622,259.76	130,885,998.22	186,006,114.16
Including: Bank and other borrowings	7,758,152.76	75,062,835.01	118,561,730.60
Bond interest and discount on notes	27,864,107.00	55,823,163.21	67,444,383.56
Less: Interest income	3,662,306.39	5,495,429.13	3,681,390.28
Commission charges	30,117.74	70,175.05	149,224.36
Total	31,990,071.11	125,460,744.14	182,473,948.24

13. Investment income

Items	January to June 2020	2019	2018
Income from long-term equity investments	81,233,207.57	130,773,774.40	51,168,867.16
Including: Income from long-term equity investments under equity method	42,903,902.51	101,163,286.25	79,977,476.40
Income from long-term equity investments under cost method	38,329,305.06	29,610,488.15	26,432,499.08
Income from disposal of long-term equity investments	–	–	-55,241,108.32
Total	81,233,207.57	130,773,774.40	51,168,867.16

There are no significant restrictions on the repatriation of investment income of the Company.

14. Supplementary information to the cash flow statement of the parent company

Items	January to June 2020	2019	2018
1. Reconciliation from net profit to cash flows from operating activities:			
Net profit	573,638,163.19	909,202,278.65	834,462,452.81
Add: Asset impairment losses	1,457,110.59	–	2,483,530.93
Credit impairment losses	2,158,118.67	25,716,900.48	–
Depreciation of fixed assets and investment properties	285,079,491.45	573,449,649.31	665,289,330.05
Amortisation of intangible assets	17,610,511.63	35,524,642.11	35,524,642.11
Losses from disposal of assets (Gains represented by "-")	–	-38,146.55	-29,885.37
Losses from damages and obsolescence of non-current assets (Gains represented by "-")	2,703,893.03	25,079.87	1,180,092.48
Financial expenses (Income represented by "-")	35,622,259.76	130,885,998.22	186,006,114.16
Investment losses (Income represented by "-")	-81,233,207.57	-130,773,774.40	-51,168,867.16
Decrease in deferred tax assets (Increase represented by "-")	94,373.22	-8,286,267.23	-28,652,542.03
Increase in deferred tax liabilities (Decrease represented by "-")	–	–	–
Decrease in inventories (Increase represented by "-")	-1,826,745.80	5,098,799.47	2,850,589.15
Decrease in operating receivables (Increase represented by "-")	-102,220,899.23	-34,248,972.66	45,188,340.22
Increase in operating payables (Decrease represented by "-")	-64,323,694.39	50,727,689.80	-274,514,094.89
Net cash flows from operating activities	668,759,374.55	1,557,283,877.07	1,418,619,702.46
2. Net change in cash and cash equivalents:			
Closing balance of cash	1,072,567,363.32	1,125,431,383.39	1,721,258,456.79
Less: Opening balance of cash	1,125,431,383.39	1,721,258,456.79	989,594,273.99
Net increase in cash and cash equivalents	-52,864,020.07	-595,827,073.40	731,664,182.80

XVIII. SUPPLEMENTARY INFORMATION

(1) Statement of non-recurring profit or loss for the current period

According to the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public-Non-recurring Profit or Loss (《公開發行證券的公司信息披露解釋性公告第1號--非經常性損益(2008)》) issued by the China Securities Regulatory Commission, the Group's non-operating profit or loss is as follows:

Items	January to June 2020	2019	2018	Description
Profit or loss on disposal of non-current assets	–	38,146.55	1,271,015.56	–
Government grants included in profit or loss for the current period	12,162,541.05	18,000,776.84	4,588,777.18	–
Gain or loss on contingency items unrelated to the normal business operations of the Company	–	–	-58,887,349.41	–
Other non-operating income and expenses other than all above-mentioned items	-1,949,912.82	-224,492.85	1,669,318.25	–
Subtotal	10,212,628.23	17,814,430.54	-51,358,238.42	–
Effect of income tax	-2,553,157.06	-4,453,607.64	12,688,785.92	–
Effect of minority interests (after tax)	-257,710.12	-317,071.91	-188,101.84	–
Total	7,401,761.05	13,043,750.99	-38,857,554.34	–

(2) Return on net assets and earnings per share

According to the Guidelines on the Compilation of Information Disclosure Documents by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010) (公開發行證券的公司信息披露編報規則第9號--淨資產收益率和每股收益的計算及披露(2010年修訂)) issued by the China Securities Regulatory Commission, the weighted average return on net assets, basic earnings per share and diluted earnings per share of the Group from 2018 to the period from January to June 2020 are as follows:

January to June 2020

Profit for the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
	(%)		
Net profit attributable to shareholders of the parent company	4.8960	0.0956	0.0956
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	4.8374	0.0945	0.0945

2019

Profit for the reporting period	**Weighted average return on net assets**	**Earnings per share**	
		Basic earnings per share	**Diluted earnings per share**
	(%)		
Net profit attributable to shareholders of the parent company	8.4188	0.1563	0.1563
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	8.3103	0.1543	0.1543

2018

Profit for the reporting period	**Weighted average return on net assets**	**Earnings per share**	
		Basic earnings per share	**Diluted earnings per share**
	(%)		
Net profit attributable to shareholders of the parent company	8.9429	0.1546	0.1546
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	9.2901	0.1606	0.1606

IXX. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the years of 2018 and 2019 and the period from January to June 2020 have been approved by the Board of Directors of the Company on 28 August 2020.

II. DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY AND THE TARGET COMPANY

As described in the section entitled "*Letter from the Board – Waiver from Strict Compliance with Rule 14.69(4)(a)(i) of the Listing Rules*" of this circular, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the requirement to include in this circular an accountants' report on the Target Company and its consolidated subsidiaries (the "Target Group") in accordance with Rule 14.69(4)(a)(i) and Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange.

Instead, the circular contains a copy of: (i) the audited consolidated financial statements of the Target Group for the year ended 31 December 2017, prepared in accordance with CAS and audited by Huapu Tianjian Accounting Firm (華普天健會計師事務所), as published by the Target Group on the Shanghai Stock Exchange website, and (ii) the audited consolidated financial statements of the Target Group for the years ended 31 December 2018, 2019 and six months ended 30 June 2020, prepared in accordance with CAS and audited by ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)) (collectively referred to the "**Target Group Historical Track Record Accounts**"), as part of a regulatory report prepared in accordance with PRC regulatory requirements and as published by the Target Group on the Shanghai Stock Exchange website.

The Target Group Historical Track Record Accounts cover the financial positions of the Target Group as of 31 December 2017, 2018, 2019 and 30 June 2020 and the results of the Target Group for each of the three years ended 31 December 2017, 2018, 2019 and six months ended 30 June 2020 (the "**Relevant Periods**").

The accounting policies adopted in the preparation of the Target Group Historical Track Record Accounts differ in certain material respects from the accounting policies adopted by the Company which related to the adoption of the CAS 22 Financial Instruments Recognition and Measurement (revised in 2017), the CAS 23 Transfer of Financial Assets (revised in 2017), the CAS 24 Hedging (revised in 2017), the CAS 37 Presentation of Financial Instrument (revised in 2017) (collectively referred to the "New Financial Instrument Standards"), and the CAS 14 Revenue from Contracts with Customers (revised in 2017) (the "New Revenue Standard") from 1 January 2018, and CAS 21 Leases (revised in 2018) (the "New Leases Standard") from 1 January 2019. As an A-share and H-share dual-listed company, the Company adopted the above new CASs from 1 January 2018 and 1 January 2019, respectively. While as an A-share listed company, the Target Company adopted the New Financial Instrument Standards and New Revenue Standard from 1 January 2019 and 1 January 2020, respectively. Except for the different timing on adoption of the above new CASs, the Directors considered that there were no material differences in the accounting policies adopted by the Target Company and the Company which are both in compliance with CAS. Differences which would have a significant effect on the Target Group Historical Track Record Accounts, had they been prepared in accordance with the accounting policies adopted by the Company, are set out below in "Target Group's Unaudited Adjusted Financial Information under the Company's Policies", with the following disclosures:

(a) a comparison between the Target Group's consolidated statements of financial position as extracted from the Target Group Historical Track Record Accounts, prepared in accordance with CAS with adoption of the New Financial Instrument Standards from 1 January 2019 and the New Revenue Standard from 1 January 2020, and unaudited adjusted consolidated statements of financial position had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with CAS with adoption of the New Financial Instrument Standards, the New Revenue Standard from 1 January 2018, and the New Leases Standard from 1 January 2019. The process applied in the preparation of such a comparison is set out in the "*Basis of Preparation*" and "*Reconciliation Process*" sections below;

(b) a comparison between the Target Group's consolidated statements of profit or loss as extracted from the Target Group Historical Track Record Accounts, prepared in accordance with CAS with adoption of the New Financial Instrument Standards from 1 January 2019 and the New Revenue Standard from 1 January 2020, and unaudited adjusted consolidated statements of profit or loss had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with CAS with adoption of the New Financial Instrument Standards, the New Revenue Standard from 1 January 2018, and the New Leases Standard from 1 January 2019. The process applied in the preparation of such a comparison is also set out in the "*Basis of Preparation*" and "*Reconciliation Process*" sections below; and

(c) a discussion of the material financial statement line item differences arising out of the exercise outlined in (a) and (b) above.

The above referenced items are collectively referred to as the **"Reconciliation Information"**.

Basis of Preparation

The Reconciliation Information for the Relevant Periods, which presents the "*Unadjusted Financial Information under the Target Company's accounting policies*" of the Target Group as if it had been prepared in accordance with the accounting policies adopted by the Company which are in compliance with CAS with adoption of the New Financial Instrument Standards, the New Revenue Standard from 1 January 2018, and the New Leases Standard from 1 January 2019, has been prepared on the assumption that the transition provisions of the said new CASs are applicable to the Target Company. As such, the Target Company has applied the mandatory exceptions and certain optional exemptions afforded by the said new CASs for the preparation of the Reconciliation Information for the Relevant Periods.

Reconciliation Process

The Reconciliation Information has been prepared by the Target Company by comparing and analyzing the differences between the accounting policies adopted by the Target Company for the preparation of the Target Group Historical Track Record Accounts in accordance with CAS with adoption of the New Financial Instrument Standards from 1 January 2019 and the New Revenue Standard from 1 January 2020, and the accounting policies adopted by the Company which are in compliance with CAS with adoption of the New Financial Instrument Standards, the New Revenue Standard from 1 January 2018, and the New Leases Standard from 1 January 2019, and quantifying the relevant material financial effects of such differences.

Ernst & Young Hua Ming LLP was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") issued by the HKICPA on the Reconciliation Information. The work consisted primarily of:

(i) comparing the "*Unadjusted Financial Information under the Target Company's accounting policies*" as set out below in the section "*The Target Group's Unaudited Adjusted Financial Information under the Company's Policies*" with the Target Group Historical Track Record Accounts prepared under CAS;

(ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the "*Adjusted Financial Information under the Company's Policies*" set out below in the section "*The Target Group's Unaudited Adjusted Financial Information under the Company's Policies*", which included examining the differences between the Target Company's accounting policies and the Company's accounting policies; and

(iii) checking the arithmetic accuracy of the computation of the "*Adjusted Financial Information under the Company's Policies*".

Ernst & Young Hua Ming LLP's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Ernst & Young Hua Ming LLP did not express an audit opinion nor a review conclusion on the Reconciliation Information. Ernst & Young Hua Ming LLP's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, Ernst & Young Hua Ming LLP has concluded that:

(i) the "*Unadjusted Financial Information under the Target Company's accounting policies*" as set out in the section "*The Target Group's Unaudited Adjusted Financial Information under the Company's Policies*" is in agreement with the Target Group Historical Track Record Accounts;

(ii) the adjustments set out in the section "*the Target Group's Unaudited Adjusted Financial Information under the Company's Policies*" reflect, in all material respects, the differences between the Target Company's accounting policies and the Company's accounting policies on the basis described in the section "*Basis of Preparation*" above; and

(iii) the computation of the "*Adjusted Financial Information under the Company's Policies*" is arithmetically accurate.

The Target Group's Unaudited Adjusted Financial Information under the Company's Policies

The Target Group Historical Track Record Accounts for the Relevant Periods have been prepared and presented in accordance with CAS with adoption of the New Financial Instrument Standards from 1 January 2019 and the New Revenue Standard from 1 January 2020. The material differences between the Target Group Historical Track Record Accounts, as prepared in accordance with CAS with adoption of the New Financial Instrument Standards from 1 January 2019 and the New Revenue Standard from 1 January 2020, compared to that applying the accounting policies adopted by the Company which are in compliance with CAS with adoption of the New Financial Instrument Standards, the New Revenue Standard from 1 January 2018, and the New Leases Standard from 1 January 2019, are set out below:

As at 31 December 2017

There are no material differences between the Target Group's consolidated financial statements for the year ended 31 December 2017 prepared in accordance with CAS, compared to that applying the accounting policies adopted by the Company which are also in compliance with CAS.

Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies as of 31 December 2018

(In thousands of RMB)

	Notes	Unadjusted Financial Information under the Target Company's Accounting Policies	Adjustments	Adjusted Financial Information under the Company's Policies
ASSETS				
CURRENT ASSETS				
Cash at bank and on hand		3,251,790	–	3,251,790
Notes receivable		325,266	–	325,266
Accounts receivable	*a, b*	307,799	(4,808)	302,991
Advances to suppliers		1,424	–	1,424
Other receivables	*a*	807	4	811
Inventories		39,532	–	39,532
Other current assets		39,314	–	39,314
Total current assets		3,965,932	(4,804)	3,961,128
NON-CURRENT ASSETS				
Long-term equity investments		857,628	–	857,628
Fixed assets		9,813,797	–	9,813,797
Construction in progress		281,245	–	281,245
Intangible assets		1,054,974	–	1,054,974
Deferred tax assets	*e*	200,414	3,615	204,029
Other non-current assets		570	–	570
Total non-current assets		12,208,628	3,615	12,212,243
TOTAL ASSETS		16,174,560	(1,189)	16,173,371

Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies as of 31 December 2018 (continued)

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
LIABILITIES AND OWNERS' EQUITY				
CURRENT LIABILITIES				
Short-term borrowings		850,000	–	850,000
Accounts payable		276,459	–	276,459
Advances from customers	*d*	53,891	(53,891)	–
Contract liabilities	*d*	–	53,891	53,891
Employee benefits payable		51,319	–	51,319
Taxes payable		23,911	–	23,911
Other payables		46,547	–	46,547
Non-current liabilities due within one year		661,200	–	661,200
Total current liabilities		1,963,327	–	1,963,327
NON-CURRENT LIABILITIES				
Long-term borrowings		948,000	–	948,000
Bonds payable		1,000,000	–	1,000,000
Provision		33,003	–	33,003
Deferred income		53,120	–	53,120
Deferred tax liabilities	*e*	–	2,414	2,414
Total non-current liabilities		2,034,123	2,414	2,036,537
TOTAL LIABILITIES		3,997,450	2,414	3,999,864

Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies as of 31 December 2018 (continued)

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
OWNERS' EQUITY				
Share capital		6,472,983	–	6,472,983
Capital reserve		1,537,046	–	1,537,046
Special reserve		54,499	–	54,499
Surplus reserve		595,767	–	595,767
Undistributed profits	*a, b, e*	2,979,064	(3,359)	2,975,705
Total equity attributable to owners of the parent company		11,639,359	(3,359)	11,636,000
Minority interests		537,751	(244)	537,507
Total owners' equity		12,177,110	(3,603)	12,173,507
TOTAL LIABILITIES AND OWNERS' EQUITY		16,174,560	(1,189)	16,173,371

Unaudited Adjusted Consolidated Statements of Profit or Loss and Other Comprehensive Income under the Company's Policies for the year ended 31 December 2018

(In thousands of RMB)

	Notes	Unadjusted Financial Information under the Target Company's Accounting Policies	Adjustments	Adjusted Financial Information under the Company's Policies
Revenue		4,813,538	9,658	4,823,196
Less: Cost of service		3,040,743	–	3,040,743
Taxes and surcharges		50,261	–	50,261
General and administrative expenses		236,997	–	236,997
Financial expenses		174,438	–	174,438
Add: Other income		3,197	–	3,197
Investment income		82,455	–	82,455
Assets impairment losses	*a*	(2,526)	2,526	–
Credit impairment losses	*a*	–	(3,034)	(3,034)
Losses on disposals of assets		(26)	–	(26)
Operating profit		1,394,199	9,150	1,403,349
Add: Non-operating income		7,419	–	7,419
Less: Non-operating expenses		64,425	–	64,425
TOTAL PROFIT		1,337,193	9,150	1,346,343
Less: Income tax expenses	*e*	301,528	2,287	303,815
NET PROFIT		1,035,665	6,863	1,042,528
Attributable to:				
Owners of the parent company		1,000,906	7,107	1,008,013
Minority interests		34,759	(244)	34,515
Other comprehensive income, net of tax		–	–	–
TOTAL COMPREHENSIVE INCOME		1,035,665	6,863	1,042,528
Attributable to:				
Owners of the parent company		1,000,906	7,107	1,008,013
Minority interests		34,759	(244)	34,515

Unaudited Adjusted Consolidated Statements of Cash Flows under the Company's Policies for the year ended 31 December 2018

There are no material differences between the Target Group's consolidated statement of cash flows for the year ended 31 December 2018, comparing to that applying the accounting policies adopted by the Company.

Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies as of 31 December 2019

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
ASSETS				
CURRENT ASSETS				
Cash at bank and on hand		3,014,706	–	3,014,706
Notes receivable		330,757	–	330,757
Accounts receivable		149,860	–	149,860
Advances to suppliers		1,774	–	1,774
Other receivables		315	–	315
Inventories		32,798	–	32,798
Other current assets		9,786	–	9,786
Total current assets		3,539,996	–	3,539,996
NON-CURRENT ASSETS				
Long-term equity investments		934,185	–	934,185
Fixed assets		9,508,267	–	9,508,267
Construction in progress		16,554	–	16,554
Right-of-use assets	*c*	–	2,366,873	2,366,873
Intangible assets		1,022,340	–	1,022,340
Deferred tax assets	*e*	198,975	14,559	213,534
Total non-current assets		11,680,321	2,381,432	14,061,753
TOTAL ASSETS		15,220,317	2,381,432	17,601,749

Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies as of 31 December 2019 (continued)

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
LIABILITIES AND OWNERS' EQUITY				
CURRENT LIABILITIES				
Short-term borrowings		400,532	–	400,532
Accounts payable		164,754	–	164,754
Advances from customers	*d*	180,338	(180,338)	–
Contract liabilities	*d*	–	180,338	180,338
Employee benefits payable		81,296	–	81,296
Taxes payable		25,756	–	25,756
Other payables		34,944	–	34,944
Non-current liabilities due within one year	*c*	369,535	96,848	466,383
Total current liabilities		1,257,155	96,848	1,354,003
NON-CURRENT LIABILITIES				
Bonds payable		984,211	–	984,211
Lease liabilities	*c*	–	2,328,259	2,328,259
Provision		32,760	–	32,760
Deferred income		45,621	–	45,621
Total non-current liabilities		1,062,592	2,328,259	3,390,851
TOTAL LIABILITIES		2,319,747	2,425,107	4,744,854

Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies as of 31 December 2019 (continued)

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
OWNERS' EQUITY				
Share capital		6,472,983	–	6,472,983
Capital reserve		1,537,046	–	1,537,046
Special reserve		67,468	–	67,468
Surplus reserve		686,687	–	686,687
Undistributed profits	*c, e*	3,581,085	(43,675)	3,537,410
Total equity attributable owners of the parent company		12,345,269	(43,675)	12,301,594
Minority interests		555,301	–	555,301
Total owners' equity		12,900,570	(43,675)	12,856,895
TOTAL LIABILITIES AND OWNERS' EQUITY		15,220,317	2,381,432	17,601,749

Unaudited Adjusted Consolidated Statements of Profit or Loss and Other Comprehensive Income under the Company's Policies for the year ended 31 December 2019

(In thousands of RMB)

	Notes	Unadjusted Financial Information under the Target Company's Accounting Policies	Adjustments	Adjusted Financial Information under the Company's Policies
Revenue	*b*	4,768,327	(9,658)	4,758,669
Less: Cost of service	*c*	3,109,550	(63,871)	3,045,679
Taxes and surcharges		46,314	–	46,314
General and administrative expenses	*c*	244,556	(14,167)	230,389
Financial expenses	*c*	108,787	127,023	235,810
Add: Other income		18,001	–	18,001
Investment income		101,163	–	101,163
Credit impairment losses		(25,704)	–	(25,704)
Gains on disposals of assets		38	–	38
Operating profit		1,352,618	(58,643)	1,293,975
Add: Non-operating income		3,598	–	3,598
Less: Non-operating expenses		3,822	–	3,822
TOTAL PROFIT		1,352,394	(58,643)	1,293,751
Less: Income tax expenses	*e*	304,105	(14,661)	289,444
NET PROFIT		1,048,289	(43,982)	1,004,307
Attributable to:				
Owners of the parent company		1,011,633	(44,225)	967,408
Minority interests		36,656	243	36,899
Other comprehensive income, net of tax		–	–	–
TOTAL COMPREHENSIVE INCOME		1,048,289	(43,982)	1,004,307
Attributable to:				
Owners of the parent company		1,011,633	(44,225)	967,408
Minority interests		36,656	243	36,899

Unaudited Adjusted Consolidated Statements of Cash Flows under the Company's Policies for the year ended 31 December 2019

(In thousands of RMB)

	Notes	Unadjusted Financial Information under the Target Company's Accounting Policies	Adjustments	Adjusted Financial Information under the Company's Policies
Cash flows from operating activities:				
Cash received from sales of goods or rendering of services		4,984,899	–	4,984,899
Cash received relating to other operating activities		34,046	–	34,046
Sub-total of cash inflows		5,018,945	–	5,018,945
Cash paid for goods and services	*c*	1,498,646	(166,340)	1,332,306
Cash paid to and on behalf of employees		1,033,808	–	1,033,808
Payments of taxes and surcharges		455,146	–	455,146
Cash paid relating to other operating activities		65,525	–	65,525
Sub-total of cash outflows		3,053,125	(166,340)	2,886,785
Net cash flows from operating activities		1,965,820	166,340	2,132,160
Cash flows from investing activities:				
Cash received from returns on investments		24,607	–	24,607
Sub-total of cash inflows		24,607	–	24,607
Cash paid to acquire fixed assets, intangible assets and other long-term assets		51,006	–	51,006
Sub-total of cash outflows		51,006	–	51,006
Net cash flows from investing activities		(26,399)	–	(26,399)

Unaudited Adjusted Consolidated Statements of Cash Flows under the Company's Policies for the year ended 31 December 2019 (continued)

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
Cash flows from financing activities:				
Cash received from borrowings		400,000	–	400,000
Sub-total of cash inflows		400,000	–	400,000
Cash repayments of borrowings		2,116,989	–	2,116,989
Cash payments for distribution of dividends or profits or interest expenses		459,512	–	459,512
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		19,740	–	19,740
Cash paid relating to other financing activities	*c*	4	166,340	166,344
Sub-total of cash outflows		2,576,505	166,340	2,742,845
Net cash flows from financing activities		(2,176,505)	(166,340)	(2,342,845)
Effect of foreign exchange rate changes on cash and cash equivalents:		–	–	–
Net increase in cash and cash equivalents:		(237,084)	–	(237,084)
Add: Cash and cash equivalents at the beginning of the year		3,251,790	–	3,251,790
Cash and cash equivalents at the end of the year:		3,014,706	–	3,014,706

Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies as of 30 June 2020

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
ASSETS				
CURRENT ASSETS				
Cash at bank and on hand		3,091,183	–	3,091,183
Notes receivable		338,933	–	338,933
Accounts receivable		147,243	–	147,243
Advances to suppliers		8,352	–	8,352
Other receivables		209	–	209
Inventories		31,655	–	31,655
Other current assets		4,347	–	4,347
Total current assets		3,621,922	–	3,621,922
NON-CURRENT ASSETS				
Long-term equity investments		968,823	–	968,823
Fixed assets		9,174,462	–	9,174,462
Construction in progress		16,573	–	16,573
Right-of-use assets	*c*	–	1,744,044	1,744,044
Intangible assets		1,005,755	–	1,005,755
Deferred tax assets	*e*	194,059	20,110	214,169
Total non-current assets		11,359,672	1,764,154	13,123,826
TOTAL ASSETS		14,981,594	1,764,154	16,745,748

Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies as of 30 June 2020 (continued)

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
LIABILITIES AND OWNERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable		93,301	–	93,301
Contract liabilities		153,395	–	153,395
Employee benefits payable		15,915	–	15,915
Taxes payable		52,000	–	52,000
Other payables		354,432	–	354,432
Non-current liabilities due within one year	*c*	38,887	86,568	125,455
Total current liabilities		707,930	86,568	794,498
NON-CURRENT LIABILITIES				
Bonds payable		984,211	–	984,211
Lease liabilities	*c*	–	1,737,915	1,737,915
Provisions		32,760	–	32,760
Deferred income		41,871	–	41,871
Total non-current liabilities		1,058,842	1,737,915	2,796,757
TOTAL LIABILITIES		1,766,772	1,824,483	3,591,255

Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies as of 30 June 2020 (continued)

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
OWNERS' EQUITY				
Share capital		6,472,983	–	6,472,983
Capital reserve		1,537,046	–	1,537,046
Special reserve		77,124	–	77,124
Surplus reserve		686,687	–	686,687
Undistributed profits	*c, e*	3,889,483	(60,329)	3,829,154
Total equity attributable to owners of the parent company		12,663,323	(60,329)	12,602,994
Minority interests		551,499	–	551,499
Total owners' equity		13,214,822	(60,329)	13,154,493
TOTAL LIABILITIES AND OWNERS' EQUITY		14,981,594	1,764,154	16,745,748

Unaudited Adjusted Consolidated Statements of Profit or Loss and Other Comprehensive Income under the Company's Policies for the six months period ended 30 June 2020

(In thousands of RMB)

	Notes	**Unadjusted Financial Information under the Target Company's Accounting Policies**	**Adjustments**	**Adjusted Financial Information under the Company's Policies**
Revenue		2,407,321	–	2,407,321
Less: Cost of service	*c*	1,491,209	(31,935)	1,459,274
Taxes and surcharges		27,519	–	27,519
General and administrative expenses	*c*	97,820	(7,084)	90,736
Financial expenses	*c*	14,462	61,225	75,687
Add: Other income		12,163	–	12,163
Investment income		42,904	–	42,904
Assets impairment losses		(1,457)	–	(1,457)
Credit impairment losses		(2,157)	–	(2,157)
Operating profit		827,764	(22,206)	805,558
Add: Non-operating income		1,570	–	1,570
Less: Non-operating expenses		3,520	–	3,520
TOTAL PROFIT		825,814	(22,206)	803,608
Less: Income tax expenses	*e*	184,986	(5,552)	179,434
NET PROFIT		640,828	(16,654)	624,174
Attributable to:				
Owners of the parent company		619,102	(16,654)	602,448
Minority interests		21,726	–	21,726
Other comprehensive income, net of tax		–	–	–
TOTAL COMPREHENSIVE INCOME		640,828	(16,654)	624,174
Attributable to:				
Owners of the parent company		619,102	(16,654)	602,448
Minority interests		21,726	–	21,726

Unaudited Adjusted Consolidated Statements of Cash Flows under the Company's Policies for the six months period ended 30 June 2020

(In thousands of RMB)

	Notes	Unadjusted Financial Information under the Target Company's Accounting Policies	Adjustments	Adjusted Financial Information under the Company's Policies
Cash flows from operating activities:				
Cash received from sales of goods or rendering of services		2,411,987	–	2,411,987
Cash received relating to other operating activities		33,678	–	33,678
Sub-total of cash inflows		2,445,665	–	2,445,665
Cash paid for goods and services	*c*	759,513	(62,309)	697,204
Cash paid to and on behalf of employees		533,227	–	533,227
Payments of taxes and surcharges		259,637	–	259,637
Cash paid relating to other operating activities		31,295	–	31,295
Sub-total of cash outflows		1,583,672	(62,309)	1,521,363
Net cash flows from operating activities		861,993	62,309	924,302
Cash flows from investing activities:				
Cash received from returns on investments		8,266	–	8,266
Sub-total of cash inflows		8,266	–	8,266
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,426	–	1,426
Sub-total of cash outflows		1,426	–	1,426
Net cash flows from investing activities		6,840	–	6,840

Unaudited Adjusted Consolidated Statements of Cash Flows under the Company's Policies for the six months period ended 30 June 2020 (continued)

(In thousands of RMB)

	Notes	Unadjusted Financial Information under the Target Company's Accounting Policies	Adjustments	Adjusted Financial Information under the Company's Policies
Cash flows from financing activities:				
Cash repayments of borrowings		758,000	–	758,000
Cash payments for distribution of dividends or profits or interest expenses		34,355	–	34,355
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		25,553	–	25,553
Cash paid relating to other financing activities	*c*	–	62,309	62,309
Sub-total of cash outflows		792,355	62,309	854,664
Net cash flows from financing activities		(792,355)	(62,309)	(854,664)
Effect of foreign exchange rate changes on cash and cash equivalents:		–	–	–
Net increase in cash and cash equivalents:		76,478	–	76,478
Add: Cash and cash equivalents at the beginning of the period		3,014,706	–	3,014,706
Cash and cash equivalents at the end of the period:		3,091,184	–	3,091,184

(a) Impairment provision for receivables

Under the accounting policies of the Target Group, it is first to assess whether impairment exists individually for receivables that are individually significant, or collectively for receivables that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, the individually assessed receivable is included in a group of receivables with similar credit risk characteristics and collectively assessed for impairment.

On 1 January 2018, the Company adopted the New Financial Instruments Standards. Under the accounting policies of the Company, the impairment provision for receivables is made based on assumptions about risk of default and expected loss rates. The expected credit losses ("ECL") of other receivables are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The ECL of trade receivables are calculated using simplified approach. Under the simplified approach, the loss allowance is recognized based on lifetime ECLs at each reporting date. The Company applied the transitional provisions in the New Financial Instruments Standards to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018 and did not restate the comparatives.

The impairment loss for receivables is presented as "Assets impairment loss" in the Target Group's consolidated statements of profit of loss. Such impairment loss is classified and presented as "Credit impairment loss" under the accounting policies of the Company when the Company adopted the New Financial Instruments Standards on 1 January 2018.

(b) Revenue recognition

Under the accounting policies of the Target Group, revenue arising from the port loading and discharging services is recognized when the services are completed and the loading and discharging quantities are confirmed by the Target Group and its customers.

On 1 January 2018, the Company adopted the New Revenue Standard. Under the accounting policies of the Company, revenue from the port loading and discharging services is recognized overtime, using an input method to measure progress towards complete satisfaction of the service because the customer simultaneously receives and consumes the benefits provided by the Company. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the port loading and discharging services. The Company applied the transitional provisions in the New Revenue Standard to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018 and did not restate the comparatives.

(c) Right-of-use ("ROU") assets and lease liabilities

Under the accounting policies of the Target Group, no ROU assets and lease liabilities are recognised for the operating leases under which the Target Group is a lessee. The lease payments under operating leases are recognized on a straight-line basis over the lease terms and presented as cash outflows from operating activities in the consolidated statements of cash flows.

On 1 January 2019, the Company adopted the New Leases Standard. Under the accounting policies of the Company, a single recognition and measurement approach are applied for all leases, except for short-term leases and leases of low-value assets. ROU assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, incremental borrowing rate at the lease commencement date is used because the interest rate implicit in the lease is not readily determinable. Interest expenses on lease liabilities are recognized at the incremental borrowing rate. Short-term leases are leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Leases of assets with cost less than RMB50,000 are considered to be of low value. The Company applied the transitional provisions in the New Leases Standard to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and did not restate the comparatives. The lease payments for the principals and interests related to lease liabilities are classified and presented as cash outflows from financing activities. The lease payments related to the short-term leases and leases of low-value assets are classified and presented as cash outflows from operating activities.

(d) Contract liabilities

Under the accounting policies of the Target Group, prepayments received from customers for port loading and discharging services are presented as "Advances from customers". On 1 January 2018, the Company adopted the New Revenue Standard and such prepayments received from customers are classified and presented as "Contract liabilities".

(e) Deferred tax and income tax expenses

The adjustments for deferred tax and income tax expenses reflect the tax effect of the adjustments noted in a, b and c above.

III. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET COMPANY

The Group sets out the following supplemental financial information of the Target Group required for an accountants' report under the Listing Rules for each of the three years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020 respectively, but not disclosed in Target Group's published audited financial statements prepared under CAS showing the financial information for the relevant periods.

The following discussion should be read in connection with the Target Group's audited financial statements for the relevant periods, included elsewhere in this circular.

1. Maturity analysis of long-term borrowings

Maturity analysis of long-term borrowings is as follows:

	As at 30 June	**As at 31 December**		
	2020	**2019**	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings repayable:				
Within 1 year (including 1 year)	–	358,512	661,200	266,800
Within 2 years (including 2 years)	–	–	948,000	510,200
Within 3 to 5 years (including 3 years and 5 years)	–	–	–	1,099,000
	–	358,512	1,609,200	1,876,000

2. Auditor's remuneration

Auditor's remuneration of the Group is as follows:

	Six months ended 30 June	**Year ended 31 December**		
	2020	**2019**	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Auditor's remuneration	1,800	1,560	1,517	1,567

III. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET COMPANY (CONTINUED)

3. Directors', chief executive's and supervisors' remuneration

The aggregate amounts of remuneration of the of directors, chief executive and supervisors of the Target Group for the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2020 is as follows:

	Six months ended 30 June	Year ended 31 December		
	2020	**2019**	**2018**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fees	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	907	2,157	1,903	1,563
Pension plan contribution	98	268	268	183
	1,005	2,425	2,171	1,746

Six months ended 30 June 2020

	Salaries, allowances and benefits in kind	Pension plan contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Independent directors			
Zhang Xianzhi	54	–	54
Chen Dingyu*	54	–	54
Zheng Zhenlong*	54	–	54
Chen Shuwen*	54	–	54
Wang Feng*	–	–	–
Zhang Daming*	–	–	–
Dai Dashuang*	–	–	–
	216	–	216

III. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET COMPANY (CONTINUED)

	Salaries, allowances and benefits in kind	Pension plan contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Other directors:			
Yao Ping**	–	–	–
Cui Beiqiang	–	–	–
Shan Zhimin	–	–	–
Chen Guangtong**	–	–	–
Zhang Zhenyu**	–	–	–
Ding Jinhui**	–	–	–
Jiang Hui**	–	–	–
Cao Yingfeng***			
Si Zheng**	–	–	–
Wang Xiaodong***	–	–	–
Wan Bingkui**	–	–	–
Dai Zhaoliang**	–	–	–
Bi Taiwen**	–	–	–
Liu Yang**	–	–	–
	–	–	–
Chief executive:			
Cao Yingfeng***	487	70	557
Wang Xiaodong***	–	–	–
	487	70	557
Supervisors:			
Ma Yingzi****	204	28	232
Li Kun	–	–	–
Liu Yongshun****	–	–	–
Han Chaobo****	–	–	–
Shi Weili****	–	–	–
	204	28	232
	907	98	1,005

III. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET COMPANY (CONTINUED)

* Chen Dingyu, Zheng Zhenlong and Chen Shuwen were appointed as independent directors of the Target Company in February 2020; Wang Feng, Zhang Daming, and Dai Dashuang resigned as independent directors of the Target Company in February 2020.

** Chen Guangtong, Zhang Zhenyu, Ding Jinhui and Jiang Hui were appointed as directors of the Target Company in February 2020. Wan Bingkui, Dai Zhaoliang, Bi Taiwen and Liu Yang resigned as directors of the Target Company in February 2020. Si Zheng resigned as the chairman of the board of directors of the Target Company in January 2020 and Yao Ping was appointed as the chairman of the board of directors of the Target Company in February 2020.

*** Wang Xiaodong resigned as the director and general manager of the Target Company in February 2020 and Cao Yingfeng was appointed as the director and general manager of the Target Company in February 2020.

**** Ma Yingzi and Liu Yongshun were appointed as supervisors of the Target Company in January and February 2020, respectively. Han Chaobo and Shi Weili resigned as supervisors of the Target Company in February 2020.

Year ended 31 December 2019

	Salaries, allowances and benefits in kind	Pension plan contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Independent directors			
Zhang Xianzhi	107	–	107
Wang Feng	107	–	107
Zhang Daming	107	–	107
Dai Dashuang	107	–	107
	428	–	428
Other directors:			
Si Zheng*	–	–	–
Cui Beiqiang*	–	–	–
Shan Zhimin*	–	–	–
Wang Xiaodong	–	–	–
Wan Bingkui*	–	–	–
Dai Zhaoliang*	–	–	–
Bi Taiwen*	–	–	–
Liu Yang*	–	–	–
Yao Ping*	–	–	–
Wang Lai*	–	–	–
Chen Liqing*	–	–	–
Wang Zedong*	–	–	–
	–	–	–

III. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET COMPANY (CONTINUED)

	Salaries, allowances and benefits in kind	Pension plan contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Chief executive:			
Wang Xiaodong	884	137	1,021
Supervisors:			
Shi Weili	845	131	976
Li Kun**	–	–	–
Han Chaobo**	–	–	–
Mao Yulan**	–	–	–
Yan Shujun**	–	–	–
	845	131	976
	2,157	268	2,425

* Si Zheng was appointed as the chairman of the board of directors of the Target Company in June 2019. Cui Beiqiang was appointed as the vice chairman of the board of directors of the Target Company in the June 2019. Yao Ping, Wang Lai, Chen Liqing and Wang Zedong resigned as directors of the Target Company in June 2019. Shan Zhimin, Wan Bingkui, Dai Zhaoliang, Bi Taiwen and Liu Yang were appointed as directors of the Target Company in June 2019.

** Mao Yulan resigned as the chairman of the supervisory committee of the Target Company in June 2019 and Li Kun was appointed as the chairman of the supervisory committee of the Target Company in the same month. Yan Shujun resigned as a supervisor of the Target Company in June 2019 and Han Chaobo was appointed as a supervisor of the Target Company in the same month.

Year ended 31 December 2018

	Salaries, allowances and benefits in kind	Pension plan contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Independent directors			
Wang Feng	107	–	107
Zhang Daming	107	–	107
Zhang Xianzhi	107	–	107
Dai Dashuang	107	–	107
	428	–	428

III. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET COMPANY (CONTINUED)

	Salaries, allowances and benefits in kind	Pension plan contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
Other directors:			
Li Hezhong*	–	–	–
Si Zheng	–	–	–
Wang Lai	–	–	–
Yao Ping	–	–	–
Cui Beiqiang	–	–	–
Wang Xiaodong	–	–	–
Chen Liqing*	–	–	–
Wang Zedong*	–	–	–
	–	–	–
Chief executive:			
Wang Xiaodong	869	158	1,027
Supervisors:			
Shi Weili	606	110	716
Mao Yulan	–	–	–
Yan Shujun	–	–	–
	606	110	716
	1,903	268	2,171

* Li Hezhong resigned as the chairman of the board of directors of the Target Company in December 2018. Wang Zedong and Chen Liqing were appointed as directors of the Target Company in June 2018.

III. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET COMPANY (CONTINUED)

Year ended 31 December 2017

	Salaries, allowances and benefits in kind *RMB'000*	Pension plan contribution *RMB'000*	Total *RMB'000*
Independent directors			
Wang Feng	137	–	137
Zhang Daming	137	–	137
Zhang Xianzhi	137	–	137
Dai Dashuang	137	–	137
	548	–	548
Other directors:			
Li Hezhong	–	–	–
Si Zheng	–	–	–
Wang Lai	–	–	–
Yao Ping	–	–	–
Cui Beiqiang	–	–	–
Wang Xiaodong	–	–	–
Gong Cheng*	–	–	–
Zhong Weiliang*	–	–	–
	–	–	–
Chief executive:			
Wang Xiaodong	536	97	633
Supervisors:			
Shi Weili	479	86	565
Mao Yulan	–	–	–
Yan Shujun	–	–	–
	479	86	565
	1,563	183	1,746

* Gong Cheng and Zhong Weiliang resigned as the vice chairman of the board of directors of the Target Company in April and August 2017, respectively.

III. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET COMPANY (CONTINUED)

4. Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Target Group for the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2020 is as follows:

	Six months ended 30 June 2020	Year ended 31 December 2019	2018	2017
Directors	–	–	1	–
Chief executive	1	1	1	1
Supervisor	–	1	–	–
Non-director, non-supervisor and non-chief executive employees	4	3	3	4

Details of the remuneration of the above non-director, non-chief executive and non-supervisor, highest paid employees are as follows:

	Six months ended 30 June 2020	Year ended 31 December 2019	2018	2017
Salaries, allowances and benefits in kind	1,220	1,880	2,157	2,002
Pension plan contribution	173	290	391	360
	1,393	2,170	2,548	2,362

The number of non-director, non-chief executive and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Six months ended 30 June 2020	Year ended 31 December 2019	2018	2017
RMB0 – 1,000,000	4	3	3	4
RMB1,000,000 – 1,500,000	–	–	–	–

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma consolidated statement of financial position as at 31 December 2019, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") have been prepared based on the notes set out below for the purpose of illustrating the effect of the Possible Merger as if it had taken place on 1 January 2019.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the audited consolidated financial statements of the Group as at 31 December 2019 as set out in Appendix I to this Circular; (ii) The Target Group's Unaudited Adjusted Financial Information under the Company's Accounting Policies as at 31 December 2019 as set out in Appendix II to this Circular, and adjusted on a pro forma basis to reflect the effect of the Possible Merger, as described in the accompanying notes. A narrative description of the pro forma adjustments that are directly attributable to the transactions concerned and not relating to future events or decisions, and factually supportable, are summarized in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on a number of assumptions, estimates and uncertainties and currently available information. Because of its hypothetical nature, it may not give a true picture of the financial position, financial performance and cash flows of the Enlarged Group had the Possible Merger been completed as of 1 January 2019 or as of any future date. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the future financial position, financial performance and cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group and the Target Group as set out in Appendix I and II to this circular and other financial information included elsewhere in this circular.

II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	Consolidated statement of financial position of the Group as at 31 December 2019	Unaudited adjusted consolidated statement of financial position of the Target Group under the Company's accounting policies as at 31 December 2019	Adjustment	Adjustment	Adjustment	Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
ASSETS							
CURRENT ASSETS							
Cash at bank and on hand	4,051,413	3,014,706	–	(57,000)	–	–	7,009,119
Financial assets held for trading	304,951	–	–	–	–	–	304,951
Notes receivable	248,852	330,757	–	–	–	–	579,609
Accounts receivable	1,322,773	149,860	–	–	–	(182)	1,472,451
Advances to suppliers	34,353	1,774	–	–	–	–	36,127
Other receivables	756,834	315	–	–	–	–	757,149
Inventories	105,066	32,798	–	–	–	–	137,864
Other current assets	66,744	9,786	–	–	–	–	76,530
Total current assets	6,890,986	3,539,996	–	(57,000)	–	(182)	10,373,800
NON-CURRENT ASSETS							
Long-term equity investments	4,146,454	934,185	(42,126)	–	–	–	5,038,513
Other investments in equity instruments	189,783	–	–	–	–	–	189,783
Investment properties	193,820	–	–	–	–	–	193,820
Fixed assets	16,633,125	9,508,267	2,310,547	–	–	–	28,451,939
Construction in progress	1,969,781	16,554	899	–	–	–	1,987,234
Right-of-use assets	3,126,928	2,366,873	–	–	–	–	5,493,801
Intangible assets	1,717,519	1,022,340	91,337	–	–	–	2,831,196
Goodwill	20,434	–	1,060,103	–	–	–	1,080,537
Long-term prepaid expenses	66,309	–	–	–	–	–	66,309
Deferred tax assets	100,710	213,534	–	–	–	–	314,244
Other non-current assets	42,426	–	–	–	–	–	42,426
Total non-current assets	28,207,289	14,061,753	3,420,760	–	–	–	45,689,802
TOTAL ASSETS	35,098,275	17,601,749	3,420,760	(57,000)	–	(182)	56,063,602

	Consolidated statement of financial position of the Group as at 31 December 2019	Unaudited adjusted consolidated statement of financial position of the Target Group under the Company's accounting policies as at 31 December 2019	Adjustment	Adjustment	Adjustment	Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
LIABILITIES AND SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES							
Short-term borrowings	497,660	400,532	–	–	–	–	898,192
Accounts payable	189,818	164,754	–	–	–	(182)	354,390
Advances from customers	7,071	–	–	–	–	–	7,071
Contract liabilities	34,298	180,338	–	–	–	–	214,636
Employee benefits payable	240,218	81,296	–	–	–	–	321,514
Taxes payable	96,991	25,756	–	–	–	–	122,747
Other payables	910,582	34,944	–	–	–	–	945,526
Non-current liabilities due within one year	400,779	466,383	–	–	–	–	867,162
Total current liabilities	2,377,417	1,354,003	–	–	–	(182)	3,731,238
NON-CURRENT LIABILITIES							
Long-term borrowings	1,508,699	–	–	–	–	–	1,508,699
Bonds payable	5,884,380	984,211	–	–	–	–	6,868,591
Lease liabilities	3,132,442	2,328,259	–	–	–	–	5,460,701
Long-term payables	32,500	–	–	–	–	–	32,500
Provision	–	32,760	–	–	–	–	32,760
Deferred income	549,491	45,621	–	–	–	–	595,112
Deferred tax liabilities	113,386	–	590,165	–	–	–	703,551
Other non-current liabilities	95,544	–	–	–	–	–	95,544
Total non-current liabilities	11,316,442	3,390,851	590,165	–	–	–	15,297,458
TOTAL LIABILITIES	13,693,859	4,744,854	590,165	–	–	(182)	19,028,696

	Consolidated statement of financial position of the Group as at 31 December 2019	Unaudited adjusted consolidated statement of financial position of the Target Group under the Company's accounting policies as at 31 December 2019	Adjustment	Adjustment	Adjustment	Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
SHAREHOLDERS' EQUITY							
Share capital	12,894,536	6,472,983	–	–	3,255,910	–	22,623,429
Capital reserve	2,938,748	1,537,046	2,934,653	–	(3,255,910)	–	4,154,537
Other comprehensive income	70,943	–	–	–	–	–	70,943
Special reserve	38,504	67,468	–	–	–	–	105,972
Surplus reserve	896,529	686,687	–	–	–	–	1,583,216
Undistributed profits	1,930,530	3,537,410	(146,245)	(57,000)	–	–	5,264,695
Total equity attributable to Owners of the parent company	18,769,790	12,301,594	2,788,408	(57,000)	–	–	33,802,792
Minority interests	2,634,626	555,301	42,187	–	–	–	3,232,114
Total owners' equity	21,404,416	12,856,895	2,830,595	(57,000)	–	–	37,034,906
TOTAL LIABILITIES AND OWNERS' EQUITY	35,098,275	17,601,749	3,420,760	(57,000)	–	(182)	56,063,602

III. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019	Unaudited adjusted consolidated statement of profit or loss of the Target Group under the Company's accounting policies for the year ended 31 December 2019	Adjustment	Adjustment	Adjustment	Adjustment	Unaudited pro forma consolidated statement of profit or loss of the Enlarged Group for the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Revenue	6,645,907	4,758,669	–	–	–	(167)	11,404,409
Less: Cost of sales	4,654,940	3,045,679	201,113	–	–	(167)	7,901,565
Taxes and surcharges	58,424	46,314	–	–	–	–	104,738
Selling and distribution expenses	266	–	–	–	–	–	266
General and administrative expenses	658,917	230,389	–	–	–	–	889,306
Research and development expenses	14,843	–	–	–	–	–	14,843
Financial expenses	580,891	235,810	–	–	–	–	816,701
Add: Other income	106,352	18,001	–	–	–	–	124,353
Investment income	365,068	101,163	–	–	–	–	466,231
Losses on changes in fair value	(931)	–	–	–	–	–	(931)
Assets impairment losses	–	–	–	–	–	–	–
Credit impairment losses	(15,741)	(25,704)	–	–	–	–	(41,445)
Gains on disposals of assets	4,115	38	–	–	–	–	4,153
Operating profit	1,136,489	1,293,975	(201,113)	–	–	–	2,229,351
Add: Non-operating income	45,619	3,598	–	–	–	–	49,217
Less: Non-operating expenses	19,935	3,822	–	–	–	–	23,757
TOTAL PROFIT	1,162,173	1,293,751	(201,113)	–	–	–	2,254,811
Less: Income tax expenses	267,241	289,444	(50,278)	–	–	–	506,407
NET PROFIT	894,932	1,004,307	(150,835)	–	–	–	1,748,404
Attributable to:							
Owners of the parent company	718,230	967,408	(146,245)	–	–	–	1,539,393
Minority interests	176,702	36,899	(4,590)	–	–	–	209,011
Other comprehensive income, net of tax	23,935	–	–	–	–	–	23,935
TOTAL COMPREHENSIVE INCOME	918,867	1,004,307	(150,835)	–	–	–	1,772,339
Attributable to:							
Owners of the parent company	742,034	967,408	(146,245)	–	–	–	1,563,197
Minority interests	176,833	36,899	(4,590)	–	–	–	209,142

IV. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	Consolidated statement of cash flows of the Group for the year ended 31 December 2019 *RMB'000* *(Note 1)*	Unaudited adjusted consolidated statement of cash flows of the Target Group under the Company's accounting policies for the year ended 31 December 2019 *RMB'000* *(Note 2)*	Adjustment *RMB'000* *(Note 4)*	Adjustment *RMB'000* *(Note 6)*	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2019 *RMB'000*
Cash flows from operating activities:					
Cash received from sales of goods or rendering of services	6,496,756	4,984,899	–	–	11,481,655
Cash received relating to other operating activities	197,093	34,046	–	–	231,139
Sub-total of cash inflows	6,693,849	5,018,945	–	–	11,712,794
Cash paid for goods and services	2,856,201	1,332,306	–	–	4,188,507
Cash paid to and on behalf of employees	1,725,827	1,033,808	–	–	2,759,635
Payments of taxes and surcharges	364,169	455,146	–	–	819,315
Cash paid relating to other operating activities	141,060	65,525	–	–	206,585
Sub-total of cash outflows	5,087,257	2,886,785	–	–	7,974,042
Net cash flows from operating activities	1,606,592	2,132,160	–	–	3,738,752
Cash flows from investing activities:					
Cash received from disposal of investments	6,058,709	–	–	–	6,058,709
Cash received from returns on investments	269,461	24,607	–	–	294,068
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	438	–	–	–	438
Cash received relating to other investing activities	170,008	–	–	–	170,008
Sub-total of cash inflows	6,498,616	24,607	–	–	6,523,223
Cash paid to acquire fixed assets, intangible assets and other long-term assets	243,033	51,006	–	–	294,039
Cash paid to acquire investments	4,468,292	–	–	–	4,468,292
Cash paid relating to other investing activities	3,322	–	–	–	3,322

	Consolidated statement of cash flows of the Group for the year ended 31 December 2019 *RMB'000* *(Note 1)*	Unaudited adjusted consolidated statement of cash flows of the Target Group under the Company's accounting policies for the year ended 31 December 2019 *RMB'000* *(Note 2)*	Adjustment *RMB'000* *(Note 4)*	Adjustment *RMB'000* *(Note 6)*	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2019 *RMB'000*
Sub-total of cash outflows	4,714,647	51,006	–	–	4,765,653
Net cash flows from investing activities	1,783,969	(26,399)	–	–	1,757,570
Cash flows from financing activities:					
Cash received from borrowings	2,053,000	400,000	–	–	2,453,000
Sub-total of cash inflows	2,053,000	400,000	–	–	2,453,000
Cash repayments of borrowings	5,902,837	2,116,989	–	–	8,019,826
Cash payments for distribution of dividends or profits or interest expenses	835,058	459,512	–	–	1,294,570
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	100,814	19,740	–	–	120,554
Cash paid relating to other financing activities	245,168	166,344	–	–	411,512
Sub-total of cash outflows	6,983,063	2,742,845	–	–	9,725,908
Net cash flows from financing activities	(4,930,063)	(2,342,845)	–	–	(7,272,908)
Effect of foreign exchange rate changes on cash and cash equivalents:	27,296	–	–	–	27,296
Net decrease in cash and cash equivalents:	(1,512,206)	(237,084)	–	–	(1,749,290)
Add: Cash and cash equivalents at the beginning of the year	5,554,545	3,251,790	(57,000)	–	8,749,335
Cash and cash equivalents at the end of the year:	4,042,339	3,014,706	(57,000)	–	7,000,045

V. NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

1. The amounts are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2019 as set out in Appendix I to this circular.

2. The amounts are extracted from the Target Group's Unaudited Adjusted Financial Information under the Company's Accounting Policies for the year ended 31 December 2019 as set out in Appendix II to this circular.

3. Both the Company and the Target Company are ultimately controlled by CMG from 30 September 2019. For accounting purpose, the Possible Merger is considered to be a business combination under common control. In accordance with the Interpretation No.6 of Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, the Target Group's assets (including goodwill arising from the acquisition of the Target Group by the ultimate controlling shareholder) and liabilities are included in the consolidated financial statements of the Enlarged Group based on the carrying amounts as reflected in the financial statements of the ultimately controlling shareholder, CMG. The portion of the goodwill allocated to the Target Group amounted to RMB1,060 million when CMG obtained the control over Liaoning Port Group on 30 September 2019 and is included in the pro forma consolidated statement of financial position of the Enlarged Group.

   The Directors of the Company have assessed whether there is any impairment on the above goodwill recorded in the Unaudited Pro Forma Financial Information in accordance with the requirements set out in China Accounting Standard for Business Enterprises No. 8 – Impairment of Assets (the "CAS 8") and concluded that there is no impairment in respect of the goodwill. The Directors of the Company confirmed that they will apply consistent accounting policies and principal assumptions to assess the impairment of the provisional goodwill in subsequent reporting periods in accordance with the requirements of the CAS 8.

4. The adjustment represents estimated transaction costs, such as professional fees, of approximately of RMB57 million incurred directly attributable to the Possible Merger.

5. The adjustment represents the estimated financial impact of the issuance of A shares by the Company to the TC Shareholders in exchange for all the existing issued shares of the Target Company as at 1 January 2019 and the elimination of the Company's investment in the Target Company using merger accounting.

The adjustments as at 31 December 2019 include: (i) a net increase in share capital of RMB3,255,910,451 representing the issuance of 9,728,893,454 A shares by the Company at par value of RMB1 each issued at an exchange ratio of 1 Target Company share to 1.5030 the Company share less elimination of share capital of the Target Company of RMB6,472,983,003 as at 31 December 2019, (ii) a resulting adjustment to capital reserves as the pro forma consolidated statement of the financial position of Enlarged Group is prepared by applying the accounting principal underlying business combination under common control and the differences between the total consideration of shares issued and net assets of The Target Group acquired will be adjusted directly into equity.

6. The adjustment represents the elimination of inter-company balances as at 31 December 2019, inter-company transactions and cash flows for the year ended 31 December 2019 between the Group and the Target Group.

7. No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2019.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Ernst & Young Hua Ming LLP, Certified *Public Accountants, in respect of the Enlarged Group's unaudited pro forma financial information for the purpose of incorporation in this Circular.*

To the Directors of Dalian Port (PDA) Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Dalian Port (PDA) Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position of the Group as at 31 December 2019, the pro forma consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2019, the pro forma consolidated statement of cash flows of the Group for the year ended 31 December 2019 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-9 of the circular dated 10 September 2020 issued by the Company in connection with the proposed absorption of Yingkou Port Liability Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages III-1 to III-9 to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed absorption of the Target Group (the "Possible Merger") on the Group's financial position as at 31 December 2019 and its financial performance and cash flows for the year ended 31 December 2019 as if the Possible Merger had taken place at 1 January 2019. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2019, on which an audit report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant even or transaction on the unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Possible Merger as at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young Hua Ming LLP
Beijing, China
10 September 2020

The following management discussion and analysis of the results of the Group is extracted from the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020. These information are originally published in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

For the year ended 31 December 2017:

I. OPERATING DISCUSSION AND ANALYSIS

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

II. STATUS OF MAIN BUSINESSES DURING THE REPORTING PERIOD

Overall Analysis of Results

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

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

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

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

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

Note 1: Gross profit = Revenue – Cost of service

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

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

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

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

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

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

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

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

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

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

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

Assets and Liabilities

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

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

Financial Resources and Liquidity

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

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

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

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

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

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

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

The Group continued to closely monitor its interest rate risk and exchange rate risk. As at 31 December 2017, the Group has not entered into any foreign exchange hedging contracts. Please refer to Auditor's Report for further details about the interest rate and foreign exchange risks.

Use of Proceeds

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

Unit: RMB

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

Projects	Total proceeds	Use of proceeds as at 31 December 2017	Balance
Construction of information systems	50,000,000.00	50,000,000.00	0
Berths and ancillary facilities in area III of container terminal	84,041,500.00	84,041,500.00	0
Total	2,772,091,500.00	2,402,350,500.00	369,741,000.00

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

Capital Expenditure

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

The performance analysis of each business segment in 2017 is set out as follows:

Oil Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Container Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Automobile Segment

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

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

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

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

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

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

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

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

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

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

Ore Segment

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

	2017 *('0,000 tonnes)*	**2016** *('0,000 tonnes)*	**+/-**
Ore	2,778.3	1,834.9	51.4%

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

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

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

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

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

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

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

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

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

General Cargo Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bulk Grain Segment

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

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

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

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

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

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

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

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

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

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

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

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

Passenger and Ro-Ro Segment

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

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

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

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

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

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

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

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

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

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

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

Value-added Services Segment

Tugging

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

Tallying

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

Railway

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

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

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

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

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

(I) Analysis of Main Operations

Table of profit and analysis on change of cash flow and related items

Unit: RMB

Items	Current year	Corresponding period of last year	Changes (%)
Revenue	9,031,643,350.22	12,814,483,861.14	-29.5
Cost of service	7,568,202,507.68	11,427,061,819.61	-33.8
Sales expenses	412,560.91	895,738.53	-53.9
Administrative expenses	662,345,386.50	663,365,001.90	-0.2
Financial expenses	639,853,262.11	256,884,038.08	149.1
Asset impairment losses	59,917,712.73	5,944,350.81	908.0
Investment income	542,552,490.64	181,161,310.22	199.5
Asset disposal income, other income and net non-operating income	135,053,317.27	179,970,065.15	-25.0
Income tax expenses	152,866,274.32	165,330,007.50	-7.5
Net cash flow from operating activities	1,204,366,572.41	2,066,383,960.31	-41.7
Net cash flow from investing activities	95,335,521.13	-406,713,504.02	123.4
Net cash flow from financing activities	-520,054,149.51	1,764,879,533.10	-129.5

Net cash inflow from operating activities decreased by RMB862,017,387.90 or 41.7% as compared with last year, mainly due to the outflow of funds resulted from the increase in payment on behalf of customers for agency services.

Net cash inflow from investing activities increased by RMB502,049,025.15 or 123.4% as compared with last year, which was mainly due to the recovery of wealth management investments.

Net cash inflow from financing activities decreased by RMB2,284,933,682.61 or 129.5% as compared with last year. This was mainly due to the funds raised by increase in the new issue of H shares through private placements in the same period of 2016, and after repayment of existing debts using fund raised through issue of bonds and bank borrowings in 2017, the scale of net financing was increased.

Description of related items set forth in the above table: please refer to the description under the section headed "Overall Analysis of Results" in the management discussion and analysis by the Board during the reporting period for operations of the Company.

1. *Income and Cost Analysis*

Please refer to the description under the section headed "Overall Analysis of Results" in the management discussion and analysis by the Board during the reporting period for the analysis of factors driving the changes in revenue and cost of service.

(1) Analysis of main operations by industries, products and regions

Unit: RMB

Analysis of main operations by industries

By industries	Revenue	Cost of service	Gross profit margin *(%)*	Year-on-year changes in revenue *(%)*	Year-on-year changes in cost of service *(%)*	Year-on-year changes in gross profit margin *(%)*
Oil products	2,568,149,091.77	2,065,151,976.02	19.6	-58.3	-61.9	Up by 7.7 percentage points
Containers	2,324,693,840.07	1,883,558,475.63	19.0	50.2	52.6	Down by 1.3 percentage points
General cargoes	315,435,489.60	346,459,606.16	-9.8	-32.8	-31.6	Down by 1.9 percentage points
Ore	385,757,321.36	272,347,131.83	29.4	22.8	-3.2	Up by 19.0 percentage points
Bulk grain	493,134,073.32	457,563,149.43	7.2	-27.7	-35.2	Up by 10.8 percentage points
Passenger	163,083,222.14	115,887,863.81	28.9	17.7	11.6	Up by 3.8 percentage points
Value-added	955,244,743.21	658,172,982.58	31.1	1.9	-1.7	Up by 2.5 percentage points

Analysis of main operations by industries

By industries	Revenue	Cost of service	Gross profit margin (%)	Year-on-year changes in revenue (%)	Year-on-year changes in cost of service (%)	Year-on-year changes in gross profit margin (%)
Automobiles	1,728,744,110.94	1,691,946,365.67	2.1	-30.6	-30.3	Down by 0.5 percentage point
Unallocated	97,401,457.81	77,114,956.55	20.8	17.5	0.8	Up by 13.1 percentage points

Details of main operations by industries, products and regions

Please refer to the section headed "The Performance Analysis of Each Business Segment" in "Chapter IV Management Discussion and Analysis".

(2) Cost analysis table

Unit: RMB0'000

Status by industries

By industries	Cost components	Amount for the period	Percentage of the total cost for the period (%)	Amount for the same period of the previous year	Percentage of the total cost for the period (%)	Percentage of the total cost for the same period of the previous year (%)	Description
Oil products	Cost of service	206,515.20	27.3	542,227.75	47.5	-61.9	–
Oil products	Depreciation and amortisation	21,683.07	2.9	21,551.56	1.9	0.6	–
Oil products	Labor cost	22,202.89	2.9	20,524.86	1.8	8.2	–
Containers	Cost of service	188,355.85	24.9	123,436.88	10.8	52.6	–
Containers	Depreciation and amortisation	23,767.28	3.1	18,614.19	1.6	27.7	–
Containers	Labor cost	16,023.37	2.1	15,723.94	1.4	1.9	–
General cargoes	Cost of service	34,645.96	4.6	50,672.32	4.4	-31.6	–
General cargoes	Depreciation and amortisation	8,181.76	1.1	8,493.94	0.7	-3.7	–
General cargoes	Labor cost	18,232.69	2.4	17,872.29	1.6	2.0	–
Ore	Cost of service	27,234.71	3.6	28,126.67	2.5	-3.2	–

Status by industries

By industries	Cost components	Amount for the period	Percentage of the total cost for the period (%)	Amount for the same period of the previous year	Percentage of the total cost for the period (%)	Percentage of the total cost for the same period of the previous year (%)	Description
Ore	Depreciation and amortisation	10,082.14	1.3	10,183.19	0.9	-1.0	–
Ore	Labor cost	4,044.32	0.5	3,791.48	0.3	6.7	–
Bulk grain	Cost of service	45,756.31	6.0	70,639.29	6.2	-35.2	–
Bulk grain	Depreciation and amortisation	6,534.72	0.9	6,737.32	0.6	-3.0	–
Bulk grain	Labor cost	5,485.10	0.7	5,910.16	0.5	-7.2	–
Passenger	Cost of service	11,588.79	1.5	10,380.65	0.9	11.6	–
Passenger	Depreciation and amortisation	3,140.13	0.4	3,009.91	0.3	4.3	–
Passenger	Labor cost	5,111.76	0.7	4,733.63	0.4	8.0	–
Value-added	Cost of service	65,817.30	8.7	66,942.56	5.9	-1.7	–
Value-added	Depreciation and amortisation	6,867.33	0.9	6,593.81	0.6	4.1	–
Value-added	Labor cost	32,824.63	4.3	32,599.99	2.9	0.7	–
Automobiles	Cost of service	169,194.64	22.4	242,631.77	21.2	-30.3	–
Automobiles	Depreciation and amortisation	8.98	0.0	5.56	0.0	61.5	–
Automobiles	Labor cost	168.09	0.0	–	–	–	–
Unallocated	Cost of service	7,711.50	1.0	7,648.30	0.7	0.8	–
Unallocated	Depreciation and amortisation	603.55	0.1	905.05	0.1	-33.3	–
Unallocated	Labor cost	1,758.31	0.2	1,595.38	0.1	10.2	–
Total	Cost of service	756,820.25	100.0	1,142,706.18	100.0	-33.8	

Other details of cost analysis

Please refer to the description under the section headed "Overall Analysis of Results" in "Chapter IV Management Discussion and Analysis" for details.

(3) Major sales customers and major suppliers

The sales to the top five customers amounted to RMB1,683,989,190.02, representing 47% of the total annual sales. Of the sales to the top five customers, sales to connected parties was zero, representing none of the total annual sales.

The purchases from the top five suppliers amounted to RMB1,210,274,288.18, representing 33% of the total annual purchases. Of the purchases from the top five suppliers, purchases from connected parties amounted to zero, representing none of the total annual purchases.

Other explanation

None.

2. Expenses

Please refer to the description under the section headed "Overall Analysis of Results" in "Chapter IV Management Discussion and Analysis" for details.

3. Cash Flow

Please refer to the description under the section headed "Analysis of Main Operations" in "Chapter IV Management Discussion and Analysis" for details.

(II) Explanation on significant change of profit resulting from other operations

In 2017, due to the exchange rate fluctuations in the international currency market, foreign currency assets held by the Company incurred carrying exchange losses in aggregate of RMB220,557,546.32. The Company will continue to pay attention to the exchange rate fluctuations in the domestic and foreign capital markets.

(III) Analysis of Assets and Liabilities

1. Assets and Liabilities

Unit: RMB

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period *(%)*	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period *(%)*	Change of the amount *(%)*	Description
Financial assets at fair value through profit or loss of the current period	5,050,497.50	0.01	7,304,407.50	0.02	-30.86	It was mainly due to a decrease in fair value resulting from the exchange rate fluctuations.

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Change of the amount (%)	Description
Accounts receivable	1,026,421,198.51	2.81	658,558,980.91	2.06	55.86	It was mainly due to an increase in business scale resulting from the consolidation of container trading service business and container terminals.
Prepayments	159,435,191.83	0.44	256,592,966.84	0.80	-37.86	It was mainly due to a decrease in scale of trading service business.
Interests receivable	43,642,176.75	0.12	26,268,705.14	0.08	66.14	The increased interest receivable was mainly due to an increase in term deposits.
Dividends receivable	87,229,387.64	0.24	38,245,401.40	0.12	128.08	It was due to an increase in the amount for dividend distribution by associate companies.
Other receivables	475,402,690.71	1.30	315,286,763.19	0.99	50.78	It was mainly due to the combined effects of an increase in amount received and paid on behalf of customers for agency services, an increase in management service income and an increase of receivable from disposal of assets.
Inventories	702,685,534.58	1.92	451,326,094.61	1.41	55.69	It was mainly due to an increase in inventories resulting from automobiles and grain trading service business.
Other current assets	255,836,964.53	0.70	508,815,328.87	1.59	-49.72	It was mainly due to a decrease in existing wealth management products.

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Change of the amount (%)	Description
Construction in progress	2,260,609,738.57	6.18	1,616,008,035.15	5.07	39.89	It was mainly due to the combined effects of enlarged scale of construction in progress resulting from the consolidation of container terminals as well as new vessel acquisition projects.
Disposals of fixed assets	3,680,222.04	0.01	2,682,824.71	0.01	37.18	It was mainly due to an increase of scrap assets during the year.
Intangible assets	1,637,141,745.38	4.47	1,090,143,242.15	3.42	50.18	It was mainly due to an enlarged scale of assets resulting from the consolidation of container terminals.
Long-term deferred expenditures	106,783,619.90	0.29	53,726,901.82	0.17	98.75	It was mainly due to the effects of newly added improved assets to be amortised and prepaid rental.
Long-term receivables	–	0.00	11,500,000.00	0.04	-100.00	It was mainly due to the loan companies were included into the scope of consolidation during the year.
Short-term borrowings	3,271,234,002.74	8.94	499,427,798.80	1.57	555.00	It was mainly due to the addition of new short-term borrowings during the year.
Notes payable	–	0.00	1,250,000.00	0.00	-100.00	It was due to repayment of the notes payable of previous years upon maturity.
Accounts payable	380,389,360.83	1.04	235,701,773.17	0.74	61.39	It was mainly due to an increase in procurement fees payable of trade business service.

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Change of the amount (%)	Description
Current portion of long-term liabilities	4,158,328,072.94	11.37	1,047,523,521.42	3.28	296.97	It was mainly due to the corporate bonds and overseas debts denominated in RMB falling due within one year.
Other current liabilities	–	0.00	3,038,041,251.61	9.52	-100.00	It was mainly due to the ultra-short financing bond issued by the Group at the beginning of the year has fall due and been repaid.
Long-term borrowings	2,581,543,935.59	7.06	147,010,023.77	0.46	1,656.03	It was mainly due to the effect of enlarged scale of debts resulting from the consolidation of container terminals.
Bond payables	3,404,498,647.79	9.31	5,779,081,112.06	18.12	-41.09	It was mainly due to the transfer of bonds payable due in 2018 to the non-current liabilities due within one year.
Long-term payables	–	0.00	43,138,081.48	0.14	-100.00	It was mainly due to the transfer of financial lease payable due in 2018 to the non-current liabilities due within one year.
Deferred income tax liabilities	117,258,611.27	0.32	13,843,600.37	0.04	747.02	It was mainly due to the adjustment in fair value resulting from the consolidation of container terminals.

Other explanation

None.

2. *Major restricted assets as at the end of the reporting period*

Please refer to the part headed "Assets with Restricted Ownership or Right of Use" under "Chapter XI Financial Report" for details.

(IV) Analysis of Business Operation in the Industry

Analysis of business operation in the industry: please refer to the section headed "Description of the Company's Major Businesses and Operation Model and the Status of the Industry in the Reporting Period" in the management discussion and analysis of the Company by the Board during the reporting period for details.

(V) Analysis of Investments

1. *Overall analysis of external equity investments*

The second meeting of the fourth session of the Board of the Company in 2017 considered and approved the "Resolution on the Establishment of Dalian Port Xiangyu Bulk Grains Logistics Co., Ltd.* (大連港象嶼糧食物流有限公司) by the Joint Stock Company and Xiamen Xiangyu", and agreed to establish Dalian Port Xiangyu Bulk Grains Logistics Co., Ltd. by joint venture of the Company and Xiamen Xiangyu Co., Ltd., for the purpose of providing professional grain logistic services. The registered capital of the company is RMB10,000,000, with the contribution from Dalian Port (PDA) Company Limited of RMB5,100,000, accounting for 51%, and the contribution from Xiamen Xiangyu Co., Ltd., of RMB4,900,000, accounting for 49%.

The fourth meeting (extraordinary) of the fourth session of the Board of the Company in 2017 considered and approved the "Resolution on the Establishment of Automobile Trading Company by Joint Venture of a Subsidiary King Port Auto and Ningbo International Logistics", and agreed to establish Ningbo United King Port Auto Trade Co., Ltd. by joint venture of Dalian United King Port Auto Trade Co., Ltd. (hereinafter referred to as "King Port Auto"), a 60%-owned subsidiary of the Company and Ningbo International Logistics Co., Ltd. (hereinafter referred to as "Ningbo International Logistics"), so as to achieve the development of parallel import of automobile financial trading business in Eastern China. The registered capital of the joint venture is RMB20,000,000, as at 31 December 2017, King Port Auto invested RMB9,800,000, accounting for 49%, and Ningbo International Logistics invested RMB10,200,000, accounting for 51%.

The fourth meeting of the fifth session of the Board of the Company in 2017 considered and approved the "Resolution on the Additional Capital Contribution to Dalian Port Xiangyu Bulk Grains Logistics Co., Ltd.", and agreed to increase capital contribution in the joint venture, Dalian Port Xiangyu Bulk Grains Logistics Co., Ltd., together with Xiamen Xiangyu Co., Ltd. on a pro rata basis. The Company and Xiamen Xiangyu Co., Ltd. increased cash capital contribution by RMB44,880,000 and RMB43,120,000, and after the increase in capital contribution, the shareholding percentage of the Company and Xiamen Xiangyu Co., Ltd. remained unchanged. As at 31 December 2017, the Company in aggregate invested RMB49,980,000, accounting for 51%.

(1) Significant equity investment

1. Securities investment

No.	Categories of securities	Stock Code	Abbreviated name of securities	Initial investment *(RMB)*	Number of shares held *(share)*	Carrying value as at the end of the period *(RMB)*	Percentage of total securities investment as at the end of the period *(%)*	Profit or loss during the reporting period *(RMB)*
1	Stock	601558	Sinovel	3,780,000.00	252,000	413,280.00	8.18	-176,400.00
2	Stock	601616	SGEG	1,045,000.00	99,000	387,090.00	7.66	-257,400.00
3	Stock	601799	Xingyu Co., Ltd	1,168,200.00	55,000	2,722,500.00	53.91	654,350.00
4	Stock	300185	Tongyu Heavy	812,500.00	243,750	553,312.50	10.96	-179,225.00
5	Stock	002563	SEMIR	1,943,000.00	116,000	911,760.00	18.05	-225,640.00
6	Stock	002916	SCC	9,650.00	500	43,615.00	0.86	33,965.00
7	Stock	603477	Zhenjing Corporation Limited	5,580.00	1,000	18,940.00	0.38	13,360.00
8	Stock	300581	Chenxi Aviation	–	–	–	–	-25,280.00
Profit and loss from disposal of securities investment during the reporting period								1,900.43
Total				8,763,930.00	767,250.00	5,050,497.50	100.00	-160,369.57

2. Shareholding in other listed companies

Stock code	Abbreviated name of securities	Initial investment cost	Percentage of the shares of that company *(%)*	Carrying value as at the end of the period *(RMB)*	Profit or loss during the reporting period *(RMB)*	Changes in interests of owners during the reporting period *(RMB)*	Accounting items	Source of shares
00368.HK	SINOTRANS SHIP	HK$77,996,300.00	0.24	15,861,099.68	330,627.46	3,579,119.58	Available-for-sale financial assets	Purchased from primary market
Total		HK$77,996,300.00	/	15,861,099.68	330,627.46	3,579,119.58	/	/

3. Equity interests in financial companies

Name	Initial investment *(RMB)*	Percentage of the shares of that company *(%)*	Carrying value as at the end of the period *(RMB)*	Profit or loss during the reporting period *(RMB)*	Changes in interests of owners during the reporting period *(RMB)*	Accounting items	Source of shares
Dalian Port Group Financial Co., Ltd.	200,000,000.00	40.00	930,584,847.02	64,701,872.12	64,701,872.12	Long-term equity investments	Shareholding of a newly established company
Total	200,000,000.00	40.00	930,584,847.02	64,701,872.12	64,701,872.12	/	/

4. Purchase and sale of shares of other listed companies

No.	Stock name	Shares held as at the beginning of the period *(share)*	Shares purchased during the reporting period *(share))*	Fund utilized *(RMB)*	Shares sold during the reporting period *(share)*	Shares held as at the end of the period *(share)*	Investment gains generated *(RMB)*
1	Sinovel	252,000	–	–	–	252,000	–
2	SGEG	99,000	–	–	–	99,000	–
3	Xingyu Co., Ltd	55,000	–	–	–	55,000	–
4	Tongyu Heavy	258,750	–	–	4,000	254,750	-9,559.68
5	SEMIR	120,000	–	–	15,000	105,000	-32,890.33
6	Chenxi Aviation	500	–	–	500	–	39,637.41
7	Central China Securities	1,000	–	–	1,000	–	4,713.03
8	Xiamen Yanjan New Material CO., LTD	–	500	9,705.00	500	–	11,501.62
9	Bei Si Te	–	500	4,795.00	500	–	8,141.88
10	Jin Tai Yang	–	500	4,180.00	500	–	17,622.26
11	Zhang Jia Gang Hang	–	500	2,185.00	500	–	2,056.95
12	PIANO	–	500	15,515.00	500	–	44,817.93
13	Guang Zhou Port Group	–	1,000	2,290.00	1,000	–	7,517.90
14	Li Qun Gu Fen	–	1,000	8,820.00	1,000	–	10,504.35

No.	Stock name	Shares held as at the beginning of the period *(share)*	Shares purchased during the reporting period *(share))*	Fund utilized *(RMB)*	Shares sold during the reporting period *(share)*	Shares held as at the end of the period *(share)*	Investment gains generated *(RMB)*
15	Doctor Glasses	–	500	4,915.00	500	–	16,147.58
16	Shenzhen Magic Design & Decoration Engineering Co., Ltd.	–	500	5,805.00	500	–	13,592.58
17	Jiangsu Zhengdan Chemical Industry Co., Ltd.	–	500	5,365.00	500	–	7,043.45
18	Poten Environment Group Co., Ltd.	–	1,000	6,740.00	1,000	–	29,923.99
19	CHIT WING	–	500	3,270.00	500	–	9,509.49
20	She Ji Zong Yuan	–	1,000	10,440.00	1,000	–	9,678.23
21	CASIT	–	500	3,925.00	500	–	8,482.06
22	Zhong Chong Gu Fen	–	500	7,730.00	500	–	14,797.58
23	CISEN	–	1,000	11,660.00	1,000	–	17,719.00
24	Lanzhou Zhuangyuan Pasture Co., Ltd	–	500	3,730.00	500	–	9,212.00
25	CSB	–	500	9,280.00	500	–	6,891.80
26	HUAXIN	–	500	7,120.00	500	–	6,478.20
27	TECSUN	–	500	3,790.00	500	–	15,857.80
28	PUTAILAI	–	1,000	165,300.00	1,000	–	41,460.09
29	CPET	–	500	11,170.00	500	–	10,703.16
30	SCC	–	500	9,650.00	–	500	–
31	Hua Neng Shui Dian	–	3,000	6,510.00	3,000	–	6,513.67
32	Sichuan Zhenjing Corporation Limited	–	1,000	5,680.00	–	1,000	–
Total		786,250	18,500	329,570.00	37,500	767,250	348,073.99

Note: The transaction fees in the stock trading were correspondingly transferred to the investment income amounting to RMB11,752.22.

(2) Significant non-equity investment

Unit: RMB0'000

Investment project	Source of funding	Proposed total investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Realised gain for the year	Reason for failure to achieve the expected gain
Construction of oil storage tanks with a total capacity of 1,000,000m^3 in Xingang	Financing through issuance of A shares	76,000	433.02	52,455.34	69%	Revenue of approximately RMB97,070,000; profit of approximately RMB47,230,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (1)"
Construction of oil storage tanks with a total capacity of 600,000m^3 in the Xingang resort area	Financing through issuance of A shares	55,000	0	55,000	100%	Revenue of approximately RMB56,680,000; profit of approximately RMB21,380,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (1)"
Construction of phase II of the Shatuozi oil storage tanks project in the Xingang Shatuozi area	Financing through issuance of A shares	2,960	0	2,960	100%	Project investment gain of RMB4,970,000	N/A
LNG project	Financing through issuance of A shares	32,000	0	32,000	100%	Project investment gain of RMB77,000,000	N/A
No. 4 stacking yard for ore terminal	Financing through issuance of A shares	52,000	1,585.95	40,370.39	78%	Revenue of approximately RMB15,600,000; profit of approximately RMB-6,740,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (2)"

Investment project	Source of funding	Proposed total investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Realised gain for the year	Reason for failure to achieve the expected gain
Purchase of gantry for ore terminal	Financing through issuance of A shares	3,720	0	3,720	100%	Revenue of approximately RMB17,920,000; profit of approximately RMB9,930,000	N/A
Purchase of 300 bulk grain carriages	Financing through issuance of A shares	15,000	0	15,000	100%	Revenue of approximately RMB11,960,000; profit of approximately RMB5,870,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (3)"
Ro-ro ships for carrying cars	Financing through issuance of A shares	23,000	0.07	21,200.17	92%	Revenue of approximately RMB28,320,000; profit of approximately RMB50,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (4)"
Construction of railway siding in Muling	Financing through issuance of A shares	4,125	0	4,125	100%	Project investment gain of RMB10,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (5)"
Construction of information systems	Financing through issuance of A shares	5,000	0	5,000	100%	N/A	N/A

Investment project	Source of funding	Proposed total investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Realised gain for the year	Reason for failure to achieve the expected gain
Berths and ancillary facilities in area III of container terminal (Refer to Note 1 for details)	Financing through issuance of A shares	8,404.15	0	8,404.15	100%	From January to October 2017, the investment income of the project was approximately RMB14,280,000 under the original equity investment project; and after it was changed to investment in construction project in November to December 2017, the income was approximately RMB62,610,000 and the profit was approximately RMB11,180,000.	N/A
Dayao Bay No. 13-16 berths in Phase II	The Group's internal fund, loans	378,300.00	3,972.86	229,899.46	92%	No. 13 and No. 14 berths were transferred to a joint venture and a value-added gain of RMB200,000,000 was realised; the annual rental income of No. 15 berth was RMB53,500,000; the construction of the main body of No. 16 berth has been completed and has not yet been leased out.	

Investment project	Source of funding	Proposed total investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Realised gain for the year	Reason for failure to achieve the expected gain
New Port No. 18-21 berths	The Group's internal fund, loans	41,377.00	788.16	34,446.62	85%	N/A	The project is under construction and has not yet been put into operation so no gain is generated.
Total		696,886.15	6,780.06	504,581.13	–	N/A	

Reasons for failure to achieve the expected gain

(1) The new port possesses crude oil tanks with capacity of 1,000,000 cubic meters, of which 600,000 cubic meters of crude oil tanks were put into use in January 2011 while 400,000 cubic meters of crude oil tanks were put into use in September 2012. The crude oil tanks with capacity of 600,000 cubic meters in new port resort were put into use in April 2014. International crude oil prices showed a V-shaped trend in 2017, fluctuating at a low level most of the time. The contraction of oil trading business and the termination of partnership with major strategic customers in Oil Terminals Company resulted in the drop in the revenue for storage business. In the future, Oil Terminal Company will continue to foster its cooperation with transshipment customers by leveraging on the port consolidation, and build a complete transshipment logistics system for crude oil. By continuing to deepen cooperation with domestic and foreign oil traders, the Company took the initiatives to carry out international crude oil transshipment business targeting Japan and South Korea, promoted cooperation with customers of various fuel oil suppliers, proactively developed ship fuel supply business and built a "bonded integrated ship fuel supply service base". Taking the advantages of terminals and storage tanks, the Company improved utilization rate of its storage tanks and steadily increased revenue by means of gradually raising the standard of tank rental fees, etc.

(2) No. 4 stacking yard built for the iron ore terminal: The project has been put into operation since December 2014. Affected by the downward pressure dragging the domestic economy in 2015, iron and steel enterprises stepped up cost control efforts, opting for near-port operation, which reduced the competitive edge of large berthing capacity of the Company. From March 2016 onwards, the iron ore terminal has been cooperating with VALE of Brazil to actively pursue ore-mixing business. In the same year, the Company commenced the business of loading and unloading of large vessels, creating a new growth driver in operating income. In 2017, the Company continued to develop a new model for ore-mixing service at ore terminal, leveraging on regional and business advantages to develop the ore-mixing transshipment distribution model. Having the effect of acting as a demonstration for the Northeast Asia ore-mixing center of the VALE, the Company has created a "full logistics service + mixed-metal sales" model. The export volume of Japanese and Korean ore-mixing business volume increased significantly, and the volume of foreign imports from the VALE doubled as compared with the corresponding period of last year. The ore terminal mainly targets large customers such as Heilongjiang Xianglong, Jilin Jianlong, Dongbei Te Gang, Bengang and Angang. The major customers are all state-owned steel plants, and therefore the output is relatively stable. With the decrease in the number of iron ore in the Northeast, high-valued ore fines from Brazil and Australia are becoming more and more popular. In the future, the cash inflow from the ore terminal will increase steadily.

(3) Purchase of 300 bulk grain carriages: The 300 bulk grain carriages of the project were put into use in 2011. During the initial construction stage of the project, the capacity of bulk grain carriages fell short of demand in the three northeastern provinces of China, and there was a temporarily critical shortage of capacity of bulk grain carriages. After the reform of the Ministry of Railways in 2013, the restriction on approving purchase of bulk grain carriages has been lifted. As a result, there was a serious oversupply of bulk grain carriages in Northeast China, with a mass number of bulk grain carriages being idle and carriage rental decreasing significantly. The operation of bulk grain carriages became difficult. At the end of 2016, China revoked its temporary grain storage policy, giving full play to the self-pricing mechanism in the domestic grain market. The strong demand for trade in the grain production and sale areas will bring forth a positive business environment. In 2017, the domestic trade grain market regained its vitality, and normal trade flows spurred the bulk grain carriage market to return to a healthy development track. Riding on the opportunity arising from market rejuvenation, the Company continuously improved the entire logistic system based on bulk grain carriage capacity built by itself. Taking bulk grain capacity as a breakthrough point to attract senior grain companies to jointly engage in grain logistics joint ventures and cooperation, the Company has not only improved the operational efficiency of bulk grain carriages, but also revitalized assets and reduced operating risks.

(4) Ro-ro ships for carrying cars: 2 of the ro-ro ships for carrying cars in the project were completed and commenced operation in 2011. The 2 ships were named "Anji 8 (安吉8)" and "Anji 9 (安吉9)" respectively. During the initial stage of the construction of the project, the development of ro-ro shipping was in its prime and the prospect of ro-ro ships for carrying cars was promising. Nonetheless, adversely affected by the global economy and the condition of the global shipping industry in 2011, the ro-ro shipping industry of the PRC would gradually experience a downturn with a surplus of ro-ro capacity. Thus the operation efficiency of the ro-ro ship project slumped. To maintain the loading rate of the 2 ships to prevent losses, the Company leased "Anji 8" and "Anji 9" to Ansheng Ship (安盛船務) at cost price or close to cost price after taking the capital cost into consideration, respectively. Looking forward, through enhancing the cooperation between the logistic companies such as Anji Logistics (安吉物流), Dalian Port will fully leverage on the advantages as a fundamental transshipment port in the Northeast China of automobile manufacturers such as SAIC Motor. The transshipment of automobiles is expected to increase steadily, thus ensuring the enhancement of the efficiency of the project of ro-ro ships for carrying cars.

(5) Construction of new railway siding in Muling: The project was put into operation in July 2013. Located in the Sino-Russian Economic Belt of Ha-Mu-Suidong, this project is a sea-rail transport logistics center of southeastern Heilongjiang Province jointly built by Dalian Port and Muling Municipal Government. Since the project was put into operation, the Company has maintained a balance of revenues under the situation of the economic downturn in the hinterland of Northeast China. At the end of 2016, the country abolished its temporary reserve policy. The domestic trade grain market regained its vitality and, further leveraging on the opportunity arising from the State's cancellation of the temporary storage policy of corn in 2018, the Company will give full play to the well-established site resources and rely on the location advantage of the main grain production area of Xiachengzi Town in Muling City to integrate with grain traders, creating a grain logistics transportation center, resulting in the project efficiency improving steadily.

Note 1 On 31 October 2017, "Dalian International Container Terminal Co., Ltd." and "Dalian Port Container Terminal Co., Ltd." were merged by "Dalian Container Terminal Co., Ltd.". Therefore, the use of proceeds was changed from the original equity investment project to the investment in construction project of the berths and ancillary facilities in area III of container terminal. After the change, there will be no significant change in the payback period and internal rate of return of the project investment.

(3) Financial assets at fair value

Please refer to the description under the section headed "Analysis of Investments" in the management discussion and analysis by the Board during the reporting period for operation of the Company.

(VI) Analysis of Major Controlling Companies and Investee Companies

Dalian Port Container Development Co., Ltd (大連港集裝箱發展有限公司) ("Dalian Port Container") is the wholly-owned subsidiary of Dalian Port (PDA) Company Limited, with a registered capital of RMB2,964,111,400. Its principal scope of business includes the provision of terminal facilities to vessels, provision of container loading and storage and arrangement of containers in the port area, leasing of port facilities, equipment and port machines, maintenance services, property leasing, company management services and consulting services etc. As of the end of 2017, the total assets of the company amounted to RMB5,131,225,047.98 with net assets of RMB3,409,025,942.17. In 2017, it achieved operating income of RMB133,646,941.98 and the net profit of RMB568,594,170.50.

Dalian Container Terminals Co., Ltd. ("DCT") was initially jointly funded and established by Dalian Port Container Development Co., Ltd. ("Dalian Port Container"), a wholly-owned subsidiary of the Company, and Dalian Port Investment Private Co., Ltd. (hereinafter referred to as "Xinda Investment") in the shareholding proportions of 51% and 49%, respectively. Its principal scope of business is development, construction, management and operation of container terminals and its auxiliary facilities, provision of container loading and provision of bonded storage. In 2017, according to the "Joint Venture Agreement" entered into by multiple parties, DCT incorporated and merged the Group's joint ventures Dalian Port Container Terminals Co., Ltd. ("DPCM") and Dalian International Container Terminals Co., Ltd. ("DICT"), and the shareholders of the new DCT and the proportions of shares were 48.15% for Dalian Port Container, 4.35% for COSCO Terminal (Dalian) Co., Ltd., 10.99% for China Shipping Terminal Development Co., Ltd., 3.66% for China Shipping Port Development Co., Ltd., 20.75% for Xinda Investment, and 5.25% for PSA China Pte. Ltd. and 6.85% of Nippon Shipping Co., Ltd. Among them, Dalian Port Container signed a "Consistent Action Agreement on Dalian Container Terminal Co., Ltd." with Nippon Yusen, and agreed that Nippon Yusen should act in concert with the Dalian Port Container on the voting of DCT's business decision-making matters. On 31 October 2017, DCT fully undertook all assets, liabilities, businesses and personnel of DPCM and DICT, and operated in accordance with the terms of the "Merger Agreement" and the new company's articles of association. Shareholders shall have the agreement in accordance with the "Merger Agreement" and the new company's articles of association and assume relevant shareholders' equity and shareholder obligations.

As of the end of 2017, the company's total assets amounted to RMB6,561,287,069.38, and its net assets were RMB3,735,248,716.15. In 2017, it achieved operating income of RMB679,729,816.62 and net profit of RMB173,903,588.18.

PetroChina Dalian LNG Co., Ltd. ("LNG") is jointly funded and established by Dalian Port (PDA) Company Limited (the "Joint Stock Company"), Kunlun Energy Co., Ltd. and Dalian Construction Investment Group Co., Ltd., in the shareholding proportions of 20%, 75% and 5%, respectively. The company's registered capital is RMB2,600,000,000. Its principal scope of business includes storage and operation of compressed gas and liquefied gas and natural gas, and LNG unloading services in the port area. As of the end of 2017, the company's total assets were RMB3,209,254,680.50 and its net assets were RMB3,081,385,540.69. In 2017, it achieved operating revenue of RMB892,521,434.00 and net profit of RMB384,998,030.60, representing an investment return of RMB76,999,606.12 for the Joint Stock Company, accounting for 13.41% of the company's net profit.

Dalian Port Group Financial Co., Ltd. (abbreviated as "Financial Company") is jointly funded and established by Dalian Port (PDA) Company Limited (the "Joint Stock Company") and Dalian Port Group Co., Ltd. (referred to as the "Parent Company"). The registered capital of the company is RMB2,000,000,000. The Parent Company holds 60% of the shares while the Joint Stock Company holds 40% of the shares. The company is a non-banking financial institution approved and established by the China Banking Regulatory Commission. The main scope of business includes provision of financing and fund raising consultation, credit verification and related consultancy and agency services for member companies, assisting member companies in payment and collection of trade payables and receivables and handling financial services required by law including entrusted loans among member companies. For the year ended 2017, the total assets of the company amounted to RMB8,658,631,928.54 and net assets were RMB2,326,462,117.56. In 2017, the company achieved operating income of RMB295,547,703.52 and net profit of RMB161,754,680.31. The company achieved investment income of RMB64,701,872.12, accounting for 11.27% of the company's net profit.

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(I) Competitive Landscape and Development Trend in the Industry

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

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

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

(II) Company's Development Strategy

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

Oil Segment

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

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

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

Container Segment

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

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

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

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

Automobile Terminal Segment

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

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

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

Ore Segment

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

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

General Cargo Segment

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

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

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

Bulk Grain Segment

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

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

Passenger and Ro-Ro Segment

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

Value-added Services Segment

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

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

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

(III) Business Plan

In 2018, with a focus on customers' demands, the Group will leverage our port's comprehensive advantages in logistics, finance, trading and information, strengthen product and service innovation, deepen cooperation with customers, improve the logistics network, expand service functions, and further promote the construction of logistics system at port. Besides, the Group will impel the development of our high-end service business, accelerate the pace of going out and exert all efforts to build a port ecosystem integrating logistics and business, capital and information flows, with a view to becoming the first-class integrated service provider in supply chain in China.

(IV) Possible Risk Exposures

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

Please refer to "The Group's major measures taken and the progress of major projects related to the Group" under the section of "The performance analysis of each business segment of the Group" for the details of the risk mitigation measures.

Human resources management

Taking into consideration of the Company's development strategies and target, the Group took efforts to facilitate each employee's development of his or her potential and formulated an employment mechanism for staff selecting, training and appointment so as to support the Company's sustainable development.

Focusing on position, performance and ability, the Company attempted to establish a compensation system compatible with the human resources management through optimizing remuneration system and increasing positive incentives in various aspects.

We also placed an emphasis on the provision of internal or external training to our staff so as to build up a talent pool that provides a solid human resources support to the growth of the Company.

As of 31 December 2017, the Company had a total of 4,452 full-time employees. The Company and its invested businesses together had a total of 7,117 employees. With respect to the employee's remuneration policy, the Company makes determination or corresponding adjustments based on its performance and employees' performance evaluation results on an annual basis after referring to prevailing rates in the local labour market.

Investor relations

The Company pays great attention to its investor relations management, and regards it as a key part of corporate governance. The investor relations management team is committed to establishing an efficient two-way communication channel between the senior management of the Company and the investment community. Adhering to the principles of regularity, fairness and transparency, the Company strives to disclose true and accurate information in a timely manner. The Company discloses the information that investors are concern about through a variety of channels in order to allow them to understand the Company's operation and development strategies in the future.

Meanwhile, the Company regularly collects feedbacks from investors and carefully considers their suggestions so as to constantly improve its development. The Company makes a periodic analysis of the shareholdings, including reviewing the institutional shareholdings and individual shareholdings, and tracking the change in equity based on the type of investors, which is conductive to establishment of a good relationship with existing and potential investors.

In 2017, in order to allow all interested parties to fully understand the Company's performance, operating strategies and development prospects, the Company initiated a number of events, received investors' visits, arranged dock visit for visitors, set up investor mailboxes and adopted other ways and methods. The Company proactively and candidly communicated with the capital market and domestic and overseas investors, and published all kinds of announcements, circulars, and reports as required by domestic and overseas regulatory rules on the website of the Company and the website and newspapers designated by regulators.

The Company has been regarding the investor relations management as a long-term strategic management. The Company will continue to improve the level and standards of its investor relations management so as to better serve investors and become a trusted listed company among capital market investors.

Report on Fulfilment of Social Responsibilities in 2017

I. Summary on Fulfilment of Social Responsibilities

In 2017, amidst the lingering complicated domestic and global economic situation, Dalian Port (PDA) Company Limited adhered to scientific development, devoted to reform, made breakthroughs and innovation, and pursued excellence. With the joint efforts of all staff, various works made new progress and various indicators of the year were successfully achieved.

1. Concept of social responsibility

The social responsibility of Dalian Port (PDA) Company Limited is to undertake the responsibilities for the customers, staff, society and environment while pursuing economic benefits and safeguarding the shareholders' interests. While maintaining rapid development of the port, we always stick to the mission of "prospering the city through the port, and serving the nation with industrial development", adhere to the core value of "people-oriented, client-oriented and responsibility-guided", promote the spirit of "Self-Discipline and Social Commitment", and uphold the operating concept of "integrity, value-added, safety and environmental protection", so as to create values for shareholders, customers, staff and society.

2. Undertaking of social responsibility

We are committed to implementing a supervisory and management system for social responsibility underpinned by a main framework covering quality, occupational health and safety and integrated environmental management mechanism. At the beginning of the year, we were accredited with quality, environment and occupation health and safety management system certification, ensuring the standardized management being kept abreast of time. The Company organizes management representative training course, national registered auditor training course, internal auditor training course for the staff of each level of the Company and set up an experienced management team with extensive knowledge and strong execution capability to provide standardized management support in relation to the management, quality control, safety control, occupation safety control of the Company, thereby ensuring the effective performance of the corporate social responsibilities of the Company. The Company takes the initiative to fulfil the obligation of "contributing all it should contribute", paid tax in aggregate of RMB413,000,000 during the year, making due contributions to national and regional construction.

3. Vision of social responsibility

The Company will give full play of its role as the core and flagship in developing Dalian into an international shipping center in Northeastern Asia and the development of Liaoning Coastal Economic Zone. Leveraging on its favorable natural conditions and competitive strengths in operations and management, the Company will accelerate the regional layout of the port and structural adjustment of functions, so as to realize the industrial integration between port and city, financial integration between shipping and transaction, and logistic integration between centralization and distribution, and devoted to realize the goal of building "5P" (Port with high quality and good performance, Port with convenient business, Port of logistics hub, Port of green and low-carbon, and Port with peace and harmony). Through self-development and growth and better fulfilment of social responsibilities, the Company strived to become the role model in port industry in the northeast area or even across the whole nation.

II. Contribution to the Industry

4. Promoting regional trade development

In 2017, the Company accelerated its transformation and upgrading, attached high importance on the development of trade business, and focused on the improvement of trade quality and research on the management and control of risks associated with trade business. By capitalizing on fully utilization of strengths in logistic resources, financial resources and brand resources, the Company established its comprehensive logistics service system and integrated industrial, commerce and trading platform to provide supply chain services that integrating trade, finance, insurance, agency, cargo loading and discharging, storage and logistics, so as to achieve rapid development of trade business. The rapid development of trade business not only expanded the development potential of the Company and increased the revenue of the Company, but also drove the development of the logistics business (as the main business of the Company) and speeded up the progress of diversified development of the Company. Meanwhile, through the development of trade business, the Company promoted the circulation of commodities relating to people's livelihood and important goods and materials such as grain, steel, ore, oil, vehicles, LNG and cold chain commodities, activated regional economic development, satisfied people's needs and achieved harmony and unity between development of enterprise and its social responsibility.

5. Promoting regional logistic development

In 2017, the Company focused on transformation and quality enhancement, attached high importance on comprehensive logistic system, made breakthrough in product and service innovation, and by measures such as deepening customer cooperation, expanding logistic network and improving port service efficiency, the Company further lowered comprehensive logistic costs for customers, thereby effectively supported the real economy and promoted the regional economic development. Firstly, the Company made progress in the establishment of comprehensive logistic network system with the port as the hub. 6 new domestic and international trade ship routes were added during the year, 4 railway lines and 2 China-Europe railway lines were added respectively, and the customized "Samsung Route" train line was upgraded into a public train line. Secondly, the Company accelerated the cooperation with domestic and international customers, and established professional logistic service brand of cold chain logistics, grain logistics and vehicle logistics and featured ore mixing service products. Thirdly, the Company strengthened port relations and business coordination, optimized port environment and improved port functions, and thereby achieving fruitful results in making innovation in fulfilling regulatory policies and enhancing the efficiency of custom clearance. Through the construction of "three mutual" (mutual exchange of information, mutual recognition of regulation and mutual support of enforcement between the port authorities), "three one" (one time declaration, paper-exam and goods check) and "single window" system, the Company has improved the efficiency of custom declaration comprehensively.

III. Caring for customers

6. Product quality and customer service

In 2017, the Company continued to take business transformation and quality improvement as its major tasks, focused on reducing logistics costs and increased service offerings, based on its supply chain logistics service system, marketing system and customer management system to subdivide customer groups, deeply studied the actual needs of customers and implemented the differentiated marketing strategy, so as to meet explicit demands and explore potential demands. For strategic customers and large customers, we tailored the supply chain logistics solutions to meet their personalised demands. For small and medium customers, we built up a platform and system to provide them with comprehensive, one-stop value-added services. In addition, the Company increased interaction with its customers and expanded into new services through the application of various information platforms such as the Dalian Public Information Platform, service hotline, mobile APP and Micro Port System.

7. Production safety

Thanks to the dedicated efforts of all its employees, the Company has accomplished all the tasks and objectives of production safety management. Under the principle of "safety first, prevention first, overall management", the Company has put into practice a series of important instructions on production safety from Xi Jinping, the General Secretary of the Communist Party of China, and Li Keqiang, the Premier of the State Council. The Company enhanced its "red-line" consciousness and "bottom-line" thought, stuck on the concept of "people-oriented, safe development, scientific development", and continuously strengthened the discharge of responsibilities of production safety of entities at all levels to improve the safety management level by building up systems, improving mechanisms, emphasising prevention, enhancing supervision, promoting innovations and stressing on effectiveness, thus realising the continuing stability of production safety of the Company.

In accordance with the requirements of competent authority at a higher level, the Company has strictly implemented production safety works in eight different aspects to ensure employees' occupational health and safety and provide a safe production environment for all employees. **First, the Company continuously refined its safety responsibility system by "clarifying responsibility and ensuring responsible performance".** The Company had established a daily level-by-level safety audit and commitment announcement release and report system, and implemented "4 mechanisms" for safety commitment announcement, a hazardous chemical enterprise risk and reliability report, a daily inspection and weekly report, and the signature of safety target management liability warrants and "Two Duties for One Post" liability statement with the grassroots units and institutions. The Company also organized all foundational units to sign the "Two Duties for One Post" commitment, and continued to implement production safety responsibility area management. **Second, the Company continued to organize various safety education activities, focusing on qualification training.** In terms of safety training, the Company strived to make sure that all employees had received safety training and were certified in relevant areas when appointed, and implemented safety education and training matrix for all the employees. In terms of safety education, the Company launched safety promotion campaigns including "safe production month", "fire prevention awareness month", and promoting knowledge on the "Opinions of State Council on Implementation of Reform and Development in Production Safety", provincial and municipal Production Safety Regulations, and the occupational disease control laws. As a step further an "extending safety to the grassroots" campaign was launched. A Safety Promotion team was charged with the duty to provide safety propaganda to the foundational units. **Third, the Company enhanced the double prevention system construction and improved the safety risk control capacity.** In terms of safety risk control, the Company formulated an "Operating Guidelines for Safety Risk Classification and Control" and to identify post-specific risk sources and key process risks, and to refine assessment and control measures. The Company also worked on standardizing the hazardous operation approval system and ensuring that all the hazardous operations should be subject to review and approval. In terms of identifying and handling hidden troubles, the Company revised and improved the relevant systems and implemented a uniform "4 lists" for safety inspection and a hidden trouble accounting model, and carried out comprehensive inspections, special safety audits and holiday and special time inspections, and implemented the rectification of accident and hidden trouble strictly according to the requirements of "five implementations". The Company continued to implement the trouble detection measures as "taking picture of hidden trouble at any time it is found", and offering incentive for reporting hidden troubles, and organized the "three zero shift" competition (zero incompliance for individual, zero hidden trouble for post, and zero accident for shift), as well as motivating all the employees in the "I want to be safe" program. **Fourth, the Company focused on the supervision of key areas and made progress in the pilot works to suppress major accidents.** The Company had launched researches on surge prevention technologies for oil storage area and on separate storage of hazardous goods containers, assessing surge prevention measures for the relevant areas and developed specific and ever-improving measures, while also formulating safety standards for the storage of hazardous goods containers. The Company had also adopted information system and IR technology to enhance risk control on hazardous goods in the dangerous goods station at south bank, and organized relevant units to carry out fire safety audits and completed the review on the fixed and movable fire points according to the seasonal change, focusing on the key areas and the large equipment and facilities, high-rise buildings, densely populated and combustible and explosive areas. The Company had also rolled out a "yellow and red cards" warning system for the industries and groups where the project construction teams and outsourcing teams are more prone to accidents, and engaged external experts to supervise and inspect the construction projects, in addition the Company also carried out safety demonstration site creation activity and implemented outsourcing team safety archive management, and conducted special programs to address safety problems on all the leased premises. **Fifth, the Company enhanced the safety and security works to ensure the safety and stability of the port in special times.** The Company strictly implemented a 24-hour shift and "cadre-led patrol inspection" system, maintaining a daily report and zero report system, and prohibited high-risk operations such as flame operation, thus ensuring the safety and stabilities in such special times as Summer Davos, the 19th National Congress of the Communist Party of China, and important festivals. The Company also organized the relevant departments to carry out comprehensive safety inspection on key typhoon and flood prevention sites before the flood season. **Sixth, the Company tamped the safety foundation and improved the standardization management level.** The Company enhanced system construction and completed supplements and revisions to the safety management system assembly, and unified the safety management report templates of the relevant departments. The Company also established a static and dynamic data report system for safety management to provide basis for safe operation analysis, and entrusted TIWTE to collate the port safety standards, as well as evolving applicable standards for port safety management and provide practical support for the standardized safety management; and continued to advance the safety standardization and occupational health and safety management system construction to the effect that the subsidiaries may realize required safety standards. All subsidiaries and hazardous chemical enterprises had duly completed the occupational health and safety management system certifications. **Seventh, the Company had improved its emergency rescue system and improved the sudden accident handling capacity.** The Company had developed an emergency planning system, revised the special plans. and supplemented and improved the onsite handling plans. Emergency response training and drills were implemented according to the relevant requirements. The Company also participated in a major oil fire drill organized by the municipal port authority, and dispatched employees to evaluate the typhoon and flood prevention experiences of typhoon-prone areas as Beibuwan Port and Fangcheng Port to improve the safety monitoring and controlling level in flood season; and launched safety warning in time according to the seasonal characteristics. **Eighth, the Company standardized occupational health management and drove the implementation of occupational health work responsibilities.** The Company implemented standardized management of occupational hazards in the workplaces, and tightened standards and requirements by developing relevant documents and standards according to the actual situation of the Company, and regulating occupational health bulletins, occupational hazard warning marks and detection results in relevant departments. The Company also reassessed all monitoring points and conducted physical examinations on all employees exposed to hazards and launched occupational health knowledge training, and invited experts to audit the occupational health management of the outsourcing teams.

IV. Caring for employees

8. Protection of employees' rights and interests

The Company held the 6th meeting of the Second Session of the Staff (or Trade Union Membership) Representative Meeting to approve by voting the collective contracts and all specific collective contracts of the Group and the Company, and review and approve annual key tasks and proposals made by the employee representatives, which were duly implemented and reflected a solid emphasis on employees. The Company promptly responded to the public opinions and resolved disputes by making full use of the employee interest expression system and labor dispute warning system, thus practically ensuring the democratic and harmonic development of the port.

The Company also held the 5th meeting of the Second Session of the Meeting of Joint Leaders of Employee Representative Team to review and approve the Measures on Reward and Punishment for Production Safety of Dalian Port Corporation Limited, and circulated a notice to commend the winners of the "Good Health" Cup competition, upholding the rights and interests of the employees for labor safety and health.

The Company adhered to the systems of supporting the livelihood of impoverished employees and offering holiday sympathy and visit to front-line employees, and provided employees medical subsidy and relief funds as well as charitable fund assistance to impoverished employees to support their livelihood; and improved the employee health care model to the effect that all the employees were benefited from the annual care policy.

9. Improving employment mechanism

The Company emphasised contributions and a belief in value and performance to create a high-performance remuneration distribution culture, so that the contributions and returns of its employees can be matched fairly, and the employees can be motivated effectively. The Company also stressed on matching employees' remuneration with corporate performance results and social wage level.

The Company has carried out the education and training on teams of talents on levels targeting key areas such as corporate culture, production safety, business skills and training resource development, so as to nurture employees' skills through a systematic and regulated approach. The Company consecutively dispatched a total of 25 technicians on education trips to Belgium and Japan, thereby widening the vision of its outstanding technicians and improving their professional skills and enhancing the sense of honor and belonging for their posts. Meanwhile, the Company implemented a first-year job rotation mechanism for new employees to rapidly improve their qualifications and skills of the new employees through on-the-job rotation on the principles of professional collection, professional matching and with an emphasis on professional training. The Company also explored innovative modes for cultivating professional talents through cultivation hand-in-hand with promotion and carrying out training through combining means of industry and finance. In 2017, the Company offered over 1,100 classes on various training attended by a total of over 24,000 participants.

10. Supporting and caring for the employees

The Company deepened the "heart-warming" campaign by purchasing cultural and sports equipments and articles of daily use for the benefit of front-line resident employees. The Company also strived to improve the impoverished employee relief mechanism and established an employee relief fund. Through launching the "serving grassroots, caring for employees and extending cool to frontline" activities, the trade union of the Group visited 29 units at the remote port areas and provided sympathy supplies to the front-line employees. The Company actively explored new ways for humanistic care, and developed a regular and professional psychology support team with over ten members possessing the qualification of psychological consultant. In addition, the Company continued to provide female employee caring and expanded the construction of Special Care Room for Female Employees. Employees 4 units of which were launched at remote port areas, thereby meeting the physiological needs of female employees while on duty. The Company also sought to upgrade the overall qualification of the working teams, and referring outstanding employees for university education. All in all, the Group has referred more than 240 contract employees to university since 2009.

V. Ecological development

11. Environmental protection

In 2017, Dalian Port (PDA) Company Limited carried out environment protection management works under the guiding development principle of "being innovative, coordinated, green, open and sharing". It called for full attention to environment protection and ecological port construction, and strictly followed the concept of driving the port's operation and development on the basis of environment protection in the port's construction, production and operation, and adhered to the target of constructing a green ecological port, in addition to the unswervingly implementation of Environment Protection Law and other applicable laws and regulations, and devising great effort in implementing energy conservation and emission reduction and clean production review through technical innovation. Through management and scientific and technical means, the Company has effectively improved the environment protection management level and promoted the harmonious development of port construction, production and environment protection.

In 2017, the Company earnestly performed its social responsibility in ecological environment protection according to the actual situation in port development, by further enhancing and normalizing environmental protection responsibilities of the leaders and functional departments of the Company, and implementing the work principles of "comprehensive management, involvement of all employees" and "party and governmental officials sharing the same responsibilities, and integration of power and responsibility". The Company had also implemented the "three simultaneous" system for environment protection (the environment protection measures and the construction projects shall be designed, constructed and put into operation simultaneously), and actively controlled pollution sources, and ensured environment-based development by focusing on promoting green and low-carbon emission in the whole process of planning, design, construction, maintenance, operation and management to comprehensively drive green and ecological port construction, in order to realize the harmonious development of port construction, operation and resources and environment.

The comprehensive management system of the Company, comprising of ISO-9000 quality management system, ISO-14000 environment management system and ISO-18000 occupational safety management system are in fully normal state of operation. The Company commenced environment factor identification and internal environment protection, safety, and quality management system review, and had passed the third party review conducted by China classification society on the comprehensive management system of Dalian Port (PDA) Company Limited, thus offering management guarantee for realizing the corporate environment target.

When the port construction project was in progress, the Company focused on pollution source control, and scientifically organized the construction, and concurrently implemented environment tracking and monitoring management, and ensured construction of the auxiliary environment protection facilities to prevent the impairment to the ecological environment. The Company had also made an effective use of the coastal resources to protect the ecological environment, water resource environment and ocean environment, and enhancing environment protection monitoring on construction projects. In addition, the Company strictly implemented the "three simultaneous" management system during the project construction, and completed the acceptance phases of 6 port projects.

During the port production and operation, while strictly controlling and managing pollution sources, the Company monitored port environment pollution source and plant environment status according to the recently promulgated and revised environment protection laws and regulations to enhance environment protection facility monitoring and inspection. Normal operations were also seen in environment protection facilities including waste water treatment facilities, boiler desulfurization and dust removal facilities, bulk cargo storage yard dust suppression facilities. The discharge of pollutants met the relevant standards and complied with the environment protection requirements for port production. In 2017, the Company conducted active troubleshooting on waste water collection and treatment systems of the port areas and comprehensively improve the water pollution prevention and control level of the Company, so as to facilitate the implementation of Water Pollution Prevention and Control Law and the ten-measure action plan to tackle water pollution. The Company also engaged third party intermediary agencies to conduct specific research on the waste water collection and treatment systems of Dayaowan, New Port, Dalian Bay and Great Harbor port areas. The research report has since passed expert review, and we will further improve the waste water treatment and management of the Company on the basis of this report. The Company also engaged third party appraiser to carry out clean production review on the key handling and production units. The clean production review report has since passed expert review, and we will implement corresponding measures according to the report and the requirements of the relevant replies.

The Company paid great attention to the special management of hazardous wastes. The Company had reached technical service agreements with qualified hazardous waste disposal units according to Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China, National Hazardous Wastes Catalogue and Management Regulation on Hazardous Wastes Manifests, and continuously regulated the storage and disposal management on hazardous wastes according to the normalized management requirements of Dalian for solid waste management and Solid Waste Management Manual of Dalian Port Group. All the hazardous solid wastes produced by the Group, such as waste oil, used batteries and fluorescent tubes, were disposed of by qualified professional institution. The Company also realized 100% disposal of all the wastes produced during the production process in line with the prescribed procedures as specified by the Hazardous Wastes Manifests.

In developing an environment pollution accident prevention and emergency system, the Company highlighted the concept of early detection of potential environment pollution risks, so as to identify and eliminate pollution risks and prevent the occurrence of pollution accident in advance. The Company also sought to improve environment pollution accident prevention and emergency system and completing the deployment of oil spilling emergency equipment, to ensure sound management and utilization of emergency facilities, and further improved the functions of oil product wharf accident buffer pool with auxiliary systems in order to heighten capacity in environment emergency response. All in all, the Company did not have any environment pollution accident or environment-related petition letter event in 2017.

To effectively promote and educate on environment protection, the Company organized the June Fifth World Environment Day promotion activity and a special training course on Water Pollution Prevention and Control Law and Environment Protection Tax Law to provide training and test for all unit leaders, department principals and environment protection part-time employees. Over the course of the training, all recently revised policies and regulations were fully deliberated, so as to provide basis and support for the grassroots environment protection management works.

In 2017, the effort of Dalian Port (PDA) Company Limited was recognized with the title of "Advanced Unit in Environment Protection Promotion and Education of Dalian for 2016-2017".

12. Energy conservation and reduction

The Company pays great attention to energy conservation and reduction. As per the green development concept of "conservation of resource, environmental friendly", the Company accelerated the construction of green low-carbon ports by continuously optimizing production process and operation approaches, and through utilizing green equipment and facilities, and actively promoting energy conservation and reduction and clean production to enhance energy efficiency and improve the environmental quality of ports to achieve a green, low-carbon, recycling and intelligent development.

In November 2017, Green, the Recycling and Low-carbon Port Project as launched by the Company had passed the onsite acceptance evaluation by Liaoning Transportation Department and Ministry of Transport. The project managed to achieve an amount of energy saving of over 13,000 tons of standard coal or over 2,700 tons of standard oil.

In 2017, the Company accelerated the application of shore power project technologies. The 3MVA high-voltage frequency conversion shore power system at berth No. 15 of Dayaowan container wharf had successfully connected with and supplied power to 2 13,000-TEU container ships, COSCO Netherlands and COSCO France, in April and May 2017 respectively. The system supplied power for the two container ships for 13 hours, and utilized a total of 13,000 kWh of power, which marked the container wharf of Dalian Port possessed the high-voltage frequency conversion shore power supply capacity.

The Company also hastened the construction of shore power projects. In 2017, the Company invested more than RMB20 million to install 4 sets of high-voltage shore power facilities, 2 sets of low-voltage dual-frequency shore power facilities and 2 sets of low-voltage movable shore power facilities. By the end of 2017, the ore vessel berths, bulk grain vessel berths, professional ro-ro passenger berths at Dalian Bay and operating vessel berths were equipped with shore power supply capacity, and more than 50% of the professional container vessel berths were equipped with shore power supply facilities. The 2 movable shore power supply systems can be used for several berths at the general cargo wharf of Dalian Bay.

The Company further implemented energy management, by developing and issuing an annual energy management work plan to specify the annual work target and assignments. Furthermore, the Company had worked on a statistical analysis on energy consumption and pushed forward sound energy conservation management, while moving on with the construction of advanced energy management system and carried out pilot operation of the relevant systems. The Company had also formulated the schemes for annual water saving promotion week and energy saving promotion week activities, and demonstrated experiences and results in energy conservation and emission reduction through typical case study and technical exchange.

In 2017, the Company's unit consumption of comprehensive energy for production was 2.54 tons of standard coal per 10,000 tons of throughput and the unit energy consumption for loading, unloading and production was 1.57 tons of standard coal per 10,000 tons of throughput.

13. Emergency Response

In 2017, the Company continuously enhanced oil spill emergency system at the oil terminal of the port and prevent the pollution incidents through developing and refining the plan on "Emergency Plan for Oil Spill at the Port" and "Emergency Plan for Sudden Environmental Pollution". All terminal companies simultaneously established corresponding rules and management procedures and developed emergent plans with emergency drills. By checking all oil spill emergency equipment equipped by the terminal companies, the Company confirmed that the terminal companies could basically initiate various emergency equipment and facilities within the fixed time. At the same time, the Company and Dalian Shunfeng Shipping Co., Ltd. had entered into a marine oil spill emergency cooperation agreement to further improve PDA's marine oil spill emergency response capacity so as to prevent threat to the marine environment. There was no marine oil spill incidents occurred in 2017.

VI. Community Welfare

14. Community Welfare

The Company completed the tasks assigned by the provincial and municipal governments, including family planning, blood donation and targeted poverty alleviation at Lejia town, Pulandian City and Guangsheng Village, Lijia Town, Heishan County, Jinzhou City.

VII. Prospect

15. Prospect

Development commenced from succession and excellence originated from innovation. With the spirit of "port connects world, and integrity wins people", Dalian Port (PDA) Company Limited committed to an alliance between the social responsibility concept and the corporate development strategy, and to associate social responsibility practice with corporate production and operation so as to protect the legitimate rights and interests of employees, create value for customers, actively engage in social welfare undertakings and continue to fulfill its corporate social responsibility.

For the year ended 31 December 2018:

I. MANAGEMENT DISCUSSION AND ANALYSIS

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

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD

1. Overall Analysis of Results

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

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

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

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

Item	**2018** *(RMB)*	**2017** *(RMB)*	**Change** *(%)*
Net profit attributable to shareholders of the parent company	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 service	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 service

Note 2: Gross profit margin = (Revenue - Cost of service) / 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 service 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 service increased by 10.2% year-on-year, mainly due to the increase of costs of service which was in line with the increase of revenue arising from the consolidation of container terminals, operating cost increase due to fuel price rises and business expansion, and staff cost increase caused by remuneration adjustment. The increase of cost of service was partially offset by the reduction of electricity costs resulting from the electricity tariff drop, and the decrease of costs in the oil product business due to a decrease of sales.

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

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

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

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

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

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

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

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

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

2. Assets and Liabilities

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

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

3. Financial Resources and Liquidity

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

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

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

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

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

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

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

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

4. Contingent liabilities

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

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

5. Use of Proceeds

Use of Proceeds for A Shares

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

Unit: Yuan Currency: RMB

Projects	Total proceeds	Use of proceeds as at 31 December 2018	Balance
Construction of oil storage tanks with a capacity of 1,000,000 m^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 earned interest income of RMB81,000,000.00) to temporarily replenish the Company's working capital. Such an authorisation is valid for a period of not more than twelve months from the date the Board resolution was passed. The Company's independent directors, supervisory committee and sponsors expressed their respective opinions on the Board resolution, and the Company issued a relevant announcement on 26 March 2018.

Use of Proceeds for H Shares

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

(All amounts in HKD unless otherwise stated)

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

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

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

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

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

6. Capital Expenditure

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

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

Oil Segment

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

	2018 *('0,000 tonnes)*	**2017** *('0,000 tonnes)*	**Increase/ (Decrease)**
Crude oil	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 continuous construction and commissioning of terminals, pipelines, storage tanks and other storage and transportation facilities in the Bohai Rim area impacting, the trans-shipment volume of crude oil from our port to the Bohai Rim was affected. This resulted in a declined proportion of the imported crude oil handled by the Group's Liaoning ports.

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

Project	**2018** *(RMB)*	**2017** *(RMB)*	**Change** *(%)*
Revenue	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 interim success 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:

Project	**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 who traded 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:

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

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

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

Bulk and General Cargo Segment

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

	2018	**2017**	**Increase/ (Decrease)**
	('0,000 tonnes)	*('0,000 tonnes)*	
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:

Project	**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 expansion of the mixed ore business which boosted the growth in imported iron ore business which has higher rates.

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

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

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

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

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

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

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

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

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

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

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

Project	**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 vehicles.

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

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

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

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

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:

Project	**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:

Project	**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 was driven by the recovery of principal port business and the project income also increased due to the growth of communication engineering business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Analysis of main operations

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

Unit: Yuan Currency: RMB

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9.2 Income and cost analysis

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

(1) Main operations by industries, products and regions

Unit: Yuan Currency: RMB

Analysis of main operations by industries

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

(2) Statement of cost analysis

Unit: RMB0'000

Segment information

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

Other explanation of cost analysis

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

(3) Major sales customers and major suppliers

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

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

Other explanation

Nil.

9.3 Expenses

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

9.4 Cash Flow

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

9.5 Research and development (R&D) investment

Statement of R&D Investment

Unit: RMB

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

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

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

11. Analysis of assets and liabilities

11.1 Assets and liabilities

Unit: RMB

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Change of the amount (%)	Explanation
Cash at bank and on hand	5,729,285,870.35	16.22	7,507,917,166.59	20.52	-23.69	It was mainly due to the payment of borrowings using own funds for the year.
Financial assets held for trading	1,892,520,046.14	5.36	–	–	100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Financial assets at fair value through profit or loss	–	–	5,050,497.50	0.01	-100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Notes and accounts receivable	947,433,479.68	2.68	1,201,883,882.80	3.29	-21.17	It was mainly due to the timely recovery of receivables.
Prepayments	34,835,097.24	0.10	159,435,191.83	0.44	-78.15	It was mainly due to a decrease in business resulting from equity disposal of subsidiaries.
Inventories	149,488,331.40	0.42	702,685,534.58	1.92	-78.73	It was mainly due to a decrease in inventories resulting from equity disposal of subsidiaries.

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Change of the amount (%)	Explanation
Contract assets	37,162,200.00	0.11	–	–	100.00	It was mainly due to an addition of items presented for contract assets upon the implementation of new revenue standard.
Other current assets	105,735,304.45	0.30	255,836,964.53	0.70	-58.67	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Available-for-sale financial assets	–	–	159,423,791.18	0.44	-100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Other equity instruments investment	179,146,371.30	0.51	–	–	100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Investment properties	202,719,406.14	0.57	710,512,216.76	1.94	-71.47	It was mainly due to the reclassification of certain investment properties to fixed assets.
Long-term prepaid expenses	76,195,345.33	0.22	106,783,619.90	0.29	-28.65	It was mainly due to the matured long-term leased assets and the finished amortization of expenses.
Deferred income tax assets	81,148,594.18	0.23	66,000,514.39	0.18	22.95	It was mainly due to an increase in deferred income tax assets arising from allowances for expected credit losses in accordance with new standard for financial instrument.

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Change of the amount (%)	Explanation
Other non-current assets	36,299,731.85	0.10	142,923,200.38	0.39	-74.60	It was mainly due to bidding deposits for land paid in the previous year being transferred to intangible assets upon obtaining land use rights.
Financial liabilities at fair value through profit or loss	–	–	3,810,902.00	0.01	-100.00	It was mainly due to the zero business volume resulted from equity disposal of subsidiaries.
Notes and accounts payable	224,442,511.34	0.64	380,389,360.83	1.04	-41.00	It was mainly due to the combined effects of decrease in business resulted from equity disposal of subsidiaries and repayment of payables when they become due.
Advances from customers	6,153,114.57	0.02	192,230,201.10	0.53	-96.80	It was mainly due to the combined effects of decrease in business resulted from equity disposal of subsidiaries and transfer of certain items to contract liabilities upon the implementation of new revenue standard.
Contract liabilities	45,783,239.08	0.13	–	–	100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Change of the amount (%)	Explanation
Taxes payable	54,113,243.93	0.15	127,314,759.93	0.35	-57.50	It was mainly due to the decrease in business resulted from equity disposal of subsidiaries and no taxes payable such as import duties and consumption tax.
Current portion of long-term liabilities	800,076,181.57	2.27	4,158,328,072.94	11.37	-80.76	It was mainly due to the repayment of RMB foreign debt of corporate bonds.
Long-term borrowings	2,052,026,017.12	5.81	2,581,543,935.59	7.06	-20.51	It was mainly due to the transfer of certain current portion of long-term liabilities to current liabilities.
Bonds payable	5,873,223,359.39	16.63	3,404,498,647.79	9.31	72.51	It was mainly due to the additional issuance of medium-term notes for the year.
Long-term payables	40,000,000.00	0.11	–	–	100.00	It was mainly due to the underwriting fee to be paid arising from the issuance of medium-term notes, and capital injection installments to joint ventures and associates.
Other comprehensive incomes	5,924,000.77	0.02	29,398,184.15	0.08	-79.85	It was mainly due to the implementation of the new standard for financial instrument and the change in fair value of stock investment.

Other explanation

Nil.

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

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

12. Analysis of business operation in the industry

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

12.1 Core business and related business models

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

12.2. Business model

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

12.3 Industry development

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

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

13. Analysis of investments

13.1 Overall analysis of external equity investments

Details as below:

(1) Major equity investments

1. Securities investment

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

2. Shareholding in other listed company

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

3. Equity interests in financial company

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

4. Purchase and sale of shares of other listed companies

No.	Stock name	Shares held as at the beginning of the period *(shares)*	Shares purchased during the reporting period *(shares)*	Fund utilised *(RMB)*	Shares sold during the reporting period *(shares)*	Shares held as at the end of the period *(shares)*	Investment gains generated *(RMB)*
1	Sinovel	252,000				252,000	
2	SGEG	99,000				99,000	11,622.00
3	Xingyu Co., Ltd	55,000				55,000	81,800.00
4	Tongyu Heavy	254,750				254,750	
5	SEMIR	105,000				105,000	
6	SCC	500			500		32,218.50
7	Sichuan Zhenjing Corporation Limited	1,000			1,000		13,141.20
8	Huaxi Securities		500	4,730.00	500		3,144.23
9	TCB 712		1,000	4,550.00	1,000		20,652.74
10	FII		1,000	13,770.00	1,000		9,315.40
11	Jiangsu New Energy		1,000	9,000.00	1,000		24,176.80
12	Bank of Zhengzhou		500	2,295.00	500		1,386.50
13	Great River Smarter		500	4,265.00	500		10,034.50
14	Mindray		500	24,400.00	500		12,368.52
15	PICC		1,000	3,340.00	1,000		3,788.20
16	ZJB		1,000	3,140.00		1,000	
17	Hunan Light Industry & Salt Industry		1,000	3,710.00	1,000		13,959.00
Total		767,250	8,000	73,200.00	8,500	766,750	237,607.59

(2) Major non-equity investments

Unit: RMB0'000 Currency: RMB

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

Investment project	Source of funding	Total proposed investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Gains realised for the year	Reasons for failure to achieve the expected gain
Purchase of gantry for ore terminal	Financing through issuance of A shares	3,720	0	3,720	100%	Income of approximately RMB19.92 million; profit of approximately RMB11.83 million	N/A
Purchase of 300 bulk grain carriers	Financing through issuance of A shares	15,000	0	15,000	100%	Income of approximately RMB7.1758 million; profit of approximately RMB1.1217 million	Please refer to the note headed "Reasons for failure to achieve the expected gain (3)"
Ro-ro ships for carrying cars	Financing through issuance of A shares	23,000	0.06	21,200.23	92%	Income of approximately RMB27.0029 million; profit of approximately RMB45,900	Please refer to the note headed "Reasons for failure to achieve the expected gain (4)"
Construction of railway siding in Muling	Financing through issuance of A shares	4,125	0	4,125	100%	Project investment gain of RMB-6.62 million	Please refer to the note headed "Reasons for failure to achieve the expected gain (5)"
Information construction	Financing through issuance of A shares	5,000	0	5,000	100%	N/A	N/A
Berths and ancillary facilities in area III of container terminal (Refer to note 1 for details)	Financing through issuance of A shares	8,404.15	0	8,404.15	100%	Income of approximately RMB368.15 million; profit of approximately RMB57.1 million	N/A

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

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

(2) No. 4 stacking yard for ore terminal: The project was put into use in December 2014. Affected by the downward pressure of domestic economy in 2015, steel companies put more efforts in cost control, and they chose the near-port operation, which reduced the competitive edge of large berthing capacity of the Company. Since March 2016, the Company has been cooperating with VALE of Brazil to actively pursue ore-mixing business. In the same year, the Company commenced the business of loading and unloading of large vessels, creating a new growth driver in operating income. In 2017, the Company continued to develop a new model for ore-mixing service at ore terminal, leveraging on regional and business advantages to develop the ore-mixing transshipment distribution model. Exerting the role as a demonstration for the Northeast Asia ore-mixing center of the VALE, the Company has created a "full logistics service + mixed-metal sales" model. The export volume of Japanese and Korean ore-mixing business has increased significantly, and the volume of foreign imports from the VALE doubled as compared with that of last year. In 2018, the Company continued to deepen its cooperation with VALE, and developed ore-mixing business in quality and strength. It fully promoted and realized the target of "normalizing night service" of 400,000-ton super-large-scale carriers, and completed the upgrading of the ore-mixing skills in No. 4 stacking yard for ore terminal. Therefore, the comprehensive ore-mixing capacity of the terminal has been greatly improved. Going forward, we will give full play to the terminal's bonded, mixed mining and distribution capabilities, consolidate the Company's market share in steel mills, deepen cooperation with the railway bureaus, and enhance the efficiency of the yard.

(3) Purchase of 300 bulk grain carriers: The 300 bulk grain carriers of the project were put into use in 2011. During the initial construction stage of the project, the bulk grain carriers fell short of demand in the three northeastern provinces of China, and there was a temporarily critical shortage of bulk grain carriers. After the reform of the Ministry of Railways in 2013, the restriction on approving purchase of bulk grain carriers has been lifted. As a result, there was a serious oversupply of bulk grain carriers in Northeast China, with a mass number of bulk grain carriers being idle and carriage rental decreasing significantly. The operation of bulk grain carriers became difficult. At the end of 2016, China revoked its temporary grain storage policy, giving full play to the self-pricing mechanism in the domestic grain market. The strong demand for trade in the grain production and sale areas will bring forth a positive business environment. In 2017, the domestic trade grain market regained its vitality, and normal trade flows spurred the bulk grain carriage market to return to a healthy development track. Riding on the opportunity arising from market rejuvenation, the Company continuously improved the entire logistic system based on bulk grain carriage capacity built by itself. Taking bulk grain capacity as a breakthrough point to attract long-established grain companies to jointly engage in grain logistics joint ventures and cooperation, the Company has not only improved the operational efficiency of bulk grain carriers, but also revitalized assets and reduced operating risks. In 2018, the operating environment of bulk grain carriers showed a significant decline compared with that of 2017. Since April 2018, the railway bureaus in Shenyang and Harbin successively implemented unified management and deployment policy for bulk grain carriers under their jurisdiction. The Company basically lost control on the deployment of its own bulk grain carriers. The number of carriers in ports and those used for inefficient deployment soared, and the number of carriers in ports has fallen sharply. This had a serious impact on the Company's domestic grain transportation and rental incomes. Therefore, the overall operation of the bulk grain carriers is lower than that of the same period.

(4) Ro-ro ships for carrying cars: 2 of the ro-ro ships for carrying cars in the project were completed and commenced operation in 2011. The 2 ships were named "Anji 8 (安吉8)" and "Anji 9 (安吉9)" respectively. During the initial stage of the construction of the project, the development of ro-ro shipping was in its prime and the prospect of ro-ro ships for carrying cars was promising. Nonetheless, adversely affected by the global economy and the condition of the global shipping industry in 2011, the ro-ro shipping industry of the PRC gradually experienced a downturn with a surplus of ro-ro capacity. Thus the operation efficiency of the ro-ro ship project fell. To maintain the loading rate of the 2 ships to prevent losses, the Company leased "Anji 8" and "Anji 9" to Ansheng Ship (安盛船務) at cost price or close to cost price after taking the capital cost into consideration, respectively. Looking forward, through enhancing the cooperation between the logistic companies such as Anji Logistics (安吉物流), Dalian Port will fully leverage on the advantages as a fundamental transshipment port in the Northeast China of automobile manufacturers such as SAIC Motor. The transshipment of automobiles is expected to increase steadily, thus ensuring the enhancement of the efficiency of the project of ro-ro ships for carrying cars.

(5) Construction of new railway siding in Muling: The project was put into operation in July 2013. Located in the Sino-Russian Economic Belt of Ha-Mu-Suidong, this project is a sea-rail transport logistics center of southeastern Heilongjiang Province jointly built by Dalian Port and Muling Municipal Government. Since its operation, the Company has maintained a balance of revenues against the backdrop of the economic downturn in the hinterland of Northeast China. In 2018, due to the expiration of government subsidies and the shortage of supply in the surrounding areas, income from the project declined. In the future, the Company will grasp the opportunity that local government's action to introduce Russian coal and Russian timber enterprises to settle in, strive to become a distribution center for Russian coal and Russian timber, so that the project profits will be steadily improved.

Note 1: On 31 October 2017, "Dalian International Container Terminal Co., Ltd." and "Dalian Port Container Terminal Co., Ltd." were merged by "Dalian Container Terminal Co., Ltd.". Therefore, the use of proceeds was changed from the original equity investment project to the investment in construction project of the berths and ancillary facilities in area III of container terminal. After the change, there will be no significant change in the payback period and internal rate of return of the project investment.

(3) Financial assets at fair value

Unit: Yuan Currency: RMB

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

14. Major sales of assets and equity

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

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

15. Analysis of Major Subsidiaries and Investee Companies

Dalian Port Container Development Co., Ltd. (大連港集裝箱發展有限公司) ("Dalian Port Container") is the wholly-owned subsidiary of Dalian Port (PDA) Company Limited, with a registered capital of RMB2,964,111,400. Its principal businesses include the provision of terminal facilities to vessels, provision of container loading, storage and arrangement of containers in the port area, leasing of port facilities, equipment and port machines, maintenance services, property leasing, corporate management services, consulting services etc. As of the end of 2018, the total assets of the company amounted to RMB5,308,583,613.34 with net assets of RMB3,438,050,333.64. In 2018, it achieved operating income of RMB138,901,600.80 and net profit of RMB232,038,301.12.

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

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

PetroChina Dalian LNG Co., Ltd. ("LNG") is jointly funded and established by Dalian Port (PDA) Company Limited (the "Joint Stock Company "), Kunlun Energy Co., Ltd. and Dalian Construction Investment Group Co., Ltd., each with a shareholding of 20%, 75% and 5%. The registered capital of LNG is RMB2,600,000,000. Its principal businesses include storage and operation of compressed gas and liquefied gas and natural gas, provision of terminal facilities for vessels and LNG unloading services in the port area. As of the end of 2018, LNG recorded a total asset of RMB3,534,512,886.08, net asset of RMB3,398,718,058.09. In 2018, it realized an operating income of RMB1,285,956,300 and a net profit of RMB664,024,400. It contributed revenue of RMB132,804,873.31 to the Company, representing 18.98% of the Company's net profit.

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

1. Competitive landscape and development trend in the industry

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

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

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

2. Company's development strategy

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

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 of transshipment volume and revenue.

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

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

Bulk Grain Segment

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

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

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

Passenger and Ro-Ro Segment

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

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

Value-added Services Segment

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

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

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

3. Business plans

In 2019, with a focus on customers' demands, the Group will, by leveraging our comprehensive advantages in logistics, finance, trading and information, strengthen product and service innovation, deepen cooperation with customers, improve the logistics network, expand service functions, and further promote the construction of logistics system at the ports. Besides, the Group will impel the development of our high-end service business, accelerate the pace of going out and exert all efforts to build a port ecosystem integrating logistics, business flow, capital flow and information flow, with a view to becoming the first-class integrated service provider in supply chain in China.

4. Possible risk exposures

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

HUMAN RESOURCES MANAGEMENT

1. Overview of employees

Taking into consideration of the Company's development strategies and priorities, the Group took efforts to facilitate each employee's development of his or her potential and formulated an employment mechanism for staff selecting, training and appointment so as to support the Company's sustainable development.

Focusing on position, performance and ability, the Company attempted to establish a compensation system compatible with the human resources management through optimizing remuneration system and increasing positive incentives in various aspects.

We also placed an emphasis on the provision of internal or external training to our staff so as to build up a talent pool that provides a solid human resources support to the growth of the Company.

As of 31 December 2018, the Company had a total of 4,299 full-time employees. The Company and its invested businesses together had a total of 6,819 employees. With respect to the employee's remuneration policy, the Company makes determination or corresponding adjustments based on its performance and employees' performance evaluation results on an annual basis after referring to prevailing rates in the local labour market.

2. Compensation policy

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

3. Training plan

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

INVESTOR RELATIONS MANAGEMENT

The Company pays great attention to its investor relations management, and regards it as a key part of corporate governance. The investor relations management team is committed to establishing an efficient two-way communication channel between the senior management of the Company and the investment community. Adhering to the principles of regularity, fairness and transparency, the Company strives to disclose true and accurate information in a timely manner. The Company discloses the information that investors are concerned about through a variety of channels in order to allow them to understand the Company's operation and development strategies in the future.

Meanwhile, the Company regularly collects feedback from investors and carefully considers their suggestions so as to constantly improve its development. The Company makes a periodic analysis of the shareholdings, including reviewing the institutional shareholdings and individual shareholdings, and tracking the change in equity based on the type of investors, which is conductive to establish of a good relationship with existing and potential investors.

In 2018, in order to allow all interested parties to fully understand the Company's performance, operating strategies and development prospects, the Company initiated a number of events, received investors' visits, arranged dock visit for visitors, set up investor mailboxes and adopted other ways and methods. The Company proactively and candidly communicated with the capital market and domestic and overseas investors, and published all kinds of announcements, circulars, and reports as required by domestic and overseas regulatory rules on the website of the Company and the website and newspapers designated by regulators.

The Company has been regarding the investor relations management as a long-term strategic management. The Company will continue to improve the level and standards of its investor relations management so as to better serve investors and become a trusted listed company among capital market investors.

2018 Corporate Social Responsibility Report

I. Summary on Fulfilment of Social Responsibilities

In 2018, amidst the lingering complicated domestic and global economic situation, Dalian Port (PDA) Company Limited adhered to scientific development, devoted to reform, made breakthroughs and innovation, and pursued excellence. With the joint efforts of all staff, various works made new progress and various indicators of the year were successfully achieved.

1. Concept of social responsibility

The social responsibility of Dalian Port (PDA) Company Limited is to undertake the responsibilities for the customers, staff, society and environment while pursuing economic benefits and safeguarding the shareholders' interests. While maintaining rapid development of the port, we always stick to the mission of "prospering the city through the port, and serving the nation with industrial development", adhere to the core value of "people-oriented, client-oriented and responsibility-guided", promote the spirit of "Self-Discipline and Social Commitment", and uphold the operating concept of "integrity, value-added, safety and environmental protection", so as to create value for shareholders, customers, staff and society.

2. Undertaking of social responsibility

We are committed to implementing a supervisory and management system for social responsibility underpinned by a main framework covering quality, occupational health and safety and integrated environmental management mechanism. At the beginning of the year, we were accredited with quality, environment and occupation health and safety management system certification, ensuring the standardized management being kept abreast of time. The Company organizes management representative training course, national registered auditor training course, internal auditor training course for the staff of each level of the Company and set up an experienced management team with extensive knowledge and strong execution capability to provide standardized management support in relation to the management, quality control, safety control, occupation safety control of the Company, thereby ensuring the effective performance of the corporate social responsibilities of the Company. The Company takes the initiative to fulfil the obligation of "contributing all it should contribute", paid tax in aggregate of RMB413,000,000 during the year, making due contributions to national and regional construction.

3. Vision of social responsibility

The Company will give full play of its role as the core and flagship in developing Dalian into an international shipping center in Northeastern Asia and the development of Liaoning Coastal Economic Zone. Leveraging on its favorable natural conditions and competitive strengths in operations and management, the Company will accelerate the regional layout of the port and structural adjustment of functions, so as to realize the industrial integration between port and city, financial integration between shipping and transaction, and logistic integration between centralization and distribution, and devoted to realize the goal of building "5P" (Port with high quality and good performance, Port with convenient business, Port of logistics hub, Port of green and low-carbon, and Port with peace and harmony). Through self-development and growth and better fulfilment of social responsibilities, the Company strived to become the role model in port industry in the northeast area or even across the whole nation.

II. Contribution to the Industry

1. Promoting regional trade development

In 2018, the Company accelerated its transformation and upgrading, attached high importance on the development of trade business, and focused on the improvement of trade quality and research on the management and control of risks associated with trade business. By capitalizing on fully utilization of strengths in logistic resources, financial resources and brand resources, the Company established its comprehensive logistics service system and integrated industrial, commerce and trading platform to provide supply chain services that integrating trade, finance, insurance, agency, cargo loading and discharging, storage and logistics, so as to achieve rapid development of trade business. The rapid development of trade business not only expanded the development potential of the Company and increased the revenue of the Company, but also drove the development of the logistics business (as the main business of the Company) and speeded up the progress of diversified development of the Company. Meanwhile, through the development of trade business, the Company promoted the circulation of commodities relating to people's livelihood and important goods and materials such as grain, steel, ore, oil, vehicles, LNG and cold chain commodities, activated regional economic development, satisfied people's needs and achieved harmony and unity between development of enterprise and its social responsibility.

2. Promoting regional logistic development

In 2018, the Company focused on transformation and quality enhancement, attached high importance on comprehensive logistic system, made breakthrough in product and service innovation, and by measures such as deepening customer cooperation, expanding logistic network and improving port service efficiency, the Company further lowered comprehensive logistic costs for customers, thereby effectively supported the real economy and promoted the regional economic development.. Firstly, by taking the advantages of "big ship + ore blending", we deepened customer cooperation, expanded the Japanese-Korean transit market for ore blending and created a regional iron ore distribution center, which further scaled up the ore blending business. Secondly, we strengthened the cooperation among the ports around the Bohai Sea and improved the layout of the circum-Bohai-Sea network, due to which the supply of the transit shipment business involving containers in foreign trade significantly increased. Third, we continued to promote cooperation with the water transport project of the North-South main engine plant, promote the construction of the north-south convection route of commodity vehicles, and achieve the rapid growth of business volume such as river-ocean combined transportation and sea-railway combined transportation. Fourth, we worked closely with the port regulatory authorities and implemented a variety of initiatives to promote the development of foreign trade through ports.

III. Caring for customers

1. Product quality and customer service

In 2018, the Company continued to take business transformation and quality improvement as its major tasks, focused on reducing logistics costs and increased service offerings, based on its supply chain logistics service system, marketing system and customer management system to subdivide customer groups, deeply studied the actual needs of customers and implemented the differentiated marketing strategy, so as to meet explicit demands and explore potential demands. For strategic customers and large customers, we tailored the supply chain logistics solutions to meet their personalised demands. For small and medium customers, we built up a platform and system to provide them with comprehensive, one-stop value-added services. In addition, the Company increased interaction with its customers, expanded into new services, and promoted the continuous improvement in port environment and business environment through the application of various information platforms such as the Dalian Public Information Platform, service hotline, mobile APP and Micro Port System.

2. Production safety

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

In 2018, Dalian Port mainly implemented the safe production work in 6 fields, in order to ensure the occupational health and safety of the employees and provide safe production environment to the employees. First, to earnestly carry out the national, provincial and municipal work deployments, comprehensively implement the spirits of the superiors. The Company made full use of the monthly safe production work video conferences, quarterly and semi-annual plenary meetings of safe production committee as well as ad hoc emergency meetings to implement the directives and work deployment requirements of the superiors. The main leaders actively attended the safe production work meetings organized by the provincial and municipal agencies, and arranged in person the implementation of the superior meeting spirits, consciously practiced the requirements of the higher authorities. Each quarter, they would personally lead a team to make inspection and research at the production front line and promptly solved the difficulties in safe production. The Company quickly communicated and implemented the important instructions of the central leaders as well as the instructions of the provincial and municipal leaders through various channels, such as themed meeting, pre-shift/pre-boarding meeting, safe production We-chat group, Intranet email and Dalian Port Newspaper, in order to ensure that the messages are properly communicated and all the employees are informed. Second, to enhance the construction of "Four Mechanisms" and ensure the implementation of the relevant work deployments. The Company completed the review and revision of the safe production responsibility system for all employees, issued the relevant official document, established the evaluation system, and carried out the relevant promotion, communication and learning of the system through meeting, announcement and training, in order to ensure that all the employees master the safe production responsibility system for their positions. In addition, the Company enhanced the supervision and inspection, regularly reported the inspection results, and strengthened evaluation management, in order to ensure the proper performance of safety responsibility. By further understanding the relevant requirements of the municipal safety committee on promoting safety commitment announcement system, the Company refined and optimized the daily level-by-level judgment and evaluation mechanism, and made commitment announcement to the public through the LED Bulletin board installed in the conspicuous position of the Company, the Group information platform and the website of the municipal bureau, in order to show its determination that no announcement will be made in case there exists any unsafe condition, and no production will be carried out without announcement, and enhance the level-by-level responsibility implementation. The Company continued to improve the dangerous chemical enterprise safety risk prevention and control reliability report system, fully identified the existing risks, made a scientific assessment and classification, optimized the control measures, completed the drawing of the "safety risk four-color chart", and constantly improved the safety risk anticipation and prevention capacity. Through such measures as "pre-shift meeting/pre-boarding meeting before operation", "enhancing operation process supervision and announcement and posting of key inspection points", "conformation of end-of-jog message", "organization of special safety education and training", "report-based safety verification" and "co-signing of repair and maintenance work order", the Company strengthened risk prevention and control, and ensured the hierarchical control of safety risks are properly implemented based on the relevant standards and measures. In addition, the Company strictly implemented the daily inspection, weekly report, monthly scheduling and quarterly announcement system in a unique pattern of combining professional division and regional management, in order to ensure that each inch of land of the port has a responsible person, each device has a manager, and great achievement is made in improving the regional safety and security. Third, to enhance safe production supervision and inspection, and promote the safe production grid construction. The Company developed and completed all the annual safety inspection plans according to the key points of the relevant provincial and municipal authorities on annual safe production work deployment as well as its actual situations. The Company carried out special rectification actions according to the unified safety production deployment of the province and city, for which the Company developed implementation schemes, carried out corresponding special inspections and made summary and report as required. The Company rectified the hidden dangers strictly according to the requirements of the "five implementations", implemented strict approval process and onsite control measures for all the high-risk operations, and enhanced the implementation of the safe production measures in special periods. Leaders and cadres at each level strictly implemented the rules for leaders to take personal charge of shifts, the rules for the security supervision department member to be on duty and make patrol and the rules for shifting of duty, and enhanced the supervision, inspection and guidance on the gate sentry, fire-fighting and security protection monitoring office, fire-fighting maintenance and post patrol. Based on the coordinated and unified principle of target orientation and problem orientation, the Company developed the Safe Production Target Management and Evaluation Standards for 2018, and formulated 118 specific indicators in 5 fields with clear target orientation, ensuring one liability warrant for one enterprise, and one evaluation standard for one unit. The Company organized the signing of annual safe production target management liability warrants by its subordinate units and departments, refined and specified the safety responsibility area division requirements, divided the responsibility areas level by level and prepared the Schematic Diagram for Safety Responsibility Area Management according to the principle of "local management and graded responsibility". Through the management methods of "designating area, designating person and designating responsibility", the Company further improved the safety responsibility area management system. Fourth, to carry out special rectification and violation suppression works and ensure the sustainability and stability of the safe productions of the port Guided by the spirit of safe production work meeting for 2018 and focusing on the "six inspections", the Company extensively carried out special rectification and violation suppression works. By inspecting human factors, inspecting the strictness, scientificity and operability of rules and regulations, inspecting the technical status of the production process equipment and fire-fighting equipment, inspecting the sufficiency of training and study, inspecting the implementation of information equivalence, and inspecting the management of construction teams and contractors, the Company highlighted the inspection on dangerous chemical industry, and carried out special inspections on major hazard sources, dangerous goods operation and gas station, focusing on the special inspection of the compliance procedures, basic management documents and rectification of the problems identified in safety evaluation by the units dealing with major hazard sources and dangerous goods. With the focus on the special inspection of project construction, the Company carried out hidden danger screening on the project construction and reworks, and had all the identified hidden dangers rectified. Focusing on high-rise buildings and assembly occupancies, the Company developed and issued special rectification work schemes for fight-fighting of high-rise buildings and assembly occupancies to specify the division of responsibilities, rectification focus, work steps and work requirements. By highlighting the verification and inspection of special equipment, the safety technology management for all the lifting devices in the port was implemented according to the relevant requirements as well as the applicable laws, regulations, standards and management rules of the Company. In addition, the Company employed qualified third-party technical institution or expert to provide interruptible diagnosis and troubleshooting, carried out a variety of promotions and educations and precise trainings. The Company actively carried out rationalization proposal activities, and organized all the employees to participate in post safety management. It has collected more than 1000 rationalization proposals concerning the intrinsic safety modification of equipment and facilities, simplification of production process, function improvement of fire-fighting and emergency system, and safety information construction. Fifth, to enhance dual-mechanism construction, orderly promote the implementation of graded risk control and hidden danger identification and rectification The Company implemented graded risk control strictly according to the requirements of the occupational health and safety management system, and key process risk control and hazardous operation approval system. With regard to post risk control, the Company re-identified the danger sources of the posts, improved the control measures, timely revised and optimized the post risk manuals or cards and properly performed the post risk notification and training obligations. With regard to the implementation of process risk control, the Company, based on the requirements of the implementation opinions and focusing on accident prevention, further enhanced the identification and assessment of key risk in the production operation process to determine the risk grade, implement control measures, establish and improve the key risk control conformation records of the managers, and provide production risk notification for the key areas and positions. With regard to the establishment and improvement of change risk management, the Company, based on the hazardous operation permit and confirmation requirements, strictly implemented the hazardous operation approval management, implemented proper control measures before, during and after hazardous operations, and implemented confirmation system. The Company established a 4-level hidden danger screening and rectification system, constantly improved the hidden danger screening and rectification mechanism, and realized the effective connection and close-loop management for self-examination, self-inspection and self-correction of all units of the Company. The Company normalized the management of "4 lists" (list of screening tasks, list of hidden dangers, list of rectification works and list of review and acceptance), specified the standards for the 4 lists, broke down the hidden danger screen tasks and realized the effective and full coverage of hidden danger screen. The Company strictly implemented the accident and hidden danger statistics and report system, continued to implement reward system for reporting accident and hidden danger, carried out accident and hidden danger "snapshot" activities to encourage all the employees to participate in accident and hidden danger screening and provide monetary reward to the employees for reporting accident and hidden danger. The Company deployed and implemented typhoon and flood prevention, timely released the relevant emergency and pre-warning information, and carried out emergency drill according to the requirements of the superiors. It maintained safe and stable production during the flood season. Sixth, to enhance safety management innovation and constantly improve safety management level Surrounding the key target of "suppressing serious and major accidents and eliminating minor accidents", and focusing on such key areas as "labor outsourcing team, high-risk operations, old equipment and facilities, and safety responsibility area management", the Company achieved great results in safety management, providing a strong support for the safe and stable development of the port. With regard to enhancing labor outsourcing team management, the Company took various measures to improve the safe production guarantee capability and ensured the effective implementation of the access thresholds by enhancing the review and filing management of labor outsourcing team and adopting strict review criteria. The Company carried out special guidance and inspection on the safety management of the labor outsourcing team, precisely implemented strategies to deal with the weak links, and employed experts to carry out targeted instruction and inspection by properly dividing up the work and assigning a part to each individual. The Company strengthened the training of the labor outsourcing team members, focusing on such problem that the labor outsourcing team members lacked safety awareness, safety knowledge and safety skills. Based on the requirements of "the one who introduces the labor outsourcing team shall be responsible" and "the one who uses the labor outsourcing team shall be responsible", the Company further specified and implemented the safety management responsibilities. The Company carried out star rating management on the labor outsourcing team, which, together with the red and yellow card system, is designed to assign different star rankings to labor outsourcing teams with different management levels, and provide appropriate incentives to the outstanding players.

With regard to the strengthening of high risk operation safety control, each unit of the Company has established hazardous operation permit and approval system and strictly implemented the work order system. Permit and approval procedures were performed for all the hazardous operations, and no accident occurred in this year. Through such measures as strengthening the onsite supervision and inspection, and constructing "three zeros" team (zero violation for individual, zero hidden danger for post, and zero accident for shift), the front line employees can strictly execute the operation procedures and the relevant operation management requirements. The onsite violations were significantly reduced, and operations against rules were eliminated. With regard to focusing on the safe production responsibility area management, by combining professional division and regional management, the Company developed and issued the Notice on Deeply Implementing Safety Responsibility Area Management Works and Model Enterprise Creation Activity, promoted the organization of safety responsibility area evaluation and rating activity, and created an autonomous safety management system where "each site is under management, everything has standards, each person has responsibility and each rule is implemented", so as to constantly deepen the safety responsibility area management. With regard to safety supervision team and system construction, the Company issued the Notice on Carrying out Exchange (Training) and Exercise of Safety Management Personnel and commenced the exchange (training) and exercise of the safety management personnel of two levels according to the Opinions on Enhancing Construction of Safety Supervision Team.

IV. Caring for Employees

1. Protection of employees' rights and interests

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

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

2. Supporting and caring for the employees

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

3. Improving employment mechanism

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

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

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

V. Ecological development

1. Environmental protection

In recent years, the development of port industry has been coincidentally transforming towards a "green" development. In 2018, Dalian Port (PDA) Company Limited also opened up an ecological model. Under the guidance of General Secretary Xi Jinping's Thought on

Socialism with Chinese Characteristics for a New Era, Dalian Port (PDA) Company Limited followed General Secretary Xi Jinping's ecological civilization thought, and continuously raised awareness of environmental protection to actively implement various ecological environmental protection measures, solidly promote environmental management, and keep making progress, which has achieved results in ecological development.

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

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

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

In 2018, the Central Environmental Protection Supervision Committee launched a special supervision of the "Looking Back" in Liaoning Province. In order to effectively implement the supervision work, and further urge the Company's units to fulfill their integral responsibility for environmental protection, and therefore discover and eliminate existing hazards in time to mitigate risks of environmental management, the Company's units were inspected for environmental protection in 2018. The inspections mainly covered ten parts, including compliance with laws and regulations for environmental protection, implementation of prevention and control measures against air, water and solid waste pollution, the "three-simultaneity" policy for environmental protection in construction projects, etc. The Company has put forward rectification requirements for the imperfect environmental protection of all units, and urged them to implement supervision responsibilities and improve rectification measures as soon as possible. During the Central Environmental Protection Supervision, the Company actively cooperated with the Supervision Group to carry out various tasks.

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

In developing an environment pollution accident prevention and emergency system, the Company continued to carry out detection of potential environment pollution risks, so as to identify and eliminate pollution risks and prevent the occurrence of pollution accident in advance. The Company also sought to improve environment pollution accident emergency system and complete the deployment of oil spilling emergency equipment, to ensure sound management and utilization of emergency facilities. The Company did not have any environment pollution accident in 2018.

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

2. *Energy conservation and reduction*

The Company pays great attention to energy conservation and reduction. As per the green development concept of "conservation of resource, environmental friendly", the Company accelerated the construction of green low-carbon ports by continuously optimizing production process and operation approaches, and through utilizing green equipment and facilities, and actively promoting energy conservation and reduction and clean production to enhance energy efficiency and improve the environmental quality of ports to achieve a green, low-carbon, recycling and intelligent development.

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

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

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

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

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

The Company further implemented energy management, by developing and issuing an annual energy management work plan to specify the annual work target and assignments. Furthermore, the Company worked on a statistical analysis on energy consumption and pushed forward sound energy conservation management, while moving on with the construction of energy management system and carried out pilot operation of the relevant systems. The Company also formulated the schemes for annual water saving promotion week and energy saving promotion week activities, and demonstrated experiences and results in energy conservation and emission reduction through typical case study and technical exchange.

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

3. Emergency Response

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

VI. Community Welfare

1. Community Welfare

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

VII. Prospect

1. Prospect Development commenced from succession and excellence originated from innovation. With the spirit of "port connects world, and integrity wins people", Dalian Port (PDA) Company Limited committed to an alliance between the social responsibility concept and the corporate development strategy, and to associate social responsibility practice with corporate production and operation so as to protect the legitimate rights and interests of employees, create value for customers, actively engage in social welfare undertakings and continue to fulfill its corporate social responsibility.

INVESTMENT PLAN

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

For the year ended 31 December 2019:

I. OPERATING DISCUSSION AND ANALYSIS

In 2019, the global economic growth was sluggish, external demand remained weak, and the international trade situation was extremely turbulent. China's foreign trade development faced many risks and challenges. Regionally, the economy of Northeast China remained undiversified as it relied heavily on the energy and raw material industries with underdeveloped modern manufacturing and service sectors. Against such a backdrop, the Group deepened cooperation with its customers, improved the construction of logistics system, enhanced the innovation of product and services, expanded service functions of port, thereby achieving steady growth for production and operation of the port.

II. MAJOR OPERATIONS DURING THE REPORTING PERIOD

1. Overall Results Review

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2019, the credit impairment losses of the Group decreased year-on-year by RMB62,160,748,56 or 79.8%, mainly due to the recovery of contract asset payments and reduction in provision for other credit impairment loss.

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

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

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

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

2. Assets and Liabilities

As at 31 December 2019, the Group's total assets and net assets amounted to RMB35,098,274,540.65 and RMB21,404,415,590.73, respectively. Net asset value per share was RMB1.46, slightly increased compared with the net asset value of RMB1.42 per share as at 31 December 2018.

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

3. Financial Resources and Liquidity

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

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

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

As at 31 December 2019, the Group's outstanding borrowings amounted to RMB8,220,755,785.02 (this part of the borrowings is fixed rate borrowings), in which RMB827,677,202.72 were borrowings repayable within one year, and RMB7,393,078,582.30 were borrowings repayable after one year.

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

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

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

The Group continued to closely monitor its interest rate risk and exchange rate risk. As of 31 December2019, the Group has not entered into any foreign exchange hedging contracts. Please refer to the auditor's report for further details about the interest rate and foreign exchange risks.

4. Contingent Liabilities

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

Pursuant to the resolutions approved at the fifth meeting of the fourth session of the Board of Directors in 2016, the Company provided a counter guarantee for 20% of the guarantee liability and other necessary expenses and losses actually assumed by China Zhenhua Oil Co., Ltd. to the Lessor for DNPL. The counter guarantee was unconditional, non-cancellable and with joint and several liability and the relevant counter guarantee contract was signed on 11 November 2016. The counter guarantee period shall be two years since the date when China Zhenhua Oil Co., Ltd. has the guarantee responsibility to the Lessor according to the guarantee contract. If China Zhenhua Oil Co., Ltd. fulfils its guarantee obligation to the Lessor according to the guarantee contract more than once, the counter guarantee period provided by the Company will have to be calculated separately. As of 31 December 2019, DNPL had made rental payments of RMB81 million.

5. Use of Proceeds

Use of Proceeds for A Shares

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

Unit: Yuan Currency: RMB

Projects	Total proceeds	Use of proceeds as at 31 December 2019	Balance
Construction of oil storage tanks with a total capacity of 1,000,000 m^3 in Xingang	760,000,000.00	526,373,500.00	233,626,500.00
Construction of oil storage tanks with a total capacity of 600,000 m^3 in the Xingang resort area	550,000,000.00	550,000,000.00	–
Construction of phase II of the oil storage tanks project in Shatuozi, Xingang	29,600,000.00	29,600,000.00	–

Projects	Total proceeds	Use of proceeds as at 31 December 2019	Balance
LNG Project	320,000,000.00	320,000,000.00	–
No. 4 stacking yard for ore terminal	520,000,000.00	417,694,900.00	102,305,100.00
Purchase of ship unloader for ore terminal	37,200,000.00	37,200,000.00	–
Purchase of 300 bulk grain carriages	150,000,000.00	150,000,000.00	–
Ro-ro ships for carrying cars	230,000,000.00	212,002,900.00	17,997,100.00
Construction of railway siding in Muling	41,250,000.00	41,250,000.00	–
Construction of information systems	50,000,000.00	50,000,000.00	–
Investment in phase III of Dayao Bay Terminal	84,041,500.00	84,041,500.00	–
Total	2,772,091,500.00	2,418,162,800.00	353,928,700.00

Note: In order to reduce the amount of idle cash, achieve more efficient use of funds and lower capital costs for the Company, the first meeting of the five session of the Company's Board of Directors in 2019 passed a resolution regarding the temporary use of certain idle cash from the IPO proceeds to improve the liquidity of the Company's working capital. The Company was authorised to continue to use idle cash of RMB400,000,000.00 out of the proceeds (including an interest income of RMB81,000,000.00) to temporarily replenish the Company's working capital. Such an authorisation is valid for a period of not more than twelve months from the passing of the relevant Board resolution. The Company's independent directors, supervisory committee and sponsors expressed their respective opinions on the Board resolution, and the Company issued a relevant announcement on 26 March 2019.

Use of Proceeds for H Shares

The Company completed a targeted, additional H-share issuance of 1,180,320,000 shares at HKD3.67 per share on 1 February 2016. All net proceeds of approximately HK$4,283 million were remitted to Mainland China, and exchanged into US$550 million and deposited in the H shares' proceeds account of the Company in Mainland China. The use of proceeds for H shares changed into repaying the loan and replenishing the working capital, which was approved by the Company's shareholders at the general meeting on 27 June 2019. As of 31 December 2019, the proceeds remained unused was RMB840 million.

6. Capital Expenditure

In 2019, the Group's capital expenditure amounted to RMB310,692,420.03, which was mainly funded by the surplus cash generated from operating activities, the proceeds from the public offering of A Shares and other external financing.

7. An analysis of the performance of each business segment of the Group in 2019 is as follows:

Oil Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Container Segment

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

		2019	**2018**	**Increase/ (Decrease)**
		('0,000 TEUs)	*('0,000 TEUs)*	
Foreign trade	Dalian port	543.2	540.1	0.6%
	Other ports *(Note 1)*	5.9	11.9	(50.4%)
	Sub-total	549.1	552.0	(0.5%)

		2019 ('0,000 TEUs)	2018 ('0,000 TEUs)	Increase/ (Decrease)
Domestic trade	Dalian port	320.7	425.2	(24.6%)
	Other ports	151.8	133.5	13.7%
	Sub-total	472.5	558.7	(15.4%)
Aggregate	Dalian port	863.9	965.3	(10.5%)
	Other ports *(Note 1)*	157.7	145.4	8.5%
	Total	1,021.6	1,110.7	(8.0%)

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

In 2019, in terms of container throughput, the Group handled a total of 10.216 million TEUs, representing a year-on-year decrease of 8.0%. At Dalian port, container throughput was 8.639 million TEUs, representing a year-on-year decrease of 10.5%. In 2019, the Group adhered to the market-oriented and innovation-driven philosophies, actively aligned itself with national strategies, spared no effort in promoting structural reforms on the supply side and in fulfilling the conditions for the development as a shipping center, and comprehensively enhanced the service functions as an international shipping center in Northeastern Asia, thereby achieving staged results in cost reduction, quality upgrading and efficiency improvement of the container segment.

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

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

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

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

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

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

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

We further accelerated the construction of the Northeast New Silk Road economic belt and expanded the opening-up of the hinterland. As for the sea-to-rail business, we deepened strategic cooperation with the railway bureau, continued to develop inland supply of goods, opened the new stations such as Zhaodong and Lujiatun, and actively solicited key supplies such as petrochemicals and automobiles. As for the cross-border train business, based on the supply of Samsung's public railway line, we developed transit goods from Tianjin and other ports in the south, and solicited project supplies such as automobiles and iron pipes by utilizing Harbin, Tongliao and other China-Europe railway line platforms.

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

Automobile Segment

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

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

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

In 2019, the Group's vehicle throughput continued to account for 100% of the total market share in the ports of Northeast China.

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

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

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

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

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

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

Bulk and General Cargo Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bulk Grain Segment

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

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

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

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

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

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

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

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

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

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

The Group deepened and extended joint venture collaboration and cooperation with major customers in terms of capital and business operations, with a focus on cultivating the corn transshipment market for domestic trade. The Group also stepped up efforts in attracting grain shipments for foreign trade to further improve the soy bean futures business.

Passenger and Ro-Ro Segment

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

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

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

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

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

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

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

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

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

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

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

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

Value-added Services Segment

Tugging

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

Tallying

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

Railway

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

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

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

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

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

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

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

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

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

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

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

(1) For financial leases prior to the initial implementation date, the Group measured the right-of-use assets and lease liabilities based on the original book value of financing lease assets and financing lease payables, respectively;

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

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

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

(1) When lease liabilities being measured, the same discount rate can be adopted for leases with similar characteristics; the measurement of the right-of-use assets may not include initial direct costs;

(2) If there is an option to renew or terminate a lease, the Group determines the lease period based on the actual exercise of the option prior to the initial implementation date and other latest conditions;

(3) For lease changes prior to the initial implementation date, the Group performs accounting treatment based on the final arrangements for lease changes.

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

9. Analysis of main operations

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

Unit: Yuan Currency: RMB

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

9.2 Income and cost analysis

(1) Main operations by industries, products and regions

Unit: Yuan Currency: RMB

Analysis of main operations by industries

By industries	Revenue	Cost of service	Gross margin (%)	Changes in revenue (%)	Changes in cost of service (%)	Changes in gross margin (%)
Oil products	1,615,465,343.53	988,986,479.89	38.8	35.2	11.4	Up by 13.1 percentage points
Containers	2,671,206,238.68	1,916,663,165.18	28.2	-3.4	-7.0	Up by 2.7 percentage points

Analysis of main operations by industries

By industries	Revenue	Cost of service	Gross margin (%)	Changes in revenue (%)	Changes in cost of service (%)	Changes in gross margin (%)
Bulk and general cargo	979,864,121.71	712,376,751.27	27.3	0.5	-0.3	Up by 0.6 percentage point
Bulk grain	146,470,191.95	160,133,427.81	-9.3	-62.4	-60.1	Down by 6.2 percentage points
Passenger	182,302,187.14	135,942,215.26	25.4	2.8	10.0	Down by 4.9 percentage points
Value-added product	953,913,597.31	630,728,376.46	33.9	2.4	-0.7	Up by 2.1 percentage points
Automobiles	21,391,017.34	25,194,286.45	-17.8	-90.9	-88.8	Down by 21.7 percentage points
Unallocated	75,294,578.53	84,915,657.96	-12.8	-13.8	-10.2	Down by 4.6 percentage points

Explanation of main operations by industries, products and regions

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

(2) Statement of cost analysis

Unit: RMB'0,000 Currency: RMB

Segment information

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

Other explanation of cost analysis

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

(3) Major sales customers and major suppliers

The sales to the top five customers amounted to RMB1,271.82 million, representing 19% of the total annual sales. Of the sales to the top five customers, sales to related parties was zero, representing 0% of the total annual sales.

The purchases from the top five suppliers amounted to RMB400.76 million, representing 9% of the total annual purchases. Of the purchases from the top five suppliers, purchases from related parties amounted to zero, representing 0% of the total annual purchases.

Other explanation

Nil.

9.3 Expenses

Please refer to the details described in "Overall Analysis of Results" of Major Operations During the Reporting Period.

9.4 Research and development (R&D) investment

Statement of R&D Investment

Unit: Yuan

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

9.5 Cash Flow

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

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

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

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

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

11. Analysis of assets and liabilities

11.1 Assets and liabilities

Unit: Yuan Currency: RMB

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period *(%)*	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period *(%)*	Change of the amount *(%)*	Explanation
Cash at bank and on hand	4,051,413,174.71	11.54%	5,757,830,508.67	16.30%	-29.64%	It was mainly due to the repayment of short-term borrowings using with existing funds
Financial assets held for trading	304,951,193.83	0.87%	1,892,520,046.14	5.36%	-83.89%	It was mainly due to the decrease in balance of structured deposits
Accounts receivable	1,322,772,566.55	3.77%	658,194,719.05	1.86%	100.97%	It was mainly due to the fact that income from new crude oil storage business was not settled with customers during the year

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period *(%)*	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period *(%)*	Change of the amount *(%)*	Explanation
Inventories	105,065,586.94	0.30%	149,488,331.40	0.42%	-29.72%	It was mainly due to the decrease in inventories as a result of the shrinkage of trade-related businesses
Contract assets	–	0.00%	37,162,200.00	0.11%	-100.00%	It was mainly due to the recovery of relevant amounts
Other current assets	66,743,698.10	0.19%	105,735,304.45	0.30%	-36.88%	It was mainly due to the decrease in prepaid taxes
Right-of-use assets	3,126,927,918.95	8.91%	–	0.00%	100.00%	It was mainly due to the implementation of New Standards on Leases by the Group as a result of changes in accounting policies
Short-term borrowings	497,660,595.83	1.42%	3,404,071,430.31	9.64%	-85.38%	It was mainly due to the repayment of short-term borrowings
Taxes payable	96,991,071.20	0.28%	54,113,243.93	0.15%	79.24%	It was mainly due to the increase in difference between taxes and accounting treatment arising from implementation of New Standards on Leases and the increase in profits for the year
Non-current liabilities due within one year	400,779,150.69	1.14%	965,808,339.33	2.73%	-58.50%	It was mainly due to the repayment of part of non-current liabilities due within one year
Lease liabilities	3,132,442,496.82	8.92%	–	0.00%	100.00%	It was mainly due to the implementation of New Standards on Leases by the Group as a result of changes in accounting policies

Other explanation

Nil.

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

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

12. Analysis of business operation in the industry

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

12.1 Core business and related business models

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

12.2. Business model

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

12.3 Industry development

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

At present, the Group's development is at a leading position in the industry. In 2019, the Group ranked eighth amongst the national coastal ports in terms of cargo throughput. (Data source "the website of Chinese Port").

13. Analysis of investments

13.1 Overall analysis of external equity investments

Details as below:

(1) Major equity investments

1. Securities investment

No.	Categories of securities	Stock Code	Abbreviated name of securities	Initial investment *(RMB)*	Number of shares held *(shares)*	Carrying value as at the end of the period *(RMB)*	Percentage of total securities investment as at the end of the period *(%)*	Profit or loss during the reporting period *(RMB)*
1	Stock	601558	Sinovel	3,780,000.00	252,000	274,680.00	15.96	-5,040.00
2	Stock	601616	SGEG	1,045,000.00	99,000	301,950.00	17.54	-11,880.00
3	Stock	002563	SEMIR	1,943,000.00	116,000	1,144,920.00	66.50	110,200.00
Profit or loss from disposal of securities investment during the reporting period								-1,024,237.50
Total				6,768,000.00	467,000	1,721,550.00	100	-930,957.50

2. Equity interests in financial company

Name	Initial investment *(RMB)*	Percentage of shares of that company *(%)*	Carrying value as at the end of the period *(RMB)*	Profit or loss during the reporting period *(RMB)*	Changes interests of owners during the reporting Period *(RMB)*	Accounting items	Source of shares
Dalian Port Group Financial Co., Ltd.	200,000,000.00	40.00	892,291,788.16	69,998,904.48	69,998,904.48	Long-term equity investments	Shareholding of a newly established

3. Purchase and sale of shares of other listed companies

No.	Stock name	Shares held as at the beginning of the period *(shares)*	Shares purchased during the reporting period *(shares)*	Fund utilised *(RMB)*	Shares sold during the reporting period *(shares)*	Shares held as at the end of the period *(shares)*	Investment gains generated *(RMB)*
1	Sinovel	252,000	–	–	–	252,000	–
2	SGEG	99,000	–	–	–	99,000	3,960.00
3	Xingyu Co., Ltd	55,000	–	–	55,000	–	3,569,233.98
4	Tongyu Heavy	243,750	–	–	243,750	–	-373,750.00
5	SEMIR	116,000	–	–	–	116,000	40,600.00
6	ZJB	1,000	–	–	1,000	–	3,374.60
7	China Lion Securities	–	500	1,810.00	500	–	2,904.60
Total		766,750	500	1,810.00	300,250	467,000	3,246,323.18

(2) Major non-equity investments

Unit: RMB'0,000 Currency: RMB

Investment project	Source of funding	Total proposed investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Gains realised for the year	Reasons for failure to achieve the expected gain
Construction of crude oil storage tanks with a capacity of 1,000,000 m^3 in Xingang	Financing through issuance of A shares	76,000	138.94	52,637.35	69%	Income of approximately RMB105.23 million; profit of approximately RMB63.99 million	Please refer to the note headed "Reasons for failure to achieve the expected gain (1)"
Construction of crude oil storage tanks with a capacity of 600,000 m^3 in Xingang resort	Financing through issuance of A shares	55,000	0.00	55,000	100%	Income of approximately RMB68.15 million; profit of approximately RMB35.75 million	Please refer to the note headed "Reasons for failure to achieve the expected gain (1)"

Investment project	Source of funding	Total proposed investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Gains realised for the year	Reasons for failure to achieve the expected gain
Construction of phase II of the crude oil storage tanks project in Shatuozi, Xingang	Financing through issuance of A shares	2,960	0.00	2,960	100%	Project investment gain of RMB4.46 million	N/A
LNG project	Financing through issuance of A shares	32,000	0.00	32,000	100%	Project investment gain of RMB141.34 million	N/A
No. 4 stacking yard for ore terminal	Financing through issuance of A shares	52,000	318.73	41,769.49	80%	Income of approximately RMB21.05 million; profit of approximately RMB-1.76 million	Please refer to the note headed "Reasons for expected gain (2)"
Purchase of ship unloader for ore terminal	Financing through issuance of A shares	3,720	0.00	3,720	100%	Income of approximately RMB21.14 million; profit of approximately RMB13.11 million	N/A
Purchase of 300 bulk grain carriers	Financing through issuance of A shares	15,000	0.00	15,000	100%	Income of approximately RMB4.33 million; profit of approximately RMB-1.38 million	Please refer to the note headed "Reasons for failure to achieve the expected gain (3)"
Ro-ro ships for carrying cars	Financing through issuance of A shares	23,000	0.06	21,200.29	92%	Income of approximately RMB26.65 million; profit of approximately RMB40,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (4)"
Construction of railway siding in Muling	Financing through issuance of A shares	4,125	0.00	4,125	100%	Project investment gain of RMB-10.85 million	Please refer to the note headed "Reasons for failure to achieve the expected gain (5)"

Investment project	Source of funding	Total proposed investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Gains realised for the year	Reasons for failure to achieve the expected gain
Information construction	Financing through issuance of A shares	5,000	0.00	5,000	100%	N/A	N/A
Berths and ancillary facilities in area III of container terminal (Refer to note 1 for details)	Financing through issuance of A shares	8,404.15	0.00	8,404.15	100%	Income of approximately RMB336.18 million; profit of approximately RMB53.23 million	N/A
Dayao Bay No. 13-16 berths in Phase II	Own funds and loans	378,300	-36.09	233,251.59	93%	No. 13 and No. 14 berths were transferred to a joint venture and a value-added gain of RMB200 million was realised; the annual rental income of No. 15 berth was RMB53.5 million; the construction of the main body of No. 16 berth has been completed and has not yet been leased out	–
Xingang No. 18-21 berths	Own funds and loans	41,377	272.23	35,158.70	86%	N/A	The project is under construction and has not yet been put into operation so no gain is generated
Total		696,886.15	693.87	510,226.57	/	N/A	

Reasons for failure to achieve the expected gain	(1)	Construction of crude oil storage tanks with a capacity of 1 million cubic meters in Xingang and Construction of crude oil storage tanks with a capacity of 600,000 cubic meters in Xingang resort: Of the crude oil storage tanks with a capacity of 1 million cubic meters in Xingang, 600,000 cubic meters of crude oil storage tanks were put into use in January 2011, while 400,000 cubic meters of crude oil storage tanks were put into use in September 2012. The crude oil storage tanks with a capacity of 600,000 cubic meters in Xingang resort were put into use in April 2014. International crude oil price has been in a reverse market structure since mid-2017, inhibiting the warehousing needs of oil traders. In 2019, because of the complex and ever-changing situation of international economy, Sino-US trade disputes and the expected decline in global economic growth, the growth rate of international crude oil demand had slowed down. In addition, the coming into use of new-established large crude oil terminals and pipelines in the Bohai Rim region, especially in Shandong, transmission of crude oil pipelines covering most local refineries and other factors caused significant changes to the logistics of import crude oil throughout the region and had an impact on the crude oil transit market in the Bohai Rim area. There is no advantage in the transfer and dispatch of oil terminals to the Bohai Rim area. The crude oil imported by refineries is gradually returning to the terminal docks, reducing the number of tanks rented in the ports. This is the main reason for the decrease in storage revenue. In the future, the oil terminal company will continue to foster its cooperation with transit customers by leveraging on the advantages of port consolidation, increase the efforts in development of crude oil transfer markets in North Shandong and Hebei by exploring market potential, and build a complete transit logistics system for crude oil, continue to deepen cooperation with domestic and foreign oil traders and build a well-established crude oil transfer platform for traders to drive crude oil transfer logistics through trade flows, balance the use of storage tank resources and manage to meet the tank demand of traders such as UNIPEC through a combination of interim charter and time charter, continue to implement the combination of lightering and tanking to speed up cargo turnover, upgrade the crude oil railcar loading system to meet the demand of more customers for shipment of crude oil by rail, accelerate the application for the delivery of crude oil futures to strive to become the designated delivery warehouse as soon as possible, further improve the port functions, gather the supply of goods, and extend the logistics channels to provide support and guarantee for achieving the transformation from traditional terminal operation mode to the modern operation mode. With the above-mentioned model, taking the advantages of terminals and storage tank clusters, the utilization efficiency of storage tanks will be improved. Combined with the gradual increase of tank charter fees and other means, the project revenue will steadily resume its upward trend.

(2) No. 4 stacking yard for ore terminal: The project was put into use in December 2014. Affected by the downward pressure of domestic economy in 2015, steel companies put more efforts in cost control, and they chose the near-port operation, which reduced the competitive edge of large berthing capacity of the Company. Since March 2016, the Company has been cooperating with VALE of Brazil to actively pursue ore-mixing business. In the same year, the Company commenced the business of loading and unloading of large vessels, creating a new growth driver in operating income. In 2017, the Company continued to develop a new model for ore-mixing service at ore terminal, leveraging on regional and business advantages to develop the ore-mixing transshipment distribution model. Exerting the role as a demonstration for the Northeast Asia ore-mixing center of the VALE, the Company has created a "full logistics service + mixed-metal sales" model. The export volume of Japanese and Korean ore-mixing business has increased significantly, and the volume of foreign imports from the VALE doubled as compared with that of last year. In 2018, the Company continued to deepen its cooperation with VALE, and developed ore-mixing business in quality and strength. It fully promoted and realized the target of "normalizing night service" of 400,000-ton super-large-scale carriers, and completed the upgrading of the ore-mixing skills in No. 4 stacking yard for ore terminal. Therefore, the comprehensive ore-mixing capacity of the terminal has been greatly improved. In 2019, the Company took advantage of the fast and efficient centralized transportation system to develop an integrated transportation mode with the railway to promote an increase in the cargo supply. However, due to the renovation of some steel mills in Benxi and the failure of VALE of Brazil, the foreign trade import supply did not meet expected standard. Going forward, the Company will give full play to the terminal's bonded, mixed mining and distribution capabilities, consolidate the Company's market share in steel mills, deepen cooperation with the railway bureaus, and enhance the efficiency of the yard.

(3) Purchase of 300 bulk grain carriers: The 300 bulk grain carriers of the project were put into use in 2011. During the initial construction stage of the project, the bulk grain carriers fell short of demand in the three northeastern provinces of China, and there was a temporarily critical shortage of bulk grain carriers. After the reform of the Ministry of Railways in 2013, the restriction on approving purchase of bulk grain carriers has been lifted. As a result, there was a serious oversupply of bulk grain carriers in Northeast China, with a mass number of bulk grain carriers being idle and carriage rental decreasing significantly. The operation of bulk grain carriers became difficult. At the end of 2016, China revoked its temporary grain storage policy, giving full play to the self-pricing mechanism in the domestic grain market. The strong demand for trade in the grain production and sale areas will bring forth a positive business environment. In 2017, the domestic trade grain market regained its vitality, and normal trade flows spurred the bulk grain carriage market to return to a healthy development track. Riding on the opportunity arising from market rejuvenation, the Company continuously improved the entire logistic system based on bulk grain carriage capacity built by itself. Taking bulk grain capacity as a breakthrough point to attract long-established grain companies to jointly engage in grain logistics joint ventures and cooperation, the Company has not only improved the operational efficiency of bulk grain carriers, but also revitalized assets and reduced operating risks. In 2018, the operating environment of bulk grain carriers showed a significant decline compared with that of 2017. Since April 2018, the railway bureaus in Shenyang and Harbin successively implemented unified management and deployment policy for bulk grain carriers under their jurisdiction. The Company basically lost control on the deployment of its own bulk grain carriers. The number of carriers in ports and those used for inefficient deployment soared, and the number of carriers in ports has fallen sharply. This had a serious impact on the Company's domestic grain transportation and rental incomes. Affected by the "African Swine Fever" in 2019, feed demand decreased significantly, and the corn market continued to be sluggish. In addition, the transportation scale of the open-top containers with more price advantage gradually expanded and partially replaced the transportation by bulk grain carriers. Therefore, the overall operation of the bulk grain carriers is lower than that of the same period of previous year.

(4) Ro-ro ships for carrying cars: 2 of the ro-ro ships for carrying cars in the project were completed and commenced operation in 2011. The 2 ships were named "Anji 8 (安吉8)" and "Anji 9 (安吉9)" respectively. During the initial stage of the construction of the project, the development of ro-ro shipping was in its prime and the prospect of ro-ro ships for carrying cars was promising. Nonetheless, adversely affected by the global economy and the condition of the global shipping industry in 2011, the ro-ro shipping industry of the PRC gradually experienced a downturn with a surplus of ro-ro capacity. Thus the operation efficiency of the ro-ro ship project fell. To maintain the loading rate of the 2 ships to prevent losses, the Company leased "Anji 8" and "Anji 9" to Ansheng Ship (安盛船務) at cost price or close to cost price after taking the capital cost into consideration, respectively. Looking forward, through enhancing the cooperation between the logistic companies such as Anji Logistics (安吉物流), Dalian Port will fully leverage on the advantages as a fundamental transshipment port in the Northeast China of automobile manufacturers such as SAIC Motor. The transshipment of automobiles is expected to increase steadily, thus ensuring the enhancement of the efficiency of the project of ro-ro ships for carrying cars.

(5) Construction of new railway siding in Muling: The project was put into operation in July 2013. Located in the Sino-Russian Economic Belt of Ha-Mu-Suidong, this project is a sea-rail transport logistics center of southeastern Heilongjiang Province jointly built by Dalian Port and Muling Municipal Government. Since its operation, the Company has maintained a balance of revenues against the backdrop of the economic downturn in the hinterland of Northeast China. In 2018, due to the expiration of government subsidies and the shortage of supply in the surrounding areas, income from the project declined. In 2019, the Company grasped the opportunity that local government's action to introduce Russian coal and Russian timber enterprises to settle in, to successfully introduce a number of enterprises. Although the business volume increased during the year, however, due to the failure to follow up with the pricing strategy in time, coupled with the sharp reduction in operating subsidies given by the local government, the Company recorded temporary operating losses in 2019. With the rapid development of Sino-Russian trade, the Company will fully benefit from the increase in cargo turnover at the Suifenhe port in the future, and its profitability will be improved significantly.

Note 1 On 31 October 2017, "Dalian International Container Terminal Co., Ltd." and "Dalian Port Container Terminal Co., Ltd." were merged by "Dalian Container Terminal Co., Ltd.". Therefore, the use of proceeds was changed from the original equity investment project to the investment in construction project of "the berths and ancillary facilities in area III of container terminal". After the change, there will be no significant change in the payback period and internal rate of return of the project investment.

(3) Financial assets at fair value

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Current change	Effect on the current profit
Financial assets held for trading	1,892,520,046.14	304,951,193.83	-1,587,568,852.31	42,625,050.35
Other equity instrument investments	179,146,371.30	189,782,564.95	10,636,193.65	9,019,773.00
Total	2,071,666,417.44	494,733,758.78	-1,576,932,658.66	51,644,823.35

14. Analysis of Major Subsidiaries and Investee Companies

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

Dalian Port Container Development Co., Ltd. (大連港集裝箱發展有限公司) ("Dalian Port Container") is the wholly-owned subsidiary of Dalian Port (PDA) Company Limited, with a registered capital of RMB2,964.1114 million. Its principal businesses include the provision of terminal facilities to vessels, provision of container loading, storage and arrangement of containers in the port area, leasing and maintenance services for port facilities, equipment and port machines, property leasing, corporate management services, consulting services etc. As of the end of December 2019, Dalian Port Container recorded a total assets of RMB5,306.7968 million and net asset of RMB3,471.2655 million. From January to December 2019, it achieved a revenue of RMB125.7489 million and net profit of RMB173.8412 million.

PetroChina Dalian LNG Co., Ltd. ("LNG") is jointly funded and established by Dalian Port (PDA) Company Limited (the "Joint Stock Company"), Kunlun Energy Co., Ltd. and Dalian Construction Investment Group Co., Ltd., with a shareholding of 20%, 75% and 5%, respectively. The registered capital of LNG is RMB2,600 million. Its principal businesses include storage and operation of compressed gas and liquefied gas and natural gas, provision of LNG unloading services in the port area. As of the end of December 2019, LNG recorded a total asset of RMB3,665.0133 million and net asset of RMB3,513.6104 million. From January to December 2019, it achieved a revenue of RMB1,374.9656 million and a net profit of RMB706.71 million. It contributed investment income of RMB141.342 million to the Company, representing 15.79% of the Company's net profit.

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

1. Competitive landscape and development trend in the industry

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

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

The Group's major hinterland includes the three northeastern provinces of China, the eastern region in Inner Mongolia and the Bohai Rim region. Our businesses mainly cover oil products, containers, wheeled commercial vehicles, iron ore, coal, steel, grain, bulk and general cargo as well as passenger and roll-on and roll-off operations. With a comprehensive range of cargo types in its operations, the Group is more risk resilient.

2. Company's development strategy

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

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

Oil Segment

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

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

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

Container Segment

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

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

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

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

Automobile Terminal Segment

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

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

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

Bulk and General Cargo Segment

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

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

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

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

Bulk Grain Segment

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

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

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

Passenger and Ro-Ro Segment

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

We will strengthen communication with customers to expand the roll-roll shipment business.

Value-added Services Segment

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

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

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

3. Business plans

In 2020, with a focus on customers' demands, the Group will, by leveraging our comprehensive advantages in logistics, finance and information, strengthen product and service innovation, deepen cooperation with customers, improve the logistics network, expand service functions, and further promote the construction of logistics system at the ports. Besides, the Group will drive the development of our high-end service business, accelerate the pace of going out and exert all efforts to build a port ecosystem integrating logistics, business flow, capital flow and information flow, with a view to becoming the first-class integrated service provider in supply chain in China.

4. Possible risk exposures

In 2020, the world economy will face greater uncertainties in its development. Affected by the COVID-19 at the beginning of the year, the international economic and trade situation will be more severe, as such, the domestic economic growth momentum may slow down, and the port industry will continue to be subject to downside pressure. Firstly, the world's economy situation is complicated and changeable, and there are still potential risks in the market. Secondly, the Chinese economy has entered a low-growth stage, creating an impact on the production and operation of domestic ports. Thirdly, economic growth is weak in the Northeast region featured by imbalanced development and the lack of a diversified industrial structure. Fourthly, the port enterprises carry out their business by mainly focusing on conventional port logistics, so that value-added logistics business such as third-party logistics and finance logistics continue to be affiliated with or dependent upon port logistics to a large extent. Revenue from terminal loading and unloading operations continues to account for a larger proportion of logistics revenue. Given that there is an urgent need to quicken the development of the professional integrated logistics service functionality on the supply chain, it is also necessary to proceed with logistics value-added services at a faster speed. Fifthly, the increasing competition pressure among Japanese and South Korean ports and the nearby ports, rising rail freight, dominant trend in M&A and restructuring, alliance and upsizing of operations in the international shipping market and normal practice to cut and merge container routes have presented challenges to the production and operation of ports.

MANDATORY UNCONDITIONAL CASH OFFER

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

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

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

Human resources management

Overview of employees

Taking into consideration of the Company's development strategies and priorities, the Group took efforts to facilitate each employee's development of his or her potential and formulated an employment mechanism for staff selecting, training and appointment so as to support the Company's sustainable development. As of 31 December 2019, the Company had a total of 4,299 full-time employees. The Company and its invested businesses together had a total of 6,607 employees.

Compensation policy

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

Training plan

We also placed an emphasis on the provision of internal or external training to our staff so as to build up a talent pool that provides a solid human resources support to the growth of the Company. The Company conducted education and training for all talent teams through centralized training and separate training that were organized by the financial department and focused on corporate culture, safety production and professional skills.

Investor relations management

The Company pays great attention to its investor relations management, and regards it as a key part of corporate governance. The investor relations management team is committed to establishing an efficient two-way communication channel between the senior management of the Company and the investment community. Adhering to the principles of regularity, fairness and transparency, the Company strives to disclose true and accurate information in a timely manner. The Company discloses the information that investors are concerned about through a variety of channels in order to allow them to understand the Company's operation and development strategies in the future.

Meanwhile, the Company regularly collects feedback from investors and carefully considers their suggestions so as to constantly improve its development. The Company makes a periodic analysis of the shareholdings, including reviewing the institutional shareholdings and individual shareholdings, and tracking the change in equity based on the type of investors, which is conductive to the establishment of a good relationship with existing and potential investors.

In 2019, in order to allow all interested parties to fully understand the Company's performance, operating strategies and development prospects, the Company received investors' inquiries, set up investor mailboxes and adopted other ways and methods. The Company proactively and candidly communicated with the capital market and domestic and overseas investors, and published all kinds of announcements, circulars, and reports as required by domestic and overseas regulatory rules on the website of the Company and the websites and newspapers designated by regulators.

The Company has been regarding the investor relations management as a long-term strategic management. The Company will continue to improve the level and standards of its investor relations management so as to better serve investors and become a trusted listed company among capital market investors.

2019 Corporate Social Responsibility Report

I. Summary on Fulfilment of Social Responsibilities

In 2019, amidst the lingering complicated domestic and global economic situation, Dalian Port (PDA) Company Limited adhered to scientific development, devoted to reform, made breakthroughs and innovation, and pursued excellence. With the joint efforts of all staff, various works made new progresses and various indicators of the year were successfully achieved.

1. Concept of social responsibility

The social responsibility of Dalian Port (PDA) Company Limited is to undertake the responsibilities for the customers, staff, society and environment while pursuing economic benefits and safeguarding the shareholders' interests. While maintaining rapid development of the port, we always stick to the mission of "prospering the city through the port, and serving the nation with industrial development", adhere to the core value of "people-oriented, client-oriented and responsibility-guided", promote the spirit of "Self-Discipline and Social Commitment", and uphold the operating concept of "integrity, value-added, safety and environmental protection", so as to create value for shareholders, customers, staff and society.

2. Undertaking of social responsibility

We are committed to implementing a supervisory and management system for social responsibility underpinned by a main framework covering quality, occupational health and safety and integrated environmental management mechanism. At the beginning of the year, we were accredited with quality, environment and occupational health and safety management system certification, ensuring the standardized management being kept abreast of time. The Company organizes management representative training course, national registered auditor training course, internal auditor training course for the staff of each level of the Company and has set up an experienced management team with extensive knowledge and strong execution capability to provide standardized management support in relation to the management, quality control, safety control, occupational safety control of the Company, thereby ensuring the effective performance of the corporate social responsibilities of the Company. The Company takes the initiative to fulfil the obligation of "contributing all it should contribute", paid tax in aggregate of RMB444,000,000 during the year, making due contributions to national and regional construction.

3. Vision of social responsibility

The Company will give full play of its role as the core and flagship in developing Dalian into an international shipping center in Northeastern Asia and the development of Liaoning Coastal Economic Zone. Leveraging on its favorable natural conditions and competitive strengths in operation and management, the Company will accelerate the regional layout of the port and structural adjustment of functions, so as to realize the industrial integration between port and city, financial integration between shipping and transaction, and logistic integration between centralization and distribution, and devoted to realize the goal of building "5P" (Port with high quality and good performance, Port with convenient business, Port of logistics hub, Port of green and low-carbon, and Port with peace and harmony). Through self-development and growth and better fulfilment of social responsibilities, the Company strives to become the role model in port industry in the northeast area or even across the whole nation.

II. Contribution to the Industry

1. Promoting regional logistic development

In 2019, the Company aimed at quality and efficiency enhancement on the basis of promoting the comprehensive logistic system, and attached importance to expanding service functions of the port, and strengthening product and service innovation, and by measures such as deepening customer cooperation, expanding logistic network and improving port service efficiency, the Company further lowered comprehensive logistic costs for customers, thereby effectively supported the real economy and promoted the regional economic development. Firstly, we strengthened the building of a system for collective transport and delivery, and in terms of land sector, enhanced business cooperation with the railway bureau and promoted scheduled railway transportation and bulk cargo port logistics; in terms of sea sector, vigorously developed scheduled shipping service and created a low-cost, efficient and convenient shipping service system connecting the north and south of China. Secondly, by taking the advantages of "big ship + ore blending", we deepened customer cooperation, expanded the Japanese-Korean transit market for ore blending and created a regional iron ore distribution center, which further scaled up the ore blending business. Thirdly, we strengthened the cooperation among the ports around the Bohai Sea and improved the layout of the circum-Bohai-Sea network, due to which the supply of the transit shipment business involving containers developed steadily. Fourthly, we continued to promote cooperation with the water transport project of the North-South main engine plant, promote the construction of the north-south convection route of commodity vehicles, and achieve the rapid growth of business volume such as river-ocean combined transportation and sea-railway combined transportation. Fifthly, we worked closely with the port regulatory authorities and implemented a variety of initiatives to promote the development of foreign trade through ports.

III. Caring for Customers

1. Product quality and customer service

In 2019, the Company continued to take business transformation and quality improvement as its major tasks, focused on reducing logistics costs and increased service offerings, based on its supply chain logistics service system, marketing system and customer management system to subdivide customer groups, deeply studied the actual needs of customers and implemented the differentiated marketing strategy, so as to meet explicit demands and explore potential demands. For strategic customers and large customers, we tailored the supply chain logistics solutions to meet their personalised demands. For small and medium customers, we built up a platform and system to provide them with comprehensive, one-stop value-added services. In addition, the Company increased interaction with its customers, expanded into new services, and promoted the continuous improvement in port environment and business environment through the application of various information platforms such as the Dalian Public Information Platform, service hotline, mobile APP and Micro Port System.

2. Production safety

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

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

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

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

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

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

Sixth, we improved occupational hygiene management. Dalian Port now has 20 occupational disease hazard control units. To avoid occurrence of occupational disease, Dalian Port has been tracking, under the basic principles of legal prevention, management from the source and comprehensive policy adoption, the development of the employees at key units who might develop a disease, and has implemented measures such as hazard factor inspection, notification, alert and employee health checks. In 2019, we completed 228 occupational disease hazard inspection centers, and 2,890 occupational health checks, completing the target for the year; strengthened occupational hygiene education and training, personnel files, labour protection and other fundamental works, and during the year, we held 58 on-site consultations, and a total of 85 trainings with 4,294 participants; enhanced guidance and supervision on outsourcing team, rented places and other places which may cause occupational hazards, and we inspected the occupational hygiene management of 38 outsourcing teams and14 rented places, and issued 21 rectification recommendations.

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

IV. Caring for Employees

1. Protection of employees' rights and interests

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

2. Supporting and caring for the employees

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

3. Improving employment mechanism

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

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

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

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

V. Ecological Development

1. Environmental protection

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

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

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

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

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

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

2. Energy conservation and reduction

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

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

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

As to energy consumption management, the Company further standardized energy management system, increased efforts on energy consumption management, and timely identified problems through monthly statistical data analysis, and guided, supervised and assessed relevant subordinated enterprises to cope with the problems at first time. Meanwhile, the Company also formulated the schemes for annual water saving promotion week and energy saving promotion week activities, and demonstrated experiences and results in energy conservation and emission reduction through typical case study and technical exchange.

3. Emergency response

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

VI. Community Welfare

1. Community welfare

The Company actively participated in public welfare activities such as the Hope Project, assistance for difficulties, voluntary medical treatment, etc., and completed the tasks assigned by the local governments, including blood donation. In addition, we built a village clinic for impoverished village in Heishan County; dispatched a poverty alleviation cadre stationed in Shangyuan Village, Beipiao City, Chaoyang City to help this village in building a clothing factory and an orchard; enhanced the construction of infrastructure for the impoverished village in Pulandian City; and visited the needy households from Anshanyu Village in Gaizhou, etc.

VII. Prospect

1. Prospect

Development commenced from succession and excellence originated from innovation. With the spirit of "port connects world, and integrity wins people", Dalian Port (PDA) Company Limited committed to an alliance between the social responsibility concept and the corporate development strategy, and to associate social responsibility practice with corporate production and operation so as to protect the legitimate rights and interests of employees, create value for customers, actively engage in social welfare undertakings and continue to fulfill its corporate social responsibility.

Investment plan

In 2020, the Company will prudently carry out investment and supporting financing based on the development strategy of making progress while maintaining stability. Up to now, the Company has no significant relevant information that needs to be disclosed and brought to the attention of the investing public. In case of any related matters, the Company will make timely compliance disclosure according to the information disclosure requirements of Hong Kong and the PRC.

For the six months ended 30 June 2020:

MANAGEMENT DISCUSSION AND ANALYSIS

Summary

In the first half of 2020, due to the spread of "COVID-19 epidemic" on an ongoing basis, each of the major economies in the world experienced a downfall of varying degree in its development momentum. On 24 June, the International Monetary Fund predicted that the global economy may decline by 4.9% in 2020, and defined the current crisis as a most serious one since the Great Depression in 1930s. Domestically, the epidemic also materially impacted the economic development in the PRC. In the first quarter, the gross domestic product (GDP) decreased significantly, with a lower growth rate in both consumption and investment. In the second quarter, given China's effective prevention and control of the epidemic, the resumption of work and production continued to improve, and the decreases in consumption, investment, profit of industrial enterprises, etc. were all narrowed to a different degree. Economic development recovered while gaining its stability but still dragged by the epidemic repeatedly in some places in the PRC. In the first half of the year, China's GDP dropped by 1.6% year-on-year, and the total value of import and export decreased by 3.2% on a year-on-year basis.

In the first half of the year, cargo throughput handled by China's large-scale ports amounted to 6.75 billion tonnes, representing a year-on-year increase of 0.6%. In particular, cargo throughput handled at coastal ports in China was 4.50 billion tonnes, representing a year-on-year decrease of 0.1%. (Source from "Chineseport Website")

During the reporting period, the Group principally engaged in the following businesses: oil/liquefied chemical terminal and related logistics services (Oil Segment); container terminal and related logistics services (Container Segment); automobile terminal and related logistics services (Automobile Terminal Segment); bulk and general cargo terminal and related logistics services (Bulk and General Cargo Segment); bulk grain terminal and related logistics services (Bulk Grain Segment); passenger and roll-on, roll-off terminal and related logistics services (Passenger and Ro-Ro Segment) and value-added and ancillary port operations (Value-added Services Segment).

In the first half of 2020, details of the general information on the macro-economy and industries relevant to the Group's principal business were set out as follows:

Oil Segment: In the first half of 2020, significant fluctuations in international oil prices encouraged refineries and traders in import of crude oil and increased warehousing business needs, and low oil prices also stimulated the processing of refineries, which resulted in an increase in needs for import of crude oil. In the first half of the year, China imported 269 million tonnes of crude oil, representing an increase of 9.9% as compared to the same period of last year.

Container Segment: Affected by COVID-19 epidemic, containers throughput handled by overall ports in China amounted to 120.19 million TEUs for the six months ended 30 June 2020, representing a year-on-year decrease of 5.4%.

Automobile Terminal Segment: Affected by the epidemic in the first half of 2020, automobile production and sales volume in China witnessed a substantial decrease. For the six months ended 30 June 2020, automobile production and sales volume was 10,112,000 vehicles and 10,257,000 vehicles, representing a year-on-year decrease of 16.8% and 16.9%.

Bulk and General Cargo Segment: In the first half of 2020, iron ore terminal demands in China were relatively robust, with a year-on-year increase in outputs of pig iron, crude steel and steel. Affected by COVID-19 epidemic, major iron ore exporting countries closed part of mining areas, which gave rise to a staged decrease in output of iron ore and therefore a rise of international iron ore prices. However, to maintain the output of steel, iron ore imports in China increased year-on-year in the first half of the year. During the first half of the year, iron ore imports in China amounted to 546 million tonnes, representing a year-on-year increase of 9.6%.

Bulk Grain Segment: In the first half of 2020, corn terminal demands were relatively weak as affected by COVID-19 epidemic in the first quarter, and accomplished by the interruptions in logistics, transportation and other links, the corn market was sluggish. As the epidemic was gradually contained in China, the terminal demands gradually picked up, and the market continued to improve.

Passenger and Ro-Ro Segment: Affected by COVID-19 epidemic, Passenger and Ro-Ro Segment was significantly impacted. In the first half of 2020, passengers of the inter-provincial routes of Dalian Port decreased by 62.9%; Ro-Ro vehicles decreased by 21.4%.

In the first half of 2020, COVID-19 epidemic caused a certain effect on each of the principal businesses of the Group. In terms of throughput, the Group handled a total of 30.792 million tonnes of oil/liquefied chemicals, representing a year-on-year increase of 4.4%, of which 13.838 million tonnes were imported crude oil, representing a year-on-year increase of 21.1%. In the Container Segment, the Group handled 3.601 million TEUs, representing a decrease of 28.9% on a year-on-year basis, of which 2.934 million TEUs were handled by the Group at Dalian port, representing a decrease of 31.8% on a year-on-year basis, of which container throughput for foreign trade decreased year-on-year by 18.2%, and container throughput for domestic trade decreased year-on-year by 53.3%. In the Automobile Terminal Segment, the Group handled 325,000 vehicles, representing a decrease of 16.2% on a year-on-year basis. The Group handled 33.063 million tonnes, representing an increase of 9.6% on a year-on-year basis at the relevant bulk and general cargo terminal. In the Bulk Grain Segment, the Group handled 3.091 million tonnes of bulk grain, representing an increase of 48.5% on a year-on-year basis. In the Passenger and Ro-Ro Segment, the Group transported 684,000 passengers, representing a year-on-year decrease of 64.3%, and 312,000 vehicles, representing a year-on-year decrease of 21.4%.

OVERALL RESULTS REVIEW

In the first half of 2020, the Group's net profit attributable to shareholders of the parent company amounted to RMB418,437,195.78, representing an increase of RMB130,201,380.97 or 45.2% as compared with RMB288,235,814.81 in the first half of 2019.

In the first half of 2020, the growth of the business volume of the Group's bulk and general cargo, grain and tugging drove the growth of operating income. The reduction and exemption of social security policies and the effectiveness of cost control have reduced operating costs. The decline in the scale of interest-bearing debt has saved financial expenses. The government subsidies received by subsidiaries increased, which effectively drove the growth in the first half of the year. However, due to the impact of the epidemic, the performance of automobiles and Passenger and Ro-Ro Segment has declined, cargo harbour dues have been reduced by policy, the performance of some joint ventures has declined, and subsidiaries have accrued asset impairment losses and other factors, restricting the growth of performance in the first half of the year. In light of the above, the Group's net profit attributable to the parent company reported a year-on-year increase of 45.2%.

In the first half of 2020, the Group's basic earnings per share amounted to RMB3.25 cents, representing an increase of RMB1.01 cents or 45.2% as compared with RMB2.24 cents in the first half of 2019.

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

Item	**In first half of 2020** *(RMB)*	**In first half of 2019** *(RMB)*	**Changes** *(%)*
Net profit attributable to shareholders of the parent company	418,437,195.78	288,235,814.81	45.2
Including:			
Revenue	3,188,017,017.27	3,221,965,028.15	(1.1)
Cost of sales	2,113,736,025.67	2,340,452,073.92	(9.7)
Gross profit	1,074,280,991.60	881,512,954.23	21.9
Gross profit margin	33.7%	27.4%	Up by 6.3 percentage points
Administrative expenses	273,275,698.17	324,747,194.49	(15.8)
Finance costs	263,330,949.73	288,048,192.02	(8.6)
Assets impairment loss	(38,021,871.85)	–	(100.0)
Credit impairment loss	(14,916,894.04)	(786,089.62)	(1,797.6)
Other revenue	46,461,926.10	34,306,321.49	35.4
Investment income	111,996,156.13	184,445,959.72	(39.3)
Net non-operating income *(Note 1)*	7,946,999.35	2,266,885.83	250.6
Income tax expense	150,636,446.58	101,224,219.27	48.8

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

In the first half of 2020, the Group's operating income decreased by RMB33,948,010.88 year-on-year, or 1.1%, of which trade service income decreased by RMB168 million, or 92.9%, and the main income of port logistics increased by RMB134 million or 4.4%. The main reason is that the throughput of iron ore, coal, grain and other cargoes has increased significantly, driving the growth of operating income. Affected by the epidemic, the volume of Passenger and Ro-Ro business and the branch line business in Bohai Rim region have been reduced, and the policy reduction of port charges has restrained the growth of operating income.

In the first half of 2020, the Group's operating costs decreased by RMB226,716,048.25 year-on-year, a decrease of 9.7%, of which the cost of trading business decreased by RMB153 million, a decrease of 89.6%, and the main cost of port logistics decreased by RMB74 million, a decrease of 3.4%. The main reason is that the operating costs of the branch line in the Bohai Rim region have been declining simultaneously with revenue, the social security policy reductions have saved labor costs, and the effectiveness of cost control has become effective.

In the first half of 2020, the Group's gross profit increased by RMB192,768,037.37 year-on-year, an increase of 21.9%, and the gross profit margin was 33.7%, an increase of 6.3 percentage points. This is mainly due to the increase in the business volume of high-margin iron ore, coal, soybeans and other cargoes, and the improved business structure of branch lines in the Bohai Rim region transportation and sea-railway transportation, which enhanced the profitability of the Group.

In the first half of 2020, the Group had no sales expenses.

In the first half of 2020, the Group's administrative expenses decreased by RMB51,471,496.32 year-on-year, or 15.8%, mainly due to the state's social security reduction and exemption policy during the epidemic, and the reduction in the provident fund withholding ratio this year, resulting in a decrease in labor costs.

In the first half of 2020, the Group's research and development expenses decreased by RMB1,176,389.79 year-on-year, or 16.6%, mainly due to factors such as social security policy exemptions and reductions in the withholding ratio of provident funds, which reduced labor costs for research and development personnel.

In the first half of 2020, the Group's financial expenses decreased by RMB24,717,242.29 year-on-year, or 8.6%, mainly due to the decline in the Group's debt scale and reduced interest expenses. At the same time, the interest income from deposits also decreased. In the same period last year, it achieved USD exchange gains.

In the first half of 2020, the Group's other income increased by RMB12,155,604.61 year-on-year, an increase of 35.4%, which was mainly due to the receipt of government subsidies from the local government by inland ports and enterprises of branch line in Bohai Rim.

In the first half of 2020, the Group's investment income decreased by RMB72,449,803.59 year-on-year, or 39.3%, mainly due to the decline in the handling and warehousing business volume of joint ventures in the oil and LNG business, and the decline in performance of joint ventures in the automobile and passenger transportation business affected by the epidemic. At the same time, financial income has also decreased.

In the first half of 2020, the Group's asset impairment loss was RMB38,021,871.85, mainly due to the assets held by subsidiaries in the period showed signs of asset impairment, and asset impairment reserves were made in accordance with regulations.

In the first half of 2020, the Group's credit impairment losses increased by RMB14,130,804.42 year-on-year, an increase of 1,797.6%, mainly due to the fact that the branch company recovered contract assets and offset credit impairment losses during the same period last year.

In the first half of 2020, the Group's net non-operating income increased by RMB5,680,113.52 year-on-year, an increase of 250.6%, mainly due to the receipt of government subsidies by subsidiaries in the first half of the year and deferred payment penalty from customers, etc.

In the first half of 2020, the Group's income tax expenses increased by RMB49,412,227.31 year-on-year, an increase of 48.8%, mainly due to the increase in operating gross profit.

ASSETS AND LIABILITIES

As at 30 June 2020, the Group's total assets and net assets amounted to RMB34,629,520,170.47 and RMB21,642,363,730.63 respectively. Net asset value per share was RMB1.47, slightly increased from RMB1.46 as at 31 December 2019.

As of 30 June 2020, the Group's total liabilities were RMB12,987,156,439.84, of which the total outstanding borrowings was RMB7,531,886,411.10 (this part of borrowings carries a fixed interest rate), and the gearing ratio was 37.50% (the total liabilities amounted to RMB12,987,156,439.84/the total assets amounted to RMB34,629,520,170.47), a decrease of 1.52 percentage points from 39.02% as of 31 December 2019, mainly because the repayment of bank borrowings during the period reduced the overall debt scale.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2020, the Group had a balance of cash and cash equivalents of RMB2,882,681,900.14, representing a decrease of RMB1,159,657,764.36 as compared to that of 31 December 2019.

In the first half of 2020, the Group's net cash inflows generated from operating activities amounted to RMB948,970,920.50, net cash outflows for investing activities amounted to RMB954,716,522.99, and net cash outflows for financing activities amounted to RMB1,155,813,468.03.

Benefiting from the sufficient operating cash inflow contributed by the accumulation of the Group's operation, our ability to raise capital through multiple financing channels such as bond issuance and bank borrowings, and the Group's prudent decision making in assets and equity investments, the Group maintained its solid financial position and capital structure.

As at 30 June 2020, the Group's outstanding borrowings amounted to RMB7,531,886,411.10 (this part of borrowings carries a fixed interest rate), in which RMB2,602,225,956.07 were borrowings repayable within one year, and RMB4,929,660,455.03 were borrowings repayable after one year.

As of 30 June 2020, the Group's net debt-equity ratio was 31.1% (31 December 2019: 33.4%), mainly due to the reduction in the scale of the Company's debt due to debt repayment this year. The Group protected itself against solvency risk and maintained an overall healthy financial structure.

As of 30 June 2020, the Group's unutilized bank line of credit amounted to RMB9.027 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. being an external rating agency, has assigned issuer credit composite ratings of AAA to the Group with stable credit rating outlook, indicating the Group's sound condition in capital market financing.

The Group continued to closely monitor its interest rate risk and exchange rate risk. As of 30 June 2020, the Group has not entered into any foreign exchange hedging contracts.

CONTINGENT LIABILITIES

Guarantee

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

Pursuant to the related resolutions approved at the fifth meeting of the fourth session of the Board of Directors of the Company in 2016, the Company provided a counter guarantee for 20% of the guarantee liability and other necessary expenses and losses actually assumed by China Zhenhua Oil Co., Ltd. to the Lessor for DNPL. The counter guarantee was unconditional, non-cancellable and with joint liability and the relevant counter guarantee contract was signed on 11 November 2016. The counter guarantee period shall be two years since the date when China Zhenhua Oil Co., Ltd. has the guarantee responsibility to the Lessor according to the guarantee contract. If China Zhenhua Oil Co., Ltd. fulfils its guarantee obligation to the Lessor according to the guarantee contract more than once, the counter guarantee period provided by the Company will have to be calculated separately. As of 30 June 2020, DNPL had made rental payments of RMB96 million.

USE OF PROCEEDS

Use of Proceeds for A Shares

Net proceeds of the public offering of 762 million A Shares in 2010 obtained by the Company amounted to approximately RMB2,772,091,519.47. As at 30 June 2020, the Company had used approximately RMB2,418,261,300.00 of the proceeds and RMB353,830,200.00 of the proceeds remained unused. In March 2020, we made use of idle cash of RMB400,000,000.00 out of the proceeds to temporarily replenish the Company's working capital (including an interest income of RMB81,000,000.00), and the remaining account balance was RMB39,503,000.00 (including an interest income of RMB4,672,800.00).

Unit: RMB'0,000

Projects	Total proceeds	Use of proceeds as at 30 June 2020	Balance
Construction of oil storage tanks with a total capacity of 1,000,000 cubic metres in Xingang	76,000.00	52,644.71	23,355.29
Construction of oil storage tanks with a total capacity of 600,000 cubic metres in the Xingang resort area	55,000.00	55,000.00	0.00
Construction of phase II of the Shatuozi oil storage tanks project in the Xingang Shatuozi area	2,960.00	2,960.00	0.00
LNG Project	32,000.00	32,000.00	0.00
No. 4 stacking yard for ore terminal	52,000.00	41,771.96	10,228.04
Purchase of ship unloader for ore terminal	3,720.00	3,720.00	0.00
Purchase of 300 bulk grain carriages	15,000.00	15,000.00	0.00
Ro-ro ships for carrying cars	23,000.00	21,200.31	1,799.69
Construction of railway siding in Muling	4,125.00	4,125.00	0.00
Construction of information systems	5,000.00	5,000.00	0.00
Investment in phase III of Dayao Bay Terminal	8,404.15	8,404.15	0.00
Total	277,209.15	241,826.13	35,383.02

Note: In order to reduce the amount of idle cash, achieve more efficient use of funds and lower capital costs for the Company, the second meeting of the five session of the Company's Board of Directors in 2020 reviewed and passed a resolution regarding the temporary use of certain idle cash from the A Shares IPO proceeds to replenish the Company's working capital. The Company was authorised to continue to use idle cash of RMB400,000,000.00 out of the proceeds (including an interest income of RMB81,000,000.00) to temporarily replenish the Company's working capital. Such an authorisation is valid for a period of not more than twelve months from the passing of the relevant Board resolution. The Company's independent directors, supervisory committee and sponsors expressed their respective opinions on the Board resolution, and the Company issued a relevant announcement on 26 March 2020.

Use of Proceeds for H Shares

The Company completed a targeted, additional H-share issuance of 1,180,320,000 shares at HKD3.67 per H share on 1 February 2016. All net proceeds of approximately HK$4,283 million were remitted to Mainland China, and exchanged into approximately US$550 million and deposited in the H shares' proceeds account of the Company in Mainland China. In 2018-2019, the Company exchanged the above US$550 million of proceeds into RMB4,040 million (inclusive of interest) at an average exchange rate of US$1 to RMB6.879. The use of proceeds for H shares changed into repaying the loan and replenishing the working capital, which was approved by the Company's shareholders at the general meeting on 27 June 2019. As of 30 June 2020, the proceeds have been used RMB3.465 billion, and the proceeds remained unused were approximately RMB632 million (inclusive of interest).

CAPITAL EXPENDITURE

In the first half of 2020, the Group's capital expenditure amounted to RMB33,937,701.39, which was mainly funded by the surplus cash generated from operating activities, the proceeds from the public offering of A Shares and other external financing.

The performance analysis of each business segment of the Group in the first half of 2020 is as follows:

Oil Segment

The following table sets out the oil/liquefied chemicals throughput handled by the Group in the first half of 2020 with comparative figures for the first half of 2019:

	For the six months ended 30 June 2020 *('0,000 tonnes)*	**For the six months ended 30 June 2019** *('0,000 tonnes)*	**Increase/ (decrease)**
Crude oil	2,084.1	1,984.6	5.0%
– Foreign trade imported crude oil	1,383.8	1,142.9	21.1%
Refined oil	588.6	541.9	8.6%
Liquefied chemicals	71.6	75.6	(5.3%)
LNG	334.9	346.9	(3.5%)
Total	3,079.2	2,949.0	4.4%

In the first half of 2020, in terms of throughput of oil/liquefied chemicals, the Group handled a total of 30.792 million tonnes, representing an increase of 4.4% on a year-on-year basis.

In the first half of 2020, the Group's crude oil throughput increased by 5.0% year-on-year to 20.841 million tonnes, of which 13.838 million tonnes were imported crude oil, representing a year-on-year increase of 21.1%, mainly attributable to the fact that significant fluctuations in international oil prices encouraged refineries and traders in import of crude oil and warehousing, and low oil prices also stimulated the processing of refineries, which resulted in an increase in the Group's crude oil throughput.

In the first half of 2020, the Group's refined oil throughput amounted to 5.886 million tonnes, representing a year-on-year increase of 8.6%. Affected by the epidemic in the first half of the year, overseas refined oil demands recorded a prominent decrease, suppressing partial export of refined oil. As major refineries in the hinterland had maintenance shutdowns in the same period of last year, refined oil throughput still showed an upward trend in the first half of the year.

In the first half of 2020, the Group's liquefied chemicals throughput was 716 thousand tonnes, representing a year-on-year decrease of 5.3%. Affected by COVID-19 epidemic at the beginning of the year, inter-regional transportation of dangerous chemicals was limited, impacting the chemicals transshipment and resulting in a year-on-year decrease in the Group's liquefied chemicals transshipment in the first half of the year.

In the first half of 2020, the Group's LNG throughput amounted to 3.349 million tonnes, representing a year-on-year decrease of 3.5%, mainly due to the commencement of operation of Sino-Russia natural gas pipeline, which offset part of imported offshore LNG, coupled with a decrease in demands for LNG as a result of a low manufacturing capacity in various places affected by COVID-19 epidemic at the beginning of the year, which led to a year-on-year decrease in the Group's LNG throughput in the first half of the year.

In the first half of 2020, the total imported crude oil throughput handled by the Group's ports accounted for 53.1% (74.3% in the first half of 2019) and 36.4% (42.5% in the first half of 2019) of the total amount of crude oil imported through the ports of Dalian and Northeast China, respectively. The Group's total oil products throughput accounted for 55.5% (64.1% in the first half of 2019) and 31.9% (35.2% in the first half of 2019) of the total market share of the ports of Dalian and Northeast China, respectively. With the continuous improvement of storage and transportation facilities in the Bohai Rim region, constant upgrading of terminal capacity at all ports in Liaoning Port, and the successive completion and operation of cargo terminals of private refineries in the hinterland, the source of some crude oil and refined oil has gradually been diverted, which resulted in a decrease in the proportions of imported crude oil and oil products handled by the Group's Liaoning port.

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

Item	**In the first half of 2020** *(RMB)*	**In the first half of 2019** *(RMB)*	**Change** *(%)*
Revenue	764,525,791.23	868,990,299.07	(12.0)
Share of the Group's revenue	24.0%	27.0%	Down by 3.0 percentage points
Gross profit	330,911,872.44	321,354,968.65	3.0
Share of the Group's gross profit	30.8%	36.5%	Down by 5.7 percentage points
Gross profit margin	43.3%	37.0%	Up by 6.3 percentage points

In the first half of 2020, the revenue from oil segment decreased by RMB104.46 million or 12% year-on-year, of which trading business revenue decreased by RMB96.92 million, and port logistics main revenue decreased by RMB7.54 million. The decrease in the main revenue of port logistics was mainly due to the decrease of RMB19.42 million in crude oil storage revenue, but the increase of RMB14.39 million in handling and port revenue.

In the first half of 2020, the gross profit margin of oil segment increased by 6.3 percentage points year-on-year; excluding the impact of trade services, the gross profit margin increased by 1.7 percentage points year-on-year, mainly due to the increase in crude oil handling and port revenue.

In the first half of 2020, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

- Capturing the opportunities from international crude oil market and flexibly allocating storage tank resources to achieve an increase in crude oil transshipment throughput.

- Giving full play to the advantages of the collection and distribution capacity and meeting customers' targeted needs by combination of tanking and lightering.

- Facilitating near-port customers to successfully apply for the delivery point for the settlement of crude oil futures to create a crude oil futures storage base in North China.

- Leveraging on the new policy on low-sulphidation of ship fuel and strengthening cooperation with ship fuel suppliers to create a ship fuel supply base radiating Northeast Asia.

Container Segment

The following table sets out the container segment's throughput handled by the Group in the first half of 2020, with comparative figures for the first half of 2019:

		For the six months ended 30 June 2020 *('0,000 TEUs)*	For the six months ended 30 June 2019 *('0,000 TEUs)*	Increase/ (decrease)
Foreign trade	Dalian port	216.0	264.1	(18.2%)
	Other ports *(Note 1)*	3.4	2.8	21.4%
	Sub-total	219.4	266.9	(17.8%)
Domestic trade	Dalian port	77.4	165.9	(53.3%)
	Other ports *(Note 1)*	63.3	73.8	(14.2%)
	Sub-total	140.7	239.7	(41.3%)
Total	Dalian port	293.4	430.0	(31.8%)
	Other ports *(Note 1)*	66.7	76.6	(12.9%)
	Total	360.1	506.6	(28.9%)

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

In the first half of 2020, in terms of container throughput, the Group handled a total of 3.601 million TEUs, representing a year-on-year decrease of 28.9%. At Dalian port, the Group handled 2.934 million TEUs, representing a year-on-year decrease of 31.8%, of which container throughput for foreign trade decreased year-on-year by 18.2%, and container throughput for domestic trade decreased year-on-year by 53.3%.

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

Item	In the first half of 2020 *(RMB)*	In the first half of 2019 *(RMB)*	Change *(%)*
Revenue	1,241,267,949.68	1,330,431,489.48	(6.7)
Share of the Group's revenue	38.9%	41.3%	Down by 2.4 percentage points
Gross profit	363,123,442.07	343,705,692.87	5.6
Share of the Group's gross profit	33.8%	39.0%	Down by 5.2 percentage points
Gross profit margin	29.3%	25.8%	Up by 3.5 percentage points

In the first half of 2020, the revenue from the container segment decreased by RMB89.16 million or 6.7% year-on-year, of which the revenue from trading business decreased by RMB62.05 million and the main revenue from port logistics decreased by RMB27.11 million, mainly due to the impact of the decrease in revenue from container terminal handling and agency.

In the first half of 2020, the gross profit margin of the container segment increased by 3.5 percentage points year-on-year, mainly due to the decrease in trading business business with lower gross profit margin and the adjustment of the business model of branch line business in Bohai Rim region that increased profitability.

In the first half of 2020, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

- Overcoming impacts from the epidemic to ensure the stable production and operation at terminals, and by virtue of efficient terminal service and perfect feeder network layout of the Group, 5 new foreign trade routes and 2 new domestic trade routes were added, further optimizing network layout of shipping routes in Southeast Asia to meet the differentiated logistics needs of different customers.

- Uniting feeder business and improving operation models, focusing on strengthening development of routes and customers for foreign trade and focusing on expansion of co-load cabin cooperation for domestic trade to effectively reduce operational costs, and improve customer service satisfaction, which further manifested the pivotal role of Bohai Rim region.

- Responding actively to national strategies on multimodal transportation development, enhancing business collaboration and cooperation with shipping companies, and railway bureaus in various links of sea-to-rail intermodal transportation, adding several freight trains for domestic and foreign trade, to promote a continuous increase in container volume of sea-to-rail intermodal transportation.

Automobile Terminal Segment

The following table sets out the throughput handled by the Group's automobile terminal in the first half of 2020, with comparative figures for the first half of 2019:

		For the six months ended 30 June 2020	For the six months ended 30 June 2019	Increase/ (decrease)
Vehicles (units)	Foreign trade	6,706	6,496	3.2%
	Domestic trade	318,616	381,776	(16.5%)
	Total	325,322	388,272	(16.2%)
Equipment (tonnes)		10,523	12,115	(13.1%)

In the first half of 2020, the Group handled a total of 325,322 vehicles in automobile terminal, representing a year-on-year decrease of 16.2%.

In the first half of 2020, the Group's vehicle throughput accounted for 100% (100% in the first half of 2019) of the total market share of the ports in Northeast China.

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

Item	In the first half of 2020 *(RMB)*	In the first half of 2019 *(RMB)*	Change *(%)*
Revenue	24,888,329.96	6,081,222.15	309.3
Share of the Group's revenue	0.8%	0.2%	Up by 0.6 percentage point
Gross profit	(2,481,294.78)	(64,764.38)	(3,731.3)
Share of the Group's gross profit	(0.2%)	0.0%	Down by 0.2 percentage point
Gross profit margin	(10.0%)	(1.1%)	Down by 8.9 percentage points

In the first half of 2020, the revenue from the automobile terminal segment increased by RMB18.81 million year-on-year, an increase of 309.3%, mainly due to the increase in revenue of the newly consolidated Harbour ECL of RMB6.23 million, the increase in revenue from RV trading, the influence of the operation of Haijia automobile terminal and the increase of vehicle logistics business.

In the first half of 2020, the gross profit margin of automobile terminals decreased by 8.9 percentage points year-on-year. Excluding the impact of trade services, the gross profit margin increased by 17.4 percentage points year-on-year, mainly due to the increase in the business volume of newly consolidated companies and terminal operations.

In the first half of 2020, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

- Actively coping with the epidemic, maintaining close contacts and cooperation with main engine factories and logistics suppliers in the hinterland and strengthening competitive advantages of sea-to-rail intermodal transportation of commercial vehicles to promote the rapid recovery of business.

- Leveraging on terminal advantages in warehousing resources and actively developing warehousing business with main engine factories in the hinterland, securing port-entry and stocking of a total of over 34,000 commercial vehicles.

- Seizing opportunities from growth of foreign trade imports and actively connecting logistics and shipping companies, thereby recording a year-on-year increase by 3.2% in foreign trading of commercial vehicles despite the epidemic.

Bulk and General Cargo Segment

The following table sets out the throughput handled by the Group's bulk and general cargo terminal in the first half of 2020, with comparative figures for the first half of 2019:

	For the six months ended 30 June 2020 *('0,000 tonnes)*	**For the six months ended 30 June 2019** *('0,000 tonnes)*	**Increase/ (decrease)**
Steel	298.5	297.6	0.3%
Coal	520.2	466.3	11.6%
Equipment	27.3	75.1	(63.6%)
Ore	1,785.5	1,429.1	24.9%
Others	674.8	747.5	(9.7%)
Total	3,306.3	3,015.6	9.6%

In the first half of 2020, the throughput of the Group's Bulk and General Cargo Segment amounted to 33.063 million tonnes, representing a year-on-year increase of 9.6%.

In the first half of 2020, the throughput of the Group's ore segment amounted to 17.855 million tonnes, representing a year-on-year increase of 24.9%. Such increase was mainly due to the fact that given the orderly prevention and control of the epidemic in China, the production of steel plants in Northeast China was effected to a controllable extent, so iron ore was in sound terminal demands, meanwhile the Group actively coordinated with the railway departments to ensure the smooth collection and distribution capacity of railways and improve turnover efficiency, which resulted in a year-on-year increase in the Group's ore throughput.

In the first half of 2020, the Group's steel throughput was 2.985 million tonnes, representing a year-on-year increase of 0.3%. Affected by the epidemic abroad, steel terminal demands continued to slacken, resulting in a decrease in transshipment of steel in foreign trade. However, as the epidemic was gradually contained in China, enterprises accelerated their pace of work and production resumption, meanwhile the government issued relevant policies on stimulating the economy, which boosted the domestic needs for steel and therefore enabled the Group's steel transshipment to remained stable year-on-year.

In the first half of 2020, the Group's coal throughput was 5.202 million tonnes, representing a year-on-year increase of 11.6%, mainly due to the fact that affected by the epidemic in the first half of the year, coal enterprises resumed their work at a quicker pace than the downstream enterprises, causing a greater conflict in supply and demand of coal, and therefore leading to a decline of coal prices, during which period, coal customers replenished their coal reserve in advance, and meanwhile given a limited quota for imported coal, coal customers sought to secure such quota, which resulted in a year-on-year increase in the Group's coal throughput in the first half of the year.

In the first half of 2020, the Group's equipment throughput was 273,000 tonnes, representing a year-on-year decrease of 63.6%, mainly due to a suspension of certain foreign trade projects of equipment customers given the impact of the epidemic overseas in the first half of the year, which resulted in a year-on-year decrease in the Group's equipment throughput in the first half of the year.

In the first half of 2020, the Group's ore throughput accounted for 38.9% (35.1% in the first half of 2019) of the total throughput of the ports in Northeast China.

In the first half of 2020, the Group's steel throughput accounted for 11.9% (11.6% in the first half of 2019) of the total throughput of the ports in Northeast China.

In the first half of 2020, the Group's coal throughput accounted for 14.4% (16.5% in the first half of 2019) of the total throughput of the ports in Northeast China.

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

Item	In the first half of 2020 *(RMB)*	In the first half of 2019 *(RMB)*	Change *(%)*
Revenue	530,900,350.38	425,514,453.10	24.8
Share of the Group's revenue	16.7%	13.2%	Up by 3.5 percentage points
Gross profit	183,844,203.44	69,956,326.64	162.8
Share of the Group's gross profit	17.1%	7.9%	Up by 9.2 percentage points
Gross profit margin	34.6%	16.4%	Up by 18.2 percentage points

In the first half of 2020, the revenue from the bulk and general cargo segment increased by RMB105.39 million or 24.8% year-on-year. This was mainly due to the significant increase in the throughput of foreign trade iron ore and coal in the first half of the year, as well as the restoration of rate increases, which led to an increase in revenue of RMB129.41 million. However, storage fees have been reduced.

In the first half of 2020, the gross profit margin of the bulk and general cargo segment increased by 18.2 percentage points year-on-year, mainly due to the increase in foreign trade iron ore and coal businesses with higher gross profit margins.

In the first half of 2020, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

- Actively visiting many customers in the hinterland and strengthening the cooperation with customers continuously.

- Deepening the cooperation with Vale to promote construction of mixed ore transhipment and distribution center in Northeast Asia and expand the scale of mixed ore transhipped to Japan and South Korea.

Bulk Grain Segment

The following table sets out the throughput handled by the Group's bulk grain terminal in the first half of 2020, with comparative figures for the first half of 2019:

	For the six months ended 30 June 2020 *('0,000 tonnes)*	For the six months ended 30 June 2019 *('0,000 tonnes)*	Increase/ (decrease)
Corn	101.0	92.1	9.7%
Soybean	83.8	30.5	174.8%
Barley	32.8	26.3	24.7%
Others	91.5	59.2	54.6%
Total	309.1	208.1	48.5%

In the first half of 2020, the throughput of the Group's Bulk Grain Segment amounted to 3.091 million tonnes, representing a year-on-year increase of 48.5%.

In the first half of 2020, the Group's corn throughput was 1.01 million tonnes, representing a year-on-year increase of 9.7%. Such increase was mainly attributable to the fact that affected by the African Swine Fever in the same period of last year, corn terminal consumption decreased significantly, so port transshipment also decreased, meanwhile the Group deepened cooperation with relevant customers to enrich corn transshipment modes, which resulted in a year-on-year increase in the Group's corn transshipment in the first half of the year.

In the first half of 2020, the Group's soybean throughput was 838,000 tonnes, representing a year-on-year increase of 174.8%. Such substantial increase was due to the active procurement of imported goods by traders as a result of a lower price caused by an increase in output of soybean in North and South Americas, coupled with the weakening impacts of the Sino-U.S. trade friction.

In the first half of 2020, the Group's bulk grain throughput accounted for 11.6% (8.9% in the first half of 2019) of the total throughput of the ports in Northeast China.

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

Item	**In the first half of 2020** *(RMB)*	**In the first half of 2019** *(RMB)*	**Change** *(%)*
Revenue	89,052,816.46	68,962,056.05	29.1
Share of the Group's revenue	2.8%	2.1%	Up by 0.7 percentage point
Gross profit	15,457,175.57	(14,041,525.49)	210.1
Share of the Group's gross profit	1.4%	(1.6%)	Up by 3.0 percentage points
Gross profit margin	17.4%	(20.4%)	Up by 37.8 percentage points

In the first half of 2020, the revenue from the bulk grains segment increased by RMB20.09 million or 29.1% year-on-year, of which trading business revenue decreased by RMB13.29 million, and the main revenue of port logistics increased by RMB33.38 million year-on-year, mainly due to the increase in the throughput of imported soybeans and coal, driving income increase.

In the first half of 2020, the gross profit margin of the bulk grain segment increased by 37.8 percentage points year-on-year. Excluding the impact of the trading business, the gross profit margin increased by 43.0 percentage points year-on-year, mainly driven by the increase in high-margin soybean and coal business.

In the first half of 2020, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

- Cooperating with customers to jointly promote transportation of Heilongjiang-Dalian bulk grain train and improving the efficiency of transporting grains from inland to the port.

- Cooperating with shipping companies to add routes for transporting grains from Dalian to Shandong, East China and South China, to improve the network layout of routes.

Passenger and Ro-Ro Segment

The following table sets out the passenger and roll-on roll-off throughput handled by the Group in the first half of 2020, with comparative figures in the first half of 2019:

	For the six months ended 30 June 2020	**For the six months ended 30 June 2019**	**Increase/ (decrease)**
Passengers ('0,000 persons)	68.4	191.4	(64.3%)
Vehicles ('0,000 units)	31.2	39.7	(21.4%)

Throughput of passengers in passenger, roll-on, roll-off terminal was 684,000 persons, representing a year-on-year decrease of 64.3%. Throughput of vehicles amounted to 312,000 units, representing a year-on-year decrease of 21.4%, mainly due to a significant decrease in the voyages of ro-ro passenger ships affected by the epidemic, which resulted in a decrease in passenger and roll-on roll-off throughput.

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

Item	**In the first half of 2020** *(RMB)*	**In the first half of 2019** *(RMB)*	**Change** *(%)*
Revenue	54,650,841.81	83,458,420.62	(34.5)
Share of the Group's revenue	1.7%	2.6%	Down by 0.9 percentage point
Gross profit	(13,220,022.91)	19,282,063.33	(168.6)
Share of the Group's gross profit	(1.2%)	2.2%	Down by 3.4 percentage points
Gross profit margin	(24.2%)	23.1%	Down by 47.3 percentage points

In the first half of 2020, the revenue of passenger and ro-ro segment decreased by RMB28.81 million or 34.5% year-on-year, mainly due to the obvious impact of the epidemic on passenger and ro-ro business, the cancellation of all international cruise plans, the reduction of domestic routes, which resulted in the significant decline in passenger and ro-ro business volume and business revenue.

In the first half of 2020, the gross profit margin of the passenger and ro-ro segment decreased by 47.3 percentage points year-on-year, mainly due to the sharp decline in revenue due to the impact of the epidemic.

In the first half of 2020, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

- In the first half of the year, working on prevention and control of the epidemic with all efforts and strictly implementing prevention and control plans and measures to ensure a safe and controllable anti-epidemic work in operation of the terminals.

- Advancing passenger and ro-ro berth renovation project and handling of procedures, and actively introducing large passenger and ro-ro ships with a capacity of 30,000 tonnes to dock.

Value-added Services Segment

Tugging

In the first half of 2020, the Group strengthened expansion of the market, and therefore recorded a rapid increase in tugging business by 21.3% year-on-year.

Tallying

In the first half of 2020, the Group's tallying business was relatively stable through active market development. The total tallying throughput handled by the Group was approximately 18.169 million tonnes, representing a year-on-year decrease of 3.9%.

Railway

In the first half of 2020, benefiting from the rapid growth of import demands for oil, ore, grain and other bulk and general cargoes, the increment of integrated multimodal transportation was significant. In terms of the operation of railway transportation, the Group handled a total of 415,000 carriages.

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

Item	In the first half of 2020 *(RMB)*	In the first half of 2019 *(RMB)*	Change *(%)*
Revenue	451,033,548.40	402,254,637.03	12.1
Share of the Group's revenue	14.1%	12.5%	Up by 1.6 percentage points
Gross profit	178,382,807.05	118,636,049.56	50.4
Share of the Group's gross profit	16.6%	13.5%	Up by 3.1 percentage points
Gross profit margin	39.5%	29.5%	Up by 10.0 percentage points

In the first half of 2020, the revenue from the value-added services segment increased by RMB48.78 million or 12.1% year-on-year, mainly due to the increase in tugging business, which led to the increase in the revenue of the tugging & barging company, and the increase in the iron ore blending business to boost the revenue of the railway company.

In the first half of 2020, the gross profit margin of value-added services increased by 10.0 percentage points year-on-year, mainly due to the increase in tugging business with higher gross profit.

PROSPECTS OF THE SECOND HALF OF 2020

Competitive Landscape And Industry Trend

Currently, given global spread of the epidemic, the world economy is undergoing a serious recession with a significant downfall in international trade and investment. China's foreign trade develops amid increasing uncertainties and instabilities. Coupled with impacts from the economic and trade frictions between China and the U.S., import and export will still remain complicated in the second half of the year. Domestically, with China's effective containing of the epidemic, vigorous advancement of work and production resumption, and effective driving of national macro-regulation, the economy will become better in the second half than in the first half of the year. During the year, China's economy is expected to recover to the pre-epidemic level.

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

Oil Segment

- To coordinate with port entities to promote the implementation of bonded crude oil mixture business.
- To strengthen cooperation through joint venture with international oil traders to facilitate development of crude oil transshipment market in Northeast Asia.
- To advance handling of qualifications for loading and discharging and warehousing of diluted asphalt, improve port service functions and drive the improvement in throughout.
- To develop the business of crude oil transshipped to Hebei and north of Shandong; explore potential customers, develop whole-process imported crude oil logistics system in Bohai Rim and consolidate crude oil transshipment sources.

Container Segment

- To stabilize operation of foreign trade routes, intensively develop routes in Southeast Asia and other emerging markets, and actively strive for domestic trade of North-South trunk routs at the Group's terminals.
- To unit transshipment strategies, improve cooperation ability and reduce operational costs to promote transformation and development of feeders in Bohai Rim and consolidate position of a transshipment port.
- To strengthen business synergy, promote resource integration and constantly explore and optimize the inland collection and distribution system in the Three Northeastern Provinces, with an aim to further increase development of cargo supply in cross-border train lines.
- To actively promote business diversification and continuously develop comprehensive logistics industry including cold chain, automobile, and rear logistics to realize parallel development of main and auxiliary industry.

Automobile Terminal Segment

- To stabilize the existing routes and endeavor to develop new routes for some commercial vehicles.
- To focus on promoting development and construction of foreign trade route to achieve launch and operation of a foreign trade route with Dalian as the basic port.

Bulk and General Cargo Segment

- To enhance the linkage with customers to jointly develop international market and expand international transshipment scale of mixed ore.

- To deepen the cooperation with customers, enrich and improve the construction of collection and distribution system, enhance operating efficiency of the whole-process logistics links to achieve mutual benefit and win-win.

Bulk Grain Segment

- To open grain transshipment routes between East China and Shandong, develop grain markets in East China and Shandong to drive inter-regional cargo transshipment.

- To continuously conduct operation and organization of ports to improve service efficiency, and solicit supplies and improve shares with excellent services.

Passenger and Ro-Ro Segment

- To get fully prepared for the launch of large passenger and ro-ro ships with a capacity of 30,000 tonnes, and work on marketing jointly with shipping companies.

- To conduct various production, operation and organization during the summer shipment period, and cooperate with shipping companies in marketing for inter-provincial routes, and strive to minimize the adverse impacts on the passenger and ro-ro market from the epidemic.

Value-added Services Segment

- *Tugging*

  The Company will expand revenue sources and reduce costs and expenditures by developing tugging business in surrounding markets, increasing throughput of tugging outside the port and expanding domestic coastal tugging services.

- *Tallying*

  The Company will accelerate the development of intelligent tallying system to reduce labour costs. It will insist on diversified development model of tallying business, and actively expand inspection and verification business including draft survey, measurement, loading and discharging supervision.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, no further redemption of our Company's listed securities had been made by the Company. Neither the Company nor any of its subsidiaries had further purchased or sold any of its listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, the Company had complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and so far as known to the Directors of the Company, there had been no deviation from the code provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2020, the Company had adopted a code of conduct governing director's and supervisor's dealings in the Company's securities on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuer ("Model Code"). Upon specific enquiries, all Directors and supervisors have confirmed that they had complied with the provisions of the Model Code and the code of conduct governing their dealings in the Company's securities during the relevant period.

AUDIT COMMITTEE

As at 27 August 2020, the audit committee of the Company consists of Mr. LI Zhiwei as an independent non-executive Director, Mr. YUAN Yi as a non-executive Director and Mr. LAW Man Tat as an independent non-executive Director. Mr. LI Zhiwei, an independent non-executive Director, acts as the chairman of the audit committee. The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2020.

Set out below is the management discussion and analysis on Yingkou Port for the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020 (the "Track Record Period"). The following financial information is based on the pro forma financial information as disclosed in the audited financial information of Yingkou Port as set out in Appendix II to this circular. These information are originally published in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

BUSINESS REVIEW

Yingkou Port is a port operator in the PRC that provides container terminal and other port facility services which include cargo stevedoring, container logistics and transportation, warehousing services, ship port services, port facility equipment, port machinery rental and maintenance services and other related services. Yingkou Port is located in Liaoning Province. Liaoning Province is the only gateway to sea in Northeast China, and thus, Yingkou Port's distribution coverage extends to Liaoning, Heilongjiang, Jilin provinces and the Inner Mongolia Autonomous Region. Yingkou Port is located in the prime area of the Bohai Rim Region, which is a crucial zone in the Northeast Asian economic circle. Yingkou Port has 33 terminals and primarily serves, among others, the mineral, steel, coal, grains, construction materials and refined petroleum industries. Yingkou Port is the second largest port in Northeast China and one of the largest commodities port-hubs in the PRC.

FINANCIAL REVIEW

Revenue

During the Track Record Period, Yingkou Port derived its revenue mainly from the provision of container terminal and logistics services. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, Yingkou Port's revenue amounted to approximately RMB3,818.3 million, RMB4,813.5 million, RMB4,768.3 million, RMB2,303.0 million and RMB2,407.3 million, respectively. Yingkou Port's revenue growth in 2018 was attributed to macroeconomic growth of the PRC and the increase in trades for minerals and steel. In 2018, Yingkou Port's steel-related container service increased by 33.4% and its aggregated cargo service capacity increased by approximately 190,000 TEUs, which represents a 3.3% increase from the previous year. Its steady revenue performance was primarily due to its long-established business operations and stable macroeconomic activities of the PRC.

The following table sets forth a breakdown of Yingkou Port's revenue by category for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Container Terminal and logistics services	3,677,596	96.3	4,677,300	97.2	4,633,670	97.2	2,236,797	97.1	2,349,986	97.6
Other services	140,707	3.7	136,239	2.8	134,657	2.8	66,183	2.9	57,335	2.4
Total	3,818,303	100.0	4,813,538	100.0	4,768,327	100.0	2,302,980	100.0	2,407,321	100.0

Cost of services

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, Yingkou Port's cost of services amounted to approximately RMB2,750.2 million, RMB3,040.7 million, RMB3,109.6 million, RMB1,433.6 million and RMB1,491.2 million, respectively. The increase in cost of services in 2018 was primarily attributed to Yingkou Port's increased container service for minerals. Due to this increase, Yingkou Port leased several port terminals to meet market demands which increased its 2018 cost of services. Similarly, the increase in volume for steel, bulk goods and other commodities serviced in 2019 caused the proportional increase in cost of services in the same period.

Gross profit

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, Yingkou Port's gross profit amounted to approximately RMB1,068.1 million, RMB1,772.8 million, RMB1,658.7 million, RMB869.4 million and RMB916.1 million, respectively; and the overall gross profit margin amounted to approximately 28.0%, 36.8%, 34.8%, 37.8% and 38.1%, respectively. The significant increase in gross profit margin in 2018 was primarily due to an increase in service volume for minerals. In additional, Yingkou Port implemented the use of new equipment for mechanical and automation processing which in turn increased overall efficiency and decreased labor costs. The increase in revenue and service volume also enabled Yingkou Port to accelerate the recognition of its depreciation and amortization. Therefore, Yingkou Port experienced an 8.8% increase in gross margin in 2018, and was able to maintain a similar level gross margin in subsequent periods.

Administrative expenses

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, Yingkou Port incurred administrative expenses of approximately RMB193.6 million, RMB237.0 million, RMB244.6 million, RMB114.8 million and RMB97.8 million, respectively. Yingkou Port's administrative expenses remained relatively stable for the three years ended 31 December 2019. The decrease in administrative expenses in the six months ended 30 June 2020 was attributed to the decrease in employee compensation due to the effect of the Covid-19 pandemic and the dissolution of Yingkou Port headquarters' logistic division. Due to the pandemic's prolonged effect, the PRC government authorized a 50% reduction in Yingkou Port's social security contribution to its employees. In December 2019, Yingkou Port dissolved its headquarters' logistic division and subsequently assigned its personnel and delegated its primary responsibilities to its subsidiaries. As a result of this restructure, related costs were classified as cost of services rather than administrative expenses. Due to these two factors, Yingkou Port's administrative expense experienced a decrease in the six months ended 30 June 2020 compared to the same period in 2019.

Other income and gains, net

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, Yingkou Port's other income and gains, net amounted to approximately RMB1.5 million, RMB3.2 million, RMB18.0 million, RMB5.7 million and RMB12.2 million, respectively. Other income of Yingkou Port primarily consisted of government subsidies, weighted pre-tax deductions and others. The fluctuation in other income during the Track Record Period was primarily due to the fluctuation in government subsidies and weighted pre-tax deductions provided by the government in the corresponding periods.

Finance income/(cost), net

Finance income

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, Yingkou Port's gross finance income amounted to approximately RMB8.5 million, RMB11.7 million, RMB22.2 million, RMB4.7 million and RMB21.2 million, respectively. Yingkou Port's finance incomes were primarily interest earned from cash deposits. The significant increases in finance incomes in 2019 and first half of 2020 were due to the maturity of a RMB1,300.0 million deposit in 2019 and a RMB1,700.0 million deposit in 2020.

Finance costs

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, Yingkou Port's gross finance costs amounted to approximately RMB234.6 million, RMB186.0 million, RMB130.9 million, RMB73.3 million and RMB35.6 million, respectively. Yingkou Port incurred these costs for the financing of its business operations, and the finance costs decreased over time as a result of its increased ability to gradually increase its loan repayments.

Income tax expense

Income tax expense of Yingkou Port is comprised of PRC corporate income tax and other surtaxes. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, Yingkou Port's income tax expense amounted to approximately RMB148.5million, RMB301.5 million, RMB304.1 million, and RMB185.0million, respectively.

Net Profits

Yingkou Port's net profits amounted to approximately RMB562.8million, RMB1,035.7 million, RMB1,048.3 million, and RMB640.8 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively, representing a general upward trend.

Liquidity, financial resources and capital structure

Yingkou Port funds its business operations through earnings it generates and loans it obtains from financial institutions. As at 30 June 2020, Yingkou Port's cash and cash equivalents and borrowings were denominated in RMB.

Yingkou Port's borrowings are mainly comprised of bank loans and corporate bonds. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the bank loans of Yingkou Port amounted to approximately RMB3,376.0 million, RMB2,459.2 million, RMB759.0 million and nil. As at 31 December 2017, 2018 and 2019 and 30 June 2020, borrowing through the issuance of corporate bonds by Yingkou Port amounted to approximately RMB1,000.0 million, RMB1,000.0 million, RMB995.2 million and RMB1,023.1 million, respectively.

The maturity profile of Yingkou Port's borrowings is set out as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	In the thousands (RMB)			
Bank loans	3,376,000	2,459,200	759,044	–
Within 1 year	1,766,800	1,511,200	759,044	–
Longer than 1 year	1,609,200	948,000	–	–
Bonds Payable	1,000,000	1,000,000	995,234	1,023,098
Within 1 year	–	–	11,023	38,887
Longer than 1 year	1,000,000	1,000,000	984,211	984,211

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the net current assets of Yingkou Port amounted to approximately RMB1,314.7 million, RMB2,002.6 million, RMB2,282.8 million and RMB2,917.9 million, respectively.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, Yingkou Port was to subject to the following capital commitments for operation rental expenses on a fixed fee basis:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	In the thousands (RMB)			
Irrevocable property leases	788,263	748,850	709,437	689,731
Within the first year	39,413	39,413	39,413	39,413
Within the second year	39,413	39,413	39,413	39,413
Within the third year	39,413	39,413	39,413	39,413
Remaining balance of the lease	670,024	630,611	591,198	571,492
Total	788,263	748,850	709,437	689,731

Significant investments, material acquisitions and disposals

During the Track Record Period, Yingkou Port held certain subsidiaries and investments in association with its primary operation of container terminal and logistic services. Details of which are set out as follows:

Company name(Note1)	Date of incorporation	Net Equity as at 30 June 2020	Investment cost	Registered capital	Percentage of ownership interest attributable to Yingkou Port				Particulars of ownership interest held as at 30 June 2020	Place of operation and principal activities
					As at 31 December 2017	2018	2019	As at 30 June 2020		
		In the Thousands (RMB)								
Yingkou Xingang Kuangshi Terminals Co., Ltd.	8-Apr-2010	4,174,602	3,150,455	3,580,063	88.0%	88.0%	88.0%	88.0%	Registered capital of RMB3,150,455,440	the PRC; Loading/unloading of coal, iron ore and others and warehousing services
Yingkou New Century Container Terminal Co., Ltd.	24-Dec-2007	126,368	24,000	40,000	60.0%	60.0%	60.0%	60.0%	Registered capital of RMB24,000,000	the PRC; Loading/unloading, lightering and warehousing services for container terminals, container disassembly, maintenance and cleaning services
Yingkou Container Port Co., Ltd.	15-Oct-1996	184,645	4,000	8,000	50.0%	50.0%	50.0%	50.0%	Registered capital of RMB4,000,000	the PRC; Loading/unloading of container ships and general cargo ships, international container transshipment, stacking, unpacking, repairing and washing containers and other related business
Zhongchuliang Yingkou Warehousing and Transportation Co., Ltd.	11-May-2004	461,676	192,118	393,152	48.3%	48.3%	48.3%	48.3%	Registered capital of RMB189,892,416	the PRC; Storage of grain, acquisition, transit and trade

Company name[(Note1)]	Date of incorporation	Net Equity as at 30 June 2020	Investment cost	Registered capital	Percentage of ownership interest attributable to Yingkou Port: As at 31 December 2017	2018	2019	As at 30 June 2020	Particulars of ownership interest held as at 30 June 2020	Place of operation and principal activities
		In the Thousands (RMB)								
Ansteel Yingkou Port Co., Ltd.	11-Dec-2007	935,604	213,225	801,546	20.0%	20.0%	20.0%	20.0%	Registered capital of RMB160,309,200	the PRC; Loading/unloading of dock ship
Yingkou Port Group Finance Co., Ltd.	22-Dec-2015	866,387	245,000	500,000	49.0%	49.0%	49.0%	49.0%	Registered capital of RMB245,000,000	the PRC; Nonbanking financial institution
Yingkou New Port Petrifaction Marina Co., Ltd.* (de-registered)	30-Dec-2010 (Dissolved in September 2018)	–	2,556,262	706,400	100.0%	–	–	–	–	the PRC; Storage (excluding flammable and explosive hazardous chemicals) and loading/unloading services that are approved by relevant authorities

Note:

(1) The English names of the associates represent the best effort by the management of Yingkou Port in translating their Chinese names as they do not have official English names.

Future plans for material investments and acquisition of capital assets

Yingkou Port plans to invest RMB120.0 million from its earnings to reconstruct two of its port terminals. Yingkou Port has no additional plans for material investments and acquisition of material capital assets as at 30 June 2020.

Gearing ratio and the basis of calculation

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the gearing ratio of Yingkou Port was approximately 30.7%, 24.7%, 15.2% and 11.8%, respectively. The gearing ratio is calculated by dividing total debt against total assets.

Yingkou Port's gearing ratio demonstrates a constant decreasing trend primarily due to Yingkou Port's operational performance and healthy cash flow, which enable Yingkou Port to continue to repay its existing debts during the Track Record Period.

Foreign exchange exposure

During the Track Record Period, the principal activities of Yingkou Port were conducted in the PRC and its income and expenses were denominated in RMB. In light of this, Yingkou Port was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

Employee remuneration policy

Yingkou Port's employee remuneration plan is on par with PRC industry standards. The employee remuneration plan includes basic salary and other stipends; year-end bonuses are paid to employees on a discretionary basis based on their work performance. Yingkou Port also contributes to the employees' social security benefits plan in compliance with the labor laws of the PRC and local governments. These social security contributions include retirement benefits, healthcare insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, Yingkou Port had approximately 4,923, 4,842, 4,812 and 4,539 employees, respectively; and the total remuneration, including social security contributions, amounted to approximately RMB557.1 million, RMB613.6 million, RMB674.1 million and RMB288.0 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June, 2020, respectively.

The following is the full text of the letter, summary of valuations and valuation report prepared for the purpose of incorporation into this Circular received from Cushman & Wakefield Limited, an independent valuer, in connection with the valuation as at 30 June 2020 of the market values of the property interests of Yingkou Port Liability Co., Ltd. and its subsidiaries.

CUSHMAN & WAKEFIELD
戴德梁行

16/F, Jardine House
1 Connaught Place
Central
Hong Kong

10 September 2020
The Board of Directors
Dalian Port (PDA) Company Limited
31st Floor, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Dear Sirs,

Re: Portfolio Property Valuations in Yingkou, Liaoning Province, the People's Republic of China

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of Dalian Port (PDA) Company Limited (the "Company") for us to carry out valuation of the market values of the Properties (the "Properties") held by Yingkou Port Liability Co., Ltd. (營口港務股份有限公司) (the "Target Company") and its subsidiaries (together the "Target Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values in existing state of the Properties as at 30 June 2020 (the "Valuation Date").

DEFINITION OF MARKET VALUE

Our valuation of each of the Properties represents its Market Value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors ("HKIS") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS & ASSUMPTIONS

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017.

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the Properties held in the PRC, with reference to the PRC legal opinion of the Company's PRC legal adviser, King & Wood Mallesons (北京金杜律師事務所) dated 31 August 2020 (the "PRC Legal Opinion"), we have prepared our valuations on the basis that transferable land use rights in respect of the Properties for their respective specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Target Company and the PRC Legal Opinion, regarding the titles to the Properties and the interests in the Properties. According to the PRC legal opinion, there are certain legal flaws of the Properties (details refer to the summary of valuations and valuation report) owned by the Target Group and are being utilized in business activities without obstacles or any government notice of fine or dismantle. In valuing the Properties with good title, we have prepared our valuations on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties with good title for the whole of the unexpired terms as granted. In valuing the Properties with legal flaws, we have prepared our valuations on the basis that the owners have free and uninterrupted rights to use, occupy or assign the Properties with legal flaws for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature that could affect their values.

METHOD OF VALUATION

In valuing the Properties which are held by the Target Group for owner-occupation in the PRC, in the absence of relevant market data to arrive at the market value of the Properties by means of market-based evidence, we have valued the Properties by Depreciated Replacement Cost Approach which requires a valuation of the market value of the land in its existing use by Direct Comparison Approach by making reference to comparable sales evidences as available on the market; and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported market values by Depreciated Replacement Cost Approach only apply to the whole of the Properties as a unique interest, and no piecemeal transaction of the Properties are assumed.

For ease of reference, Depreciated Replacement Cost Approach comprises the valuations of (a) the buildings and structures; and (b) the land erected thereon. The buildings and structures are valued by Cost Approach whist the land are valued by Direct Comparison Approach.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Target Company and the PRC Legal Opinion. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Properties, completion date of building, particulars of occupancy, construction cost, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Target Group, which is material to the valuations. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters, and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult its legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Target Company with copies or extracts of documents in relation to the title to the Properties. However, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Properties in the PRC and we have therefore relied on the advice given by the PRC Legal Opinion and the Target Company.

SITE INSPECTION

Our Dalian Office valuers, Wendy Hou and Amy Zhang (China Real Estate Appraisers), had inspected the exterior and, wherever possible, the interior of the Properties in July 2020. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Properties are free from rot, infestation or any other structural defects. No test was carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties. We have assumed that the areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi ("RMB"), which is the official currency of the PRC.

MARKET UNCERTAINTY ALERT

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuations of the Properties are valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuations when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

We attach herewith the summary of valuations and valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 27 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

The summary of valuations and all material information of the major parameters in quantifying the valuations of each of the Properties are listed below. In the course of our valuations, we have relied on the information provided by the Target Company and the Company's PRC legal advisers regarding the title to the Properties.

The valuation report of each of the Properties, which complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and HKIS Valuation Standards 2017, are attached.

	No. of Properties	**Market value in existing state as at 30 June 2020** *(RMB Million)*	**Market value in existing state attributable to the Target Group as at 30 June 2020** *(RMB Million)*
Properties held by the Target Group for owner-occupation in the PRC	12	9,693.15	9,484.76

PROPERTIES HELD BY THE TARGET GROUP FOR OWNER-OCCUPATION IN THE PRC

Summary of Valuations as at 30 June 2020

No.	Property	Holding Entity	City	Land Use	Expiry Date of Land Use term	Type of Property	Site Area with Title Certificate *sq m*	Site Area without Title Certificate *sq m*	Gross Floor Area of Buildings with Title Certificate *sq m*	Gross Floor Area of Buildings without Title Certificate *sq m*	Year of Built	Market Value in Existing State as at 30 June 2020 *(RMB Million)*	Interest Attributable to the Target Group *(%)*	Market Value in Existing State Attributable to the Target Group as at 30 June 2020 *(RMB Million)*
1	Beiyi Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道北一路	營口新港礦石碼頭有限公司	Yingkou	N/A	N/A	The Property comprises fixed assets including warehouse, buildings, stacking area facilities and port facilities. The warehouse are material depot and coal warehouse, The buildings are workers building (候工樓), roll call building (點名樓) and business building (業務樓), The stacking area facilities are stacking area enclosure and road. The port facilities include 2 berths (berth #16 to #17), including berths and supporting facilities. The berthing capacity is between 100,000 and 200,000 tons.	N/A	Note 1	9,888.22	2,805.52	1986 to 2005	1,694.75	88%	1,491.38
2	Xinggang Avenue, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道興港大道	Yingkou New Century Container Terminal Co., Ltd. 營口新世紀集裝箱碼頭有限公司	Yingkou	N/A	N/A	The Property comprises fixed assets-port facilities. The port facilities include platform, white steel room, carport, weighbridge and intelligent port equipment.	N/A	Note 1	N/A	N/A	2008 to 2016	12.55	60%	7.53

No.	Property	Holding Entity	City	Land Use	Expiry Date of Land Use term	Type of Property	Site Area with Title Certificate *sq m*	Site Area without Title Certificate *sq m*	Gross Floor Area of Buildings with Title Certificate *sq m*	Gross Floor Area of Buildings without Title Certificate *sq m*	Year of Built	Market Value in Existing State as at 30 June 2020 *(RMB Million)*	Interest Attributable to the Target Group *(%)*	Market Value in Existing State Attributable to the Target Group as at 30 June 2020 *(RMB Million)*
3	No. 1 Shugang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道一號疏港路	營口港務股份有限公司第一分公司	Yingkou	N/A	N/A	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The port facilities include 10 berths (Berth #30 to #35, and berth #23 to #26), including berths and supporting facilities. The berthing capacity is between 5,000 and 100,000 tons. The warehouse are Hailong warehouse (海龍倉儲庫), bulk grain depot (散糧庫) and fertilizer warehouse (化肥庫) etc. The stacking area facilities are Shunda stacking area (順達堆場), Phase II jetty yard (二期突堤堆場) and container stacking area (集裝箱場地) etc.	N/A	Note 1	43,687.63	30,553.70	1993 to 2011	454.21	100%	454.21
4	No. 1 Shugang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道一號疏港路	營口港務股份有限公司第三分公司	Yingkou	N/A	N/A	The Property comprises fixed assets including buildings and port facilities. The building is complex building (綜合樓). The port facilities include 1 berths (berth #22), including berths and supporting facilities. The berthing capacity is 30,000 tons.	N/A	Note 1	10,695.36	N/A	1997 to 2004	65.64	100%	65.64

No.	Property	Holding Entity	City	Land Use	Expiry Date of Land Use term	Type of Property	Site Area with Title Certificate *sq m*	Site Area without Title Certificate *sq m*	Gross Floor Area of Buildings with Title Certificate *sq m*	Gross Floor Area of Buildings without Title Certificate *sq m*	Year of Built	Market Value in Existing State as at 30 June 2020 *(RMB Million)*	Interest Attributable to the Target Group *(%)*	Market Value in Existing State Attributable to the Target Group as at 30 June 2020 *(RMB Million)*
5	Xingang Road, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區新港大路	營口港務股份有限公司第四分公司	Yingkou	N/A	N/A	The Property comprises: fixed assets (warehouses, building, stacking area facilities and port facilities) and construction in progress. The warehouses include chemical conversion operation pool (化工品轉換操作池), reaction pool (反應池), control tower (監控塔) and railway trestle canopy (鐵路棧橋遮雨棚). The building is administrative office building. The stacking area facilities include enclosure, road, retaining wall, vehicle and ship direct loading yard project (車船直取裝車場工程) and stacking areas. The port facilities include 5 berths (Berth #11-15), including berths, bank protection works (護岸工程), chemical tanks (化工品罐) and process pipelines (工藝管線) etc. The berthing capacity is between 3,000 and 80,000 tons.	N/A	Note 1	7,262.68	15,675.42	1995 to 2017	1,149.27	100%	1,149.27

No.	Property	Holding Entity	City	Land Use	Expiry Date of Land Use term	Type of Property	Site Area with Title Certificate *sq m*	Site Area without Title Certificate *sq m*	Gross Floor Area of Buildings with Title Certificate *sq m*	Gross Floor Area of Buildings without Title Certificate *sq m*	Year of Built	Market Value in Existing State as at 30 June 2020 *(RMB Million)*	Interest Attributable to the Target Group *(%)*	Market Value in Existing State Attributable to the Target Group as at 30 June 2020 *(RMB Million)*
6	Yinggang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道營港路	營口港務股份有限公司第六分公司	Yingkou	N/A	N/A	The Property comprises fixed assets including warehouse, buildings and port facilities. The port facilities include high pole lights and railway engineering (鐵路工程). The buildings are color steel insulation room (彩鋼保溫房), Color board activity room (彩板活動房) and office premises (辦公用房). The warehouse are steel warehouse (鋼材庫) and worker building carport (候工樓車棚).	N/A	Note 1	N/A	24,715.84	2006 to 2015	90.43	100%	90.43
7	Shugang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道疏港路	營口港務股份有限公司糧食分公司	Yingkou	N/A	N/A	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The berthing capacity is between 15,000 and 50,000 tons. The warehouse are provision store (糧倉) tool magazine (工具庫) and weighbridge room (地磅房), The stacking area facilities are stacking areas. The port facilities include 6 berths (berth #36 to #38, #41 to #42, and #47), including berths and supporting facilities.	N/A	Note 1	67.60	83,213.75	2006 to 2014	1,271.01	100%	1,271.01

No.	Property	Holding Entity	City	Land Use	Expiry Date of Land Use term	Type of Property	Site Area with Title Certificate *sq m*	Site Area without Title Certificate *sq m*	Gross Floor Area of Buildings with Title Certificate *sq m*	Gross Floor Area of Buildings without Title Certificate *sq m*	Year of Built	Market Value in Existing State as at 30 June 2020 *(RMB Million)*	Interest Attributable to the Target Group *(%)*	Market Value in Existing State Attributable to the Target Group as at 30 June 2020 *(RMB Million)*
8	No. 1 Shugang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道一號疏港路	營口港務股份有限公司機械分公司	Yingkou	N/A	N/A	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The port facilities include workers building (候工樓), substations (變電所), Office building of commodity Inspection Bureau (商檢局辦公樓) and cable trench (電纜溝) etc. The warehouse are repair shop (機修車間), auto repair factory workshop (汽修廠廠房)and auto repair factory office (汽修廠辦公室) etc. The stacking area facilities are road and stacking area.	N/A	Note 1	11,662.67	2,388.88	1986 to 2010	20.99	100%	20.99
9	Xinggang Avenue, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道興港大道	營口港務股份有限公司集裝箱碼頭分公司	Yingkou	N/A	N/A	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The warehouse are substations (變電所) and check warehouse (集碼檢查倉庫) etc, The stacking area facilities are container stacking areas (集裝箱場地). The port facilities include 4 berths (berth #55 to #58), including berths and supporting facilities. The berthing capacity is 70,000 tons.	N/A	Note 1	1,187.00	4,184.29	2010 to 2015	1,407.00	100%	1,407.00

No.	Property	Holding Entity	City	Land Use	Expiry Date of Land Use term	Type of Property	Site Area with Title Certificate *sq m*	Site Area without Title Certificate *sq m*	Gross Floor Area of Buildings with Title Certificate *sq m*	Gross Floor Area of Buildings without Title Certificate *sq m*	Year of Built	Market Value in Existing State as at 30 June 2020 *(RMB Million)*	Interest Attributable to the Target Group *(%)*	Market Value in Existing State Attributable to the Target Group as at 30 June 2020 *(RMB Million)*
10	No. 1 YIngang Road, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區營港路1號	營口港務股份有限公司實業發展分公司	Yingkou	N/A	N/A	The Property comprises fixed assets including warehouses, building, stacking area facilities and port facilities. The warehouses include garage, laundry and oxidation ditch (氧化溝). The buildings comprise office, canteen and complex buildings. The stacking area facilities include enclosure and road. The port facilities include boiler pipe network (鍋爐管網), water supply and drainage network (給水排水管網) and sewage treatment system (污水處理系統).	N/A	Note 1	23,484.05	6,050.79	1998 to 2013	32.90	100%	32.90
11	Jingang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道金港路	營口港務股份有限公司汽車運輸分公司	Yingkou	N/A	N/A	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The warehouse are part warehouse (維修庫) and garage, The stacking area facilities are stacking areas. The structures are office building, business building and waiting building.	N/A	Note 1	7,605.91	6,687.37	1991 to 2018	14.26	100%	14.26

No.	Property	Holding Entity	City	Land Use	Expiry Date of Land Use term	Type of Property	Site Area with Title Certificate *sq m*	Site Area without Title Certificate *sq m*	Gross Floor Area of Buildings with Title Certificate *sq m*	Gross Floor Area of Buildings without Title Certificate *sq m*	Year of Built	Market Value in Existing State as at 30 June 2020 *(RMB Million)*	Interest Attributable to the Target Group *(%)*	Market Value in Existing State Attributable to the Target Group as at 30 June 2020 *(RMB Million)*
12	Xinggang Avenue, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道興港大道	Yingkou Port Liability Co., Ltd. 營口港務股份有限公司總部	Yingkou	Port terminal; industrial; warehousing	2052-7-25; 2053-6-25; 2056-9-24; 2056-10-15; 2066-4-26; 2052-6-17	The Property comprises: fixed assets (warehouse, buildings, stacking area facilities and port facilities), construction in progress and land use rights. The port facilities include 9 berths (Berth #20,#46,#51 to #54, berth #59,#60 and Working ship terminal), including berths and supporting facilities. The berthing capacity is between 10,000 and 70,000 tons. The warehouse are 4#general warehouse (4#通用庫), repair and parts warehouse (維修及配件倉庫) and Bicycle shed (自行車棚) etc. The building is an office building. The stacking area facilities are road, fence (圍牆) and stacking areas behind the berth (泊位後方堆場) etc.	2,678,173.44	N/A	13,465.26	18,124.70	2004 to 2012	3,480.14	100%	3,480.14
						Sub-total:	2,678,173.44	–	129,006.38	194,400.26		9,693.15		9,484.76
						Grand Total:	2,678,173.44		323,406.64			9,693.15		9,484.76

Note 1: Property #1 to 11, the buildings are located on the land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) ("YKP"), the controlling shareholder of the Target Company.

For reference purpose, the **Market Value in existing state (Without Title Certificate)** of the Properties are summarised as below:

Property No.	Market Value in existing state as at 30 June 2020 (Total RMB Million) a	Market Value in existing state as at 30 June 2020 (Without Title Certificate* RMB Million) b	Market Value in existing state as at 30 June 2020 (Total excluding without Title Certificate* portion RMB Million) a-b
1.	1,694.75	5.55	1,689.20
2.	12.55	N/A	12.55
3.	454.21	30.26	423.95
4.	65.64	N/A	65.64
5.	1,149.27	26.45	1,122.82
6.	90.43	33.15	57.28
7.	1,271.01	133.09	1,137.92
8.	20.99	2.08	18.91
9.	1,407.00	9.59	1,397.41
10.	32.90	1.59	31.31
11	14.26	7.61	6.65
12.	3,480.14	27.56	3,452.58
Grand Total:	9,693.15	276.93	9,416.22

* Refer to Building Ownership Certificate.

The gross floor area without Title Certificate are stated in the Summary of Valuations and Valuation Report.

Buildings without Building Ownership Certificate

For the Properties that has not yet obtained the building ownership certificate, the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed. The Company's PRC legal advisers have advised that there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant Properties.

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
1.	Beiyi Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國 遼寧省 營口市 鮁魚圈區 海星街道 北一路	The Property comprises fixed assets including warehouse, buildings, stacking area facilities and port facilities. The warehouse are material depot and coal warehouse, The buildings are workers building (候工樓), roll call building (點名樓) and business building (業務樓), The stacking area facilities are stacking area enclosure and road. The port facilities include 2 berths (berth #16 to #17), including berths and supporting facilities. The berthing capacity is between 100,000 and 200,000 tons. According to the information provided by the Target Company, the total gross floor area of the buildings is 12,693.74 sq m, with total gross floor area of 3,999.99 sq m have Real Estate Title Certificate 不動產權證, total gross floor area of 5,888.23 sq m have Building Ownership Certificate; total gross floor area of 2,805.52 sq m has no Building Ownership Certificate. The Property was constructed mainly during 1986 to 2005. Please refer to the note for the title status of the Property.	As at the Valuation Date, all portion of the Property was owner-occupied as port facilities	RMB1,694,750,000 (RENMINBI ONE BILLION SIX HUNDRED NINETY FOUR MILLION SEVEN HUNDRED FIFTY THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口新港礦石碼頭有限公司, a 88% subsidiary of the Target Company. (88% interest attributable to the Target Group: RMB1,491,380,000 (RENMINBI ONE BILLION FOUR HUNDRED NINETY ONE MILLION THREE HUNDRED EIGHTY THOUSAND)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Warehouse 固定資產－倉庫	Gross Floor Area 1,513.13	420,000	
Fixed assets-Buildings 固定資產－商住房屋	Gross Floor Area 6,311.98	6,920,000	Please see Note 3 & 4 below.
Fixed assets-Stacking area facilities 固定資產－堆場及場地	N/A	208,310,000	
Fixed assets-Port facilities 固定資產－港口碼頭設施	Gross Floor Area 4,868.63	1,479,100,000	Please see Note 2 & 4 below.
Fixed assets sub-total 固定資產小計:	N/A	1,694,750,000	
Grand Total 總計:	N/A	1,694,750,000	
	88% interest attributable to the Target Group:	1,491,380,000	

(2) According to the information provided by the Target Company, there are 2 container berths, namely Berth #16 to 17, as follows:

號	項目 Project	泊位長度 (米) Berth Length (m)	前沿水深 (米) Water Depth (m)	靠泊能力 (噸) Berthing Ability (Ton)	建成時間/ 改造時間 Construction time/ renovation time	泊位形式 Berth Form	用途 (貨種)
1	16#泊位 Berth #16	340.00	15.00	100,000	2006	重力式碼頭 Heavy Duty Port	散貨 Bulk Cargo
2	17#泊位 Berth #17	405.00	20.00	200,000	2004	重力式碼頭 Heavy Duty Port	礦石 Ore

(3) According to the Real Estate Title Certificate 不動產權證, provided by the Target Company, the buildings, with total gross floor area of 3,999.99 sq m are held by the Target Company. According to the Building Ownership Certificate provided by the Target Company, the buildings with total gross floor area of 5,888.23 sq m are held by the Target Company.

(4) According to the PRC legal opinion:

(i) It is common in the port industry that the ownership of berths has not been registered. The Target Company had not processed real estate registration for the berths, and did not complete the establishment of property rights. The Target Company occupies the berths for business activities, there were no substantial obstacles, and there was no situation where relevant government departments or anyone else told them that they must stop using or dismantle the berths;

(ii) The Target Company has obtained Real Estate Title Certificate 不動產權證 of part of the buildings and has legal ownership of these properties;

(iii) The Target Company has obtained Building Ownership Certificate of part of the buildings and has legal ownership of these properties; These properties are located on land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) ("YKP"), the controlling shareholder of the Target Company; the aforementioned separation of property and land ownership is caused by the following historical reasons: when YKP transferred the properties to the Target Company, YKP separately processed the application of certificates for the building ownership certificates of these properties and the land use rights certificates of the land on which they are located. YKP did not include the land use rights corresponding to the properties into the scope of asset transfer; According to the written confirmation issued by YKK, YKK will not require the Target Company to dismantle the properties. The aforementioned separation of real estate and land ownership does not affect the Target Company's ownership of such real estate;

(iv) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed; and

(v) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Real Estate Title Certificate	Yes (Partly)
Building Ownership Certificate	Yes (Partly)

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
2.	Xinggang Avenue, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國 遼寧省 營口市 鮁魚圈區 海星街道 興港大道	The Property comprises fixed assets-port facilities. The port facilities include platform, white steel room, carport, weighbridge and intelligent port equipment. The Property was constructed mainly during 2008 to 2016. Please refer to the note for the title status of the Property.	As at the Valuation Date, the Property was owner-occupied as port facilities.	RMB12,550,000 (RENMINBI TWELVE MILLION FIVE HUNDRED FIFTY THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口新世紀集裝箱碼頭有限公司, a 60% subsidiary of the Target Company. (60% interest attributable to the Target Group: RMB7,530,000 (RENMINBI SEVEN MILLION FIVE HUNDRED THIRTY THOUSAND)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Port facilities 固定資產－港務設施	N/A	12,550,000	
Fixed assets sub-total 固定資產小計:	N/A	12,550,000	
Grand Total 總計:	N/A	12,550,000	
	60% interest attributable to the Group:	7,530,000	

(2) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Real Estate Title Certificate	N/A
Building Ownership Certificate	N/A

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
3.	No. 1 Shugang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國 遼寧省 營口市 鮁魚圈區 海星街道 一號疏港路	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The port facilities include 10 berths (Berth #30 to #35, and berth #23 to #26), including berths and supporting facilities. The berthing capacity is between 5,000 and 100,000 tons. The warehouse are Hailong warehouse (海龍倉儲庫), bulk grain depot (散糧庫) and fertilizer warehouse (化肥庫) etc. The stacking area facilities are Shunda stacking area (順達堆場), Phase II jetty yard (二期突堤堆場) and container stacking area (集裝箱場地) etc. According to the information provided by the Company, the total gross floor area of the buildings is 74,241.33 sq m, with total gross floor area of 43,687.63 sq m have Building Ownership Certificate; total gross floor area of 30,553.70 sq m has no Building Ownership Certificate. The Property was constructed mainly during 1993 to 2011. Please refer to the note for the title status of the Property.	As at the Valuation Date, the Property was owner-occupied as port facilities.	RMB454,210,000 (RENMINBI FOUR HUNDRED FIFTY FOUR MILLION TWO HUNDRED TEN THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口港務股份有限公司第一分公司, a wholly owned company of the Target Company. (100% interest attributable to the Target Group: RMB454,210,000 (RENMINBI FOUR HUNDRED FIFTY FOUR MILLION TWO HUNDRED TEN THOUSAND)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Warehouse 固定資產－倉庫	Gross Floor Area 62,702.47	44,010,000	Please see Note 3 & 4 below.
Fixed assets-Stacking area facilities 固定資產－堆場及場地	N/A	31,650,000	.
Fixed assets-Port facilities 固定資產－港口碼頭設施	Gross Floor Area 11,538.86	378,550,000	Please see Note 2 & 4 below.
Fixed assets sub-total 固定資產小計:	N/A	454,210,000	
Grand Total 總計:	N/A	454,210,000	
	100% interest attributable to the Target Group:	454,210,000	

(2) According to the information provided by the Target Company, there are 10 berths, namely Berth #23 to 26, #30 to 35, as follows:

號	項目 Project	泊位長度 (米) Berth Length (m)	前沿水深 (米) Water Depth (m)	靠泊能力 (噸) Berthing Ability (Ton)	建成時間/ 改造時間 Construction time/ renovation time	泊位形式 Berth Form	用途 (貨種)
1	23#泊位 Berth #23	212.00	11.5	15,000	1997	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
2	24#泊位 Berth #24	212.00	11.5	30,000	1997	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
3	25#泊位 Berth #25	251.00	13.5	50,000	1997	重力式碼頭 Heavy Duty Port	散貨 Bulk Cargo
4	26#泊位 Berth #26	330.00	16.00	100,000	1997	重力式碼頭 Heavy Duty Port	散貨 Bulk Cargo
5	30#泊位 Berth #30	246.00	8.70	–	1989	重力式碼頭 Heavy Duty Port	工作船Work Boat
6	31#泊位 Berth #31	193.00	11.50	30,000	1989	重力式碼頭 Heavy Duty Port	散貨 Bulk Cargo
7	32#泊位 Berth #32	194.00	10.50	15,000	1989	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
8	33#泊位 Berth #33	194.00	10.50	15,000	1990	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
9	34#泊位 Berth #34	155.00	10.50	5,000	1990	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
10	35#泊位 Berth #35	154.00	10.50	5,000	1990	重力式碼頭 Heavy Duty Port	雜貨 General Cargo

(3) According to the Building Ownership Certificate provided by the Target Company, the buildings, with total gross floor area of 43,687.63 sq m, are owned by the Target Company.

(4) According to the PRC legal opinion:

(i) It is common in the port industry that the ownership of berths has not been registered. The Target Company had not processed real estate registration for the berths, and did not complete the establishment of property rights. The Target Company occupies the berths for business activities, there were no substantial obstacles, and there was no situation where relevant government departments or anyone else told them that they must stop using or dismantle the berths;

(ii) The Target Company has obtained Building Ownership Certificate of part of the buildings and has legal ownership of these properties; These properties are located on land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) ("YKP"), the controlling shareholder of the Target Company; the aforementioned separation of property and land ownership is caused by the following historical reasons: when YKP transferred the properties to the Target Company, YKP separately processed the application of certificates for the building ownership certificates of these properties and the land use rights certificates of the land on which they are located. YKP did not include the land use rights corresponding to the properties into the scope of asset transfer; According to the written confirmation issued by YKK, YKK will not require the Target Company to dismantle the properties. The aforementioned separation of real estate and land ownership does not affect the Target Company's ownership of such real estate;

(iii) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed; and

(iv) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Building Ownership Certificate	Yes (Partly)

VALUATION REPORT

Properties held by the Target Group for owner-occupation/development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
4.	No. 1 Shugang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國 遼寧省 營口市 鮁魚圈區 海星街道 一號疏港路	The Property comprises fixed assets including buildings and port facilities. The building is complex building (綜合樓). The port facilities include 1 berths (berth #22), including berths and supporting facilities. The berthing capacity is 30,000 tons. According to the information provided by the Target Company, the total gross floor area of the buildings is 10,695.36 sq m which with all total gross floor area have Building Ownership Certificate. The Property was constructed mainly during 1997 to 2004. Please refer to the note for the title status of the Property.	As at the Valuation Date, all portion of the Property was owner-occupied as port facilities.	RMB65,640,000 (RENMINBI SIXTY FIVE MILLION SIX HUNDRED FORTY THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口港務股份有限公司第三分公司, a wholly owned company of the Target Company. (100% interest attributable to the Target Group: RMB65,640,000 (RENMINBI SIXTY FIVE MILLION SIX HUNDRED FORTY THOUSAND)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Buildings 固定資產－商住房屋	Gross Floor Area 6,371.00	8,030,000	Please see Note 3 & 4 below.
Fixed assets-Port facilities 固定資產－港口碼頭設施	Gross Floor Area 4,324.36	57,610,000	Please see Note 2 & 4 below.
Fixed assets sub-total 固定資產小計:	N/A	65,640,000	
Grand Total 總計:	N/A	65,640,000	
	100% interest attributable to the Target Group:	65,640,000	

(2) According to the information provided by the Target Company, there are 1 container berths, namely Berth #22, as follows:

號	項目 Project	泊位長度 (米) Berth Length (m)	前沿水深 (米) Water Depth (m)	靠泊能力 (噸) Berthing Ability (Ton)	建成時間/ 改造時間 Construction time/ renovation time	泊位形式 Berth Form	用途 (貨種)
1	22#泊位 Berth #22	289.00	10.50	30,000	1986	重力式碼頭 Heavy Duty Port	煤炭 Coal

(3) According to the Building Ownership Certificate provided by the Target Company, the buildings, with total gross floor area of 10,695.36 sq m, are held by the Target Company.

(4) According to the PRC legal opinion:

(i) It is common in the port industry that the ownership of berths has not been registered. The Target Company had not processed real estate registration for the berths, and did not complete the establishment of property rights. The Target Company occupies the berths for business activities, there were no substantial obstacles, and there was no situation where relevant government departments or anyone else told them that they must stop using or dismantle the berths;

(ii) The Target Company has obtained Building Ownership Certificate of the buildings and has legal ownership of these properties; These properties are located on land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) ("YKP"), the controlling shareholder of the Target Company; the aforementioned separation of property and land ownership is caused by the following historical reasons: when YKP transferred the properties to the Target Company, YKP separately processed the application of certificates for the building ownership certificates of these properties and the land use rights certificates of the land on which they are located. YKP did not include the land use rights corresponding to the properties into the scope of asset transfer; According to the written confirmation issued by YKK, YKK will not require the Target Company to dismantle the properties. The aforementioned separation of real estate and land ownership does not affect the Target Company's ownership of such real estate; and

(iii) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Building Ownership Certificate	Yes

VALUATION REPORT

Properties held by the Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
5.	Xingang Road, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區新港大路	The Property comprises: fixed assets (warehouses, building, stacking area facilities and port facilities) and construction in progress. The warehouses include chemical conversion operation pool (化工品轉換操作池), reaction pool (反應池), control tower(監控塔) and railway trestle canopy (鐵路棧橋遮雨棚). The building is administrative office building. The stacking area facilities include enclosure, road, retaining wall, vehicle and ship direct loading yard project (車船直取裝車場工程) and stacking areas. The port facilities include 5 berths (Berth #11-15), including berths, bank protection works (護岸工程), chemical tanks (化工品罐) and process pipelines (工藝管線) etc. The berthing capacity is between 3,000 and 80,000 tons. According to the information provided by the company, the total gross floor area of the buildings is 22,938.10 sq m, with total gross floor area of 6,514.25 sq m have Real Estate Title Certificate 不動產權證; total gross floor area of 748.43 sq m has Building Ownership Certificate; total gross floor area of 15,675.42 sq m has no Building Ownership Certificate. The Property was constructed mainly during 1995 to 2017. The construction in progress is fire control system upgrading project.	As at the Valuation Date, all portion of the Property was owner-occupied as port facilities.	RMB1,149,270,000 (RENMINBI ONE BILLION ONE HUNDRED FORTY NINE MILLION TWO HUNDRED SEVENTY THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口港務股份有限公司第四分公司, a wholly owned company of the Target Company. (100% interest attributable to the Target Group: RMB1,149,270,000 (RENMINBI ONE BILLION ONE HUNDRED FORTY NINE MILLION TWO HUNDRED SEVENTY THOUSAND)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	**Area sq m**	**Market value in existing state as at 30 June 2020** *RMB*	**Remarks**
Fixed assets-Warehouses 固定資產－倉庫	Gross Floor Area 1,035.39	4,370,000	Please see Note 3 & 4 below
Fixed assets-Buildings 固定資產－商住房屋	Gross Floor Area 748.43	450,000	Please see Note 3 & 4 below
Fixed assets-Stacking area facilities 固定資產－堆場及場地		21,530,000	
Fixed assets-Port facilities 固定資產－港口及碼頭設施	Gross Floor Area 21,154.28	1,107,090,000	Please see Note 2 & 4 below.
Fixed assets sub-total 固定資產小計:	N/A	1,133,440,000	
Construction in progress 在建工程	N/A	15,830,000	
Grand Total 總計:	N/A	1,149,270,000	
	100% interest attributable to the Target Group:	1,149,270,000	

(2) According to the information provided by the Target Company, there are 4 oil berths and 1 liquid chemical berth, respectively Berth 11 to 15 as follows:

序號 Item	**項目 Project**	**泊位長度 (米) Berth Length (m)**	**前沿水深 (米) Water Depth (m)**	**靠泊能力 (噸) Berthing Ability (Ton)**	**建成時間/ 改造時間 Construction time/ renovation time**	**泊位形式 Berth Form**	**用途 (貨種)**
1	11#泊位 Berth #11	334	16.0	80,000	2005	高樁碼頭 High-pile Port	成品油 Oil
2	12#泊位 Berth #12	218	13.0	30,000	2005	高樁碼頭 High-pile Port	成品油 Oil
3	13#泊位 Berth #13	218	13.0	30,000	2005	板樁碼頭 Sheet pile Port	液體化工 Liquid chemical
4	14#泊位 Berth #14	130	13.0	3,000	2007	重力式碼頭 Heavy Duty Port	成品油 Oil
5	15#泊位 Berth #15	166	13.0	5,000	2007	重力式碼頭 Heavy Duty Port	成品油 Oil

(3) According to the Real Estate Title Certificate 不動產權證, provided by the Target Company, the buildings, with total gross floor area of 6,514.25 sq m, are held by the Target Company. According to the Building Ownership Certificate provided by the Target Company, the buildings, with total gross floor area of 748.43 sq m, are held by the Target Company.

(4) According to the PRC legal opinion:

(i) It is common in the port industry that the ownership of berths has not been registered. The Target Company had not processed real estate registration for the berths, and did not complete the establishment of property rights. The Target Company occupies the berths for business activities, there were no substantial obstacles, and there was no situation where relevant government departments or anyone else told them that they must stop using or dismantle the berths;

(ii) The Target Company has obtained Real Estate Title Certificate 不動產權證 of part of the buildings and has legal ownership of these properties;

(iii) The Target Company has obtained Building Ownership Certificate of part of the buildings and has legal ownership of these properties; These properties are located on land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) ("YKP"), the controlling shareholder of the Target Company; the aforementioned separation of property and land ownership is caused by the following historical reasons: when YKP transferred the properties to the Target Company, YKP separately processed the application of certificates for the building ownership certificates of these properties and the land use rights certificates of the land on which they are located. YKP did not include the land use rights corresponding to the properties into the scope of asset transfer; According to the written confirmation issued by YKK, YKK will not require the Target Company to dismantle the properties. The aforementioned separation of real estate and land ownership does not affect the Target Company's ownership of such real estate;

(iv) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed; and

(v) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	No
Real Estate Title Certificate	Yes (Partly)
Building Ownership Certificate	Yes (Partly)

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
6.	Yinggang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道營港路	The Property comprises fixed assets including warehouse, buildings and port facilities. The port facilities include high pole lights and railway engineering (鐵路工程). The buildings are color steel insulation room (彩鋼保溫房), Color board activity room (彩板活動房) and office premises (辦公用房). The warehouse are steel warehouse (鋼材庫) and worker building carport (候工樓車棚). According to the information provided by the Target Company, the total gross floor area of the buildings is 24,715.84 sq m which have no Building Ownership Certificate. The Property was constructed mainly during 2006 to 2015. Please refer to the note for the title status of the Property.	As at the Valuation Date, the Property was owner-occupied as port facilities.	RMB90,430,000 (RENMINBI NINETY MILLION FOUR HUNDRED THIRTY THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口港務股份有限公司第六分公司, a wholly owned company of the Target Company. (100% interest attributable to the Target Group: RMB90,430,000 (RENMINBI NINETY MILLION FOUR HUNDRED THIRTY THOUSAND)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Warehouse 固定資產－倉庫	Gross Floor Area 24,231.91	33,840,000	Please see Note 2 below.
Fixed assets-Buildings 固定資產－商住房屋	Gross Floor Area 483.93	480,000	Please see Note 2 below
Fixed assets-Port facilities 固定資產－港口碼頭設施		56,110,000	
Fixed assets sub-total 固定資產小計:	N/A	90,430,000	
Grand Total 總計:	N/A	90,430,000	
	100% interest attributable to the Target Group:	90,430,000	

(2) According to the PRC legal opinion:

(i) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed; and

(ii) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(3) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Building Ownership Certificate	N/A

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
7.	Shugang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區海星街道疏港路	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The berthing capacity is between 15,000 and 50,000 tons. The warehouse are provision store (糧倉) tool magazine (工具庫) and weighbridge room (地磅房), The stacking area facilities are stacking areas. The port facilities include 6 berths (berth #36 to #38, #41 to #42, and #47), including berths and supporting facilities. According to the information provided by the Target Company, the total gross floor area of the buildings is 83,281.35 sq m, with a total gross floor area of 67.60 sq m have Building Ownership Certificate; a total gross floor area of 83,213.75 sq m has no Building Ownership Certificate. The Property was constructed mainly during 2006 to 2014. Please refer to the note for the title status of the Property.	As at the Valuation Date, all portion of the Property was owner-occupied as port facilities	RMB1,271,010,000 (RENMINBI ONE BILLION TWO HUNDRED SEVENTY ONE MILLION TEN THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口港務股份有限公司糧食分公司, a wholly owned company of the Target Company. (100% interest attributable to the Target Group: RMB1,271,010,000 (RENMINBI ONE BILLION TWO HUNDRED SEVENTY ONE MILLION TEN THOUSAND)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Warehouse 固定資產－倉庫	Gross Floor Area 80,361.59	516,960,000	Please see Note 3 & 4 below.
Fixed assets-Stacking area facilities 固定資產－堆場及場地	N/A	4,980,000	
Fixed assets-Port facilities 固定資產－港口碼頭設施	Gross Floor Area 2,919.76	749,070,000	Please see Note 2 & 3 & 4 below.
Fixed assets sub-total 固定資產小計:	N/A	1,271,010,000	
Grand Total 總計:	N/A	1,271,010,000	
	100% interest attributable to the Target Group:	1,271,010,000	

(2) According to the information provided by the Target Company, there are 6 container berths, namely Berth #36 to 38, #41 to 42 and #47 berths as follows:

號	項目 Project	泊位長度 (米) Berth Length *(m)*	前沿水深 (米) Water Depth *(m)*	靠泊能力 (噸) Berthing Ability *(Ton)*	建成時間/改造時間 Construction time/renovation time	泊位形式 Berth Form	用途 (貨種)
1	36#泊位 Berth #36	193.00	10.50	15,000	1990	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
2	37#泊位 Berth #37	194.00	10.50	15,000	1991	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
3	38#泊位 Berth #38	194.00	10.50	15,000	1991	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
4	41#泊位 Berth #41	253.00	13.50	30,000	1996	重力式碼頭 Heavy Duty Port	散糧 Bulk Grain
5	42#泊位 Berth #42	–	–	–	1996	重力式碼頭 Heavy Duty Port	工作船 Working Ship
6	47#泊位 Berth #47	262.00	13.70	50,000	1996	重力式碼頭 Heavy Duty Port	散糧 Bulk Grain

(3) According to the Building Ownership Certificate provided by the Target Company, the buildings, with total gross floor area of 67.60 sq m, are owned by the Target Company.

(4) According to the PRC legal opinion:

(i) It is common in the port industry that the ownership of berths has not been registered. The Target Company had not processed real estate registration for the berths, and did not complete the establishment of property rights. The Target Company occupies the berths for business activities, there were no substantial obstacles, and there was no situation where relevant government departments or anyone else told them that they must stop using or dismantle the berths;

(ii) The Target Company has obtained Building Ownership Certificate of part of the buildings and has legal ownership of these properties; These properties are located on land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) ("YKP"), the controlling shareholder of the Target Company; the aforementioned separation of property and land ownership is caused by the following historical reasons: when YKP transferred the properties to the Target Company, YKP separately processed the application of certificates for the building ownership certificates of these properties and the land use rights certificates of the land on which they are located. YKP did not include the land use rights corresponding to the properties into the scope of asset transfer; According to the written confirmation issued by YKK, YKK will not require the Target Company to dismantle the properties. The aforementioned separation of real estate and land ownership does not affect the Target Company's ownership of such real estate;

(iii) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed; and

(iv) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Building Ownership Certificate	Yes (Partly)

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
8.	No. 1 Shugang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國 遼寧省 營口市 鮁魚圈區 海星街道 一號疏港路	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The port facilities include workers building (候工樓), substations (變電所), Office building of commodity Inspection Bureau (商檢局辦公樓) and cable trench (電纜溝) etc. The warehouse are repair shop (機修車間), auto repair factory workshop (汽修廠廠房)and auto repair factory office (汽修廠辦公室) etc. The stacking area facilities are road and stacking area. According to the information provided by the Target Company, the total gross floor area of the buildings is 14,051.55 sq m, with total gross floor area of 1,290.6 sq m have Real Estate Title Certificate 不動產權證; with total gross floor area of 10,372.07 sq m have Building Ownership Certificate; total gross floor area of 2,388.88 sq m has no Building Ownership Certificate. The Property was constructed mainly during 1986 to 2010. Please refer to the note for the title status of the Property.	As at the Valuation Date, the Property was owner-occupied as port facilities.	RMB20,990,000 (RENMINBI TWENTY MILLION NINE HUNDRED NINETY THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口港務股份有限公司機械分公司, a wholly owned company of the Target Company. (100% interest attributable to the Target Group: RMB20,990,000 (RENMINBI TWENTY MILLION NINE HUNDRED NINETY THOUSAND)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Warehouse 固定資產－倉庫	Gross Floor Area 7,456.52	4,000,000	Please see Note 3 below.
Fixed assets-Stacking area facilities 固定資產－堆場及場地	N/A	420,000	.
Fixed assets-Port facilities 固定資產－港口碼頭設施	Gross Floor Area 6,595.03	16,570,000	Please see Note 2 & 3 below.
Fixed assets sub-total 固定資產小計:	N/A	20,990,000	
Grand Total 總計:	N/A	20,990,000	
	100% interest attributable to the Target Group:	20,990,000	

(2) According to the Real Estate Title Certificate 不動產權證, provided by the Target Company, the buildings, with total gross floor area of 1,290.6 sq m, are held by the Target Company. According to the Building Ownership Certificate provided by the Target Company, the buildings, with total gross floor area of 10,372.07 sq m, are held by the Target Company.

(3) According to the PRC legal opinion:

(i) The Target Company has obtained Real Estate Title Certificate 不動產權證 of part of the buildings and has legal ownership of these properties;

(ii) The Target Company has obtained Building Ownership Certificate of part of the buildings and has legal ownership of these properties; These properties are located on land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) ("YKP"), the controlling shareholder of the Target Company; the aforementioned separation of property and land ownership is caused by the following historical reasons: when YKP transferred the properties to the Target Company, YKP separately processed the application of certificates for the building ownership certificates of these properties and the land use rights certificates of the land on which they are located. YKP did not include the land use rights corresponding to the properties into the scope of asset transfer; According to the written confirmation issued by YKK, YKK will not require the Target Company to dismantle the properties. The aforementioned separation of real estate and land ownership does not affect the Target Company's ownership of such real estate;

(iii) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed; and

(iv) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Real Estate Title Certificate	Yes (Partly)
Building Ownership Certificate	Yes (Partly)

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
9.	Xinggang Avenue, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國 遼寧省 營口市 鮁魚圈區 海星街道 興港大道	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The warehouse are substations (變電所) and check warehouse (集碼檢查倉庫) etc, The stacking area facilities are container stacking areas (集裝箱場地). The port facilities include 4 berths (berth #55 to #58), including berths and supporting facilities. The berthing capacity is 70,000 tons. According to the information provided by the Target Company, the total gross floor area of the buildings is 5,371.29 sq m, with total gross floor area of 1,187.00 sq m have Real Estate Title Certificate 不動產權證; total gross floor area of 4,184.29 sq m has no Building Ownership Certificate. The Property were constructed mainly during 2010 to 2015. Please refer to the note for the title status of the Property.	As at the Valuation Date, all portion of the Property was owner-occupied as port facilities	RMB1,407,000,000 (RENMINBI ONE BILLION FOUR HUNDRED SEVEN MILLION) As advised by the Target Company, the ultimate beneficiary of the Property is 營口港務股份有限公司集裝箱碼頭分公司, a wholly owned company of the Target Company. (100% interest attributable to the Target Group: RMB1,407,000,000 (RENMINBI ONE BILLION FOUR HUNDRED SEVEN MILLION)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Warehouse 固定資產－倉庫	Gross Floor Area 5,371.29	9,880,000	Please see Note 3 & 4 below
Fixed assets-Stacking area facilities 固定資產－堆場及場地	N/A	137,090,000	
Fixed assets-Port facilities 固定資產－港口碼頭設施	N/A	1,260,030,000	Please see Note 2 & 4 below.
Fixed assets sub-total 固定資產小計:	N/A	1,407,000,000	
Grand Total 總計:	N/A	1,407,000,000	
	100% interest attributable to the Target Group:	1,407,000,000	

(2) According to the information provided by the Target Company, there are 4 container berths, namely Berth #55 to 58, as follows:

號	項目 Project	泊位長度 (米) Berth Length *(m)*	前沿水深 (米) Water Depth *(m)*	靠泊能力 (噸) Berthing Ability *(Ton)*	建成時間/改造時間 Construction time/renovation time	泊位形式 Berth Form	用途 (貨種)
1	55#泊位 Berth #55	300.00	15.50	70,000	2006	重力式碼頭 Heavy Duty Port	集裝箱 Container
2	56#泊位 Berth #56	300.00	15.50	70,000	2006	重力式碼頭 Heavy Duty Port	集裝箱 Container
3	57#泊位 Berth #57	300.00	15.50	70,000	2007	重力式碼頭 Heavy Duty Port	集裝箱 Container
4	58#泊位 Berth #58	300.00	15.50	70,000	2007	重力式碼頭 Heavy Duty Port	集裝箱 Container

(3) According to the Real Estate Title Certificate 不動產權證 provided by the Target Company, the buildings, with total gross floor area of 1,187.00 sq m, are owned by the Target Company.

(4) According to the PRC legal opinion:

(i) It is common in the port industry that the ownership of berths has not been registered. The Target Company had not processed real estate registration for the berths, and did not complete the establishment of property rights. The Target Company occupies the berths for business activities, there were no substantial obstacles, and there was no situation where relevant government departments or anyone else told them that they must stop using or dismantle the berths;

(ii) The Target Company has obtained Real Estate Title Certificate 不動產權證 of part of the buildings and has legal ownership of these properties;

(iii) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed; and

(iv) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Real Estate Title Certificate	Yes (Partly)
Building Ownership Certificate	No

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
10.	No. 1 Yingang Road, Bayuquan District, Yingkou, Liaoning, the PRC 中國遼寧省營口市鮁魚圈區營港路1號	The Property comprises fixed assets including warehouses, building, stacking area facilities and port facilities. The warehouses include garage, laundry and oxidation ditch (氧化溝). The buildings comprise office, canteen and complex buildings. The stacking area facilities include enclosure and road. The port facilities include boiler pipe network (鍋爐管網), water supply and drainage network (給水排水管網) and sewage treatment system (污水處理系統). According to the information provided by the Target Company, the total gross floor area of the buildings is 29,534.84 sq m, with total gross floor area of 23,484.05 sq m have Building Ownership Certificate; total gross floor area of 6,050.79 sq m has no Building Ownership Certificate. The said buildings were constructed mainly during 1998 to 2013.	As at the Valuation Date, all portion of the Property was owner-occupied as port facilities.	RMB32,900,000 (RENMINBI THIRTY TWO MILLION NINE HUNDRED THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口港務股份有限公司實業分公司, a wholly owned company of the Target Company. (100% interest attributable to the Target Group: RMB32,900,000 (RENMINBI THIRTY TWO MILLION NINE HUNDRED THOUSAND)) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Warehouses 固定資產－倉庫	Gross Floor Area 1,034.08	1,300,000	Please see Note 3 below
Fixed assets-Buildings 固定資產－商住房屋	Gross Floor Area 24,762.22	27,710,000	Please see Note 2 & 3 below
Fixed assets-Stacking area facilities 固定資產－堆場及場地		150,000	
Fixed assets-Port facilities 固定資產－港口及碼頭設施	Gross Floor Area 3,738.54	3,740,000	Please see Note 2 & 3 below.
Fixed assets sub-total 固定資產小計:	N/A	32,900,000	
Grand Total 總計:	N/A	32,900,000	
	100% interest attributable to the Target Group:	32,900,000	

(2) According to the Building Ownership Certificate provided by the Target Company, the buildings, with total gross floor area of 23,484.05 sq m, are owned by the Target Company.

(3) According to the PRC legal opinion:

(i) The Target Company has obtained Building Ownership Certificate of part of the buildings and has legal ownership of these properties; These properties are located on land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) ("YKP"), the controlling shareholder of the Target Company; the aforementioned separation of property and land ownership is caused by the following historical reasons: when YKP transferred the properties to the Target Company, YKP separately processed the application of certificates for the building ownership certificates of these properties and the land use rights certificates of the land on which they are located. YKP did not include the land use rights corresponding to the properties into the scope of asset transfer; According to the written confirmation issued by YKK, YKK will not require the Target Company to dismantle the properties. The aforementioned separation of real estate and land ownership does not affect the Target Company's ownership of such real estate;

(ii) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed; and

(iii) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Building Ownership Certificate	Yes (Partly)

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
11.	Jingang Road, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國 遼寧省 營口市 鮁魚圈區 海星街道 金港路	The Property comprises fixed assets including warehouse, stacking area facilities and port facilities. The warehouse are part warehouse (維修庫) and garage, The stacking area facilities are stacking areas. The structures are office building, business building and waiting building. According to the information provided by the Target Company, the total gross floor area of the buildings is 14,293.28 sq m, with total gross floor area of 7,605.91 sq m have Building Ownership Certificate; total gross floor area of 6,687.37 sq m has no Building Ownership Certificate. The Property was constructed mainly during 1991 to 2018. Please refer to the note for the title status of the Property.	As at the Valuation Date, all portion of the Property was owner-occupied as port facilities	RMB14,260,000 (RENMINBI FOURTEEN MILLION TWO HUNDRED SIXTY THOUSAND) As advised by the Target Company, the ultimate beneficiary of the Property is 營口港務股份有限公司汽車運輸分公司, a wholly owned company of the Target Company. (100% interest attributable to the Target Group: RMB14,260,000 (RENMINBI FOURTEEN MILLION TWO HUNDRED SIXTY THOUSAND)) (Please see Note 1 below.)

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Warehouse 固定資產－倉庫	Gross Floor Area 6,681.92	6,100,000	Please see Note 2 & 3 below.
Fixed assets-Stacking area facilities 固定資產－堆場及場地	N/A	350,000	
Fixed assets-Port facilities 固定資產－港口碼頭設施	Gross Floor Area 7,611.36	7,810,000	Please see Note 2 & 3 below
Fixed assets sub-total 固定資產小計:	N/A	14,260,000	
Grand Total 總計:	N/A	14,260,000	
	100% interest attributable to the Target Group:	14,260,000	

(2) According to the Building Ownership Certificate provided by the Target Company, the buildings, with total gross floor area of 7,605.91 sq m, are owned by the Target Company.

(3) According to the PRC legal opinion:

(i) The Target Company has obtained Building Ownership Certificate of part of the buildings and has legal ownership of these properties; These properties are located on land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) (“YKP”), the controlling shareholder of the Target Company; the aforementioned separation of property and land ownership is caused by the following historical reasons: when YKP transferred the properties to the Target Company, YKP separately processed the application of certificates for the building ownership certificates of these properties and the land use rights certificates of the land on which they are located. YKP did not include the land use rights corresponding to the properties into the scope of asset transfer; According to the written confirmation issued by YKK, YKK will not require the Target Company to dismantle the properties. The aforementioned separation of real estate and land ownership does not affect the Target Company’s ownership of such real estate;

(ii) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the “Property Law” and the establishment of the property rights has not been completed; and

(iii) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	N/A
Building Ownership Certificate	Yes (Partly)

VALUATION REPORT

Properties held by the Target Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020
12.	Xinggang Avenue, Haixing subdistrict, Bayuquan District, Yingkou, Liaoning, the PRC 中國 遼寧省 營口市 鮁魚圈區 海星街道 興港大道	The Property comprises: fixed assets (warehouse, buildings, stacking area facilities and port facilities), construction in progress and land use rights. The port facilities include 9 berths (Berth #20, #46, #51 to #54, berth #59, #60 and Working ship terminal), including berths and supporting facilities. The berthing capacity is between 10,000 and 70,000 tons. The warehouse are 4# general warehouse (4#通用庫), repair and parts warehouse (維修及配件倉庫) and Bicycle shed (自行車棚) etc. The building is an office building. The stacking area facilities are road, fence (圍牆) and stacking areas behind the berth (泊位後方堆場) etc. According to the information provided by the Target Company, the total gross floor area of the buildings is 31,589.96 sq m, with total gross floor area of 1,521.33 sq m have Real Estate Title Certificate 不動產權證, total gross floor area of 11,943.93 sq m have Building Ownership Certificate; total gross floor area of 18,124.70 sq m has no Building Ownership Certificate. The Property was constructed mainly during 2004 to 2012. Please refer to the note for the title status of the Property.	As at the Valuation Date, the Property was owner-occupied as port facilities.	RMB3,480,140,000 (RENMINBI THREE BILLION FOUR HUNDRED EIGHTY MILLION ONE HUNDRED FORTY THOUSAND) (100% interest attributable to the Target Group: RMB3,480,140,000 (RENMINBI THREE BILLION FOUR HUNDRED EIGHTY MILLION ONE HUNDRED FORTY THOUSAND) (Please see Note 1 below.)

Notes:

(1) The Market Value in existing state of the Property is as below:

Property	Area sq m	Market value in existing state as at 30 June 2020 *RMB*	Remarks
Fixed assets-Warehouse 固定資產－倉庫	Gross Floor Area 4,986.28	8,290,000	Please see Note 4 & 5 below.
Fixed assets-Buildings 固定資產－房屋	Gross Floor Area 3,395.37	2,720,000	Please see Note 4 & 5 below.
Fixed assets-Stacking area facilities 固定資產－堆場及場地	N/A	321,830,000	–
Fixed assets-Port facilities 固定資產－港口碼頭設施	Gross Floor Area 23,208.31	1,780,510,000	Please see Note 2, 4 & 5 below.
Fixed assets sub-total 固定資產小計:	N/A	2,113,350,000	
Land use rights 土地使用權	Site Area 2,678,173.44	1,366,040,000	Please see Note 3 below.
Construction in progress 在建工程	N/A	750,000	Please see Note 5 below
Grand Total 總計:	N/A	3,480,140,000	
	100% interest attributable to the Target Group:	3,480,140,000	

(2) According to the information provided by the Target Company, there are 9 berths, namely Berth #46, #20, #51 to #54, #59, #60 and Working Ship Terminal, as follows:

號	項目 Project	泊位長度 (米) Berth Length *(m)*	前沿水深 (米) Water Depth *(m)*	靠泊能力 (噸) Berthing Ability *(Ton)*	建成時間/改造時間 Construction time/renovation time	泊位形式 Berth Form	用途 (貨種)
1	46#泊位 Berth #46	220.00	9	10,000	1996	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
2	20#泊位 Berth #20	172.00	12	–	1995	高樁式碼頭 High Pile Port	工作船 Working Ship
3	51#泊位 Berth #51	280.00	14	50,000	2003	重力式碼頭 Heavy Duty Port	多用途 Multipurpose
4	52#泊位 Berth #52	305.00	14.00	50,000	2005	重力式碼頭 Heavy Duty Port	集裝箱 Container
5	53#泊位 Berth #53	242.00	14.00	50,000	2006	重力式碼頭 Heavy Duty Port	集裝箱 Container
6	54#泊位 Berth #54	300.00	15.50	70,000	2006	重力式碼頭 Heavy Duty Port	集裝箱 Container
7	59#泊位 Berth #59	260.00	15.50	70,000	2007	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
8	60#泊位 Berth #60	260.00	15.50	70,000	2007	重力式碼頭 Heavy Duty Port	雜貨 General Cargo
9	工作船碼頭 Working ship terminal	–	–	–	2011	重力式碼頭 Heavy Duty Port	工作船 Working Ship

(3) According to the following State-owned Land Use Certificate, the land use right of the Property has been granted to Yingkou Port Liability Co., Ltd (營口港務股份有限公司) as follows:

證書編號 Certificate No.	土地面積 (平方米) Site Area *(sq m)*	用途 Use	終止日期 Expiry Date
遼(2017)營口鮁魚圈不動產權第 0036717	962,212.00	港口碼頭用地 Port Terminal	2052/7/25
遼(2017)營口鮁魚圈不動產權第 0036494號	245,807.41	港口碼頭用地 Port Terminal	2053/6/25
遼(2017)營口鮁魚圈不動產權第 0036714號	245,837.30	港口碼頭用地 Port Terminal	2056/9/24
遼(2017)營口鮁魚圈不動產權第 0036711號	255,640.43	港口碼頭用地 Port Terminal	2056/9/24
遼(2017)營口鮁魚圈不動產權第 0036715號	648,987.29	港口碼頭用地 Port Terminal	2056/10/15
遼(2017)營口鮁魚圈不動產權第 0036716號	214,301.00	港口碼頭用地 Port Terminal	2052/7/25
營口國用(2016)第5028號	85,833.01	倉儲用地 warehouse land	2066/4/26
遼(2017)營口鮁魚圈不動產權第 0036642號	19,555.00	工業用地 Industrial	2052/6/17
Grant Total 總計:	2,678,173.44		

(4) According to the Real Estate Title Certificate 不動產權證, provided by the Target Company, the buildings, with total gross floor area of 1,521.33 sq m, are held by the Target Company. According to the Building Ownership Certificate provided by the Target Company, the buildings, with total gross floor area of 11,943.93 sq m, are held by the Target Company.

(5) According to the PRC legal opinion:

(i) The Target Company is the holder of the legal rights to use the 8 state-owned land. Within the land use period specified in the corresponding Certificate for the Use of State-owned Land, The Target Company is legally entitled to possess, use, lease, and mortgage such state-owned land; and to transfer such state-owned land use rights according to law;

(ii) It is common in the port industry that the ownership of berths has not been registered. The Target Company had not processed real estate registration for the berths, and did not complete the establishment of property rights. The Target Company occupies the berths for business activities, there were no substantial obstacles, and there was no situation where relevant government departments or anyone else told them that they must stop using or dismantle the berths;

(iii) The Target Company has obtained Real Estate Title Certificate 不動產權證 of part of the buildings and has legal ownership of these properties;

(iv) The Target Company has obtained Building Ownership Certificate of part of the buildings and has legal ownership of these properties; These properties are located on land owned by Ying Kou Port Group Corporation Limited (營口港務集團有限公司) ("YKP"), the controlling shareholder of the Target Company; the aforementioned separation of property and land ownership is caused by the following historical reasons: when YKP transferred the properties to the Target Company, YKP separately processed the application of certificates for the building ownership certificates of these properties and the land use rights certificates of the land on which they are located. YKP did not include the land use rights corresponding to the properties into the scope of asset transfer; According to the written confirmation issued by YKK, YKK will not require the Target Company to dismantle the properties. The aforementioned separation of real estate and land ownership does not affect the Target Company's ownership of such real estate;

(v) The Target Company has not obtained the Building Ownership Certificate of part of the buildings. The Target Company and its holding subsidiaries are engaged in business activities using the above-mentioned self-owned properties that has not obtained the building ownership certificate, and there are no substantial obstacles. It has not been found that the relevant government department or any other person has told the Target Company to stop using or demolish the above-mentioned relevant properties; the Target Company has not yet completed the registration of real estate in accordance with the "Property Law" and the establishment of the property rights has not been completed; and

(vi) The properties are not mortgaged, frozen, or set with other third-party rights and interests.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the PRC legal:

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate	Yes (Partly)
Building Ownership Certificate	Yes (Partly)

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The registered, issued and fully paid share capital of the Company as at the Latest Practicable Date was as follows:

Registered, issued and fully paid		
H Shares		
5,158,715,999	H Shares of RMB1.00 each	RMB5,158,715,999
A Shares		
7,735,820,000	A Shares of RMB1.00 each	RMB7,735,820,000
Total		RMB12,894,535,999

H Shares H Shares of RMB1.00 each RMB5,158,715,999 A Shares of RMB1.00 each RMB7,735,820,000 Total RMB12,894,535,999.

All the existing issued Shares are fully paid up or credited as fully paid and rank pari passu in all respects with each other, including all rights in respect of capital, dividends and voting, except that payment of dividend will be made in RMB to the holders of the A Shares and in Hong Kong dollars to the holders of the H Shares.

The issued H Shares are listed and traded on the Main Board of the Stock Exchange. The issued A Shares are listed and traded on the Shanghai Stock Exchange.

No Shares have been issued within the two years preceding the Latest Practicable Date. As at the Latest Practicable Date, other than the Shares, the Company has no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

(i) none of the Directors, supervisors or senior management of the Company and any of their respective associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or deemed to have under such provisions of the SFO); (ii) which were recorded in the register required to be kept by the Company under section 352 of the SFO; (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules or (iv) required to be disclosed under the Takeovers Code; and

(ii) none of the Directors was interested in or owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

4. SUBSTANTIAL SHAREHOLDERS

As far as it is known by or otherwise notified by any Director or the chief executive of the Company, as at the Latest Practicable Date, no other persons or companies which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or were entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of the Company (i.e. within the meaning of substantial shareholders of the Listing Rules), except the following:

Name	Class of Shares	Number of Shares/ underlying Shares held (Shares)	Capacity	Approximate percentage of relevant class of share capital[(1)]	Approximate percentage of total share capital *(%)*[(2)]
Dalian Group	A Shares	5,310,255,162 (long position)	Beneficial owner	68.65%	41.18%
China Merchants Securities (HK) Co., Ltd.	H Shares	2,720,755,000 (long position)	Interest of controlled corporations	52.74%	21.10%

Name	Class of Shares	Number of Shares/ underlying Shares held (Shares)	Capacity	Approximate percentage of relevant class of share capital[(1)]	Approximate percentage of total share capital (%)[(2)]
China Securities Depository and Clearing Company Limited	H Shares	882,450,200 (long position)	Beneficial owner	17.11%	6.84%
Dalian Group	H Shares	722,166,000 (long position)	Beneficial owner	14.00%	5.60%
BOCI Securities Limited	H Shares	147,437,200 (long position)	Beneficial owner	2.86%	1.14%

1. Number of shares in the relevant class of share capital: A shares-7,735,820,000, H shares 5,158,715,999

2. Total number of share capital: 12,894,535,999

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Enlarged Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates have interest in any business apart from the business of the Group, which was considered to compete or is likely to compete, either directly or indirectly with that of the Enlarged Group.

8. DIRECTOR'S OR SUPERVISOR'S INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS

As at the Latest Practicable Date, to the best knowledge and information of the Directors, none of the Directors, supervisors of the Company had any interest direct or indirect, in any assets which has been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up pursuant to the Listing Rules), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, to the best knowledge and information of the Directors, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

9. MATERIAL CONTRACTS

No contract (being contracts entered into outside the ordinary course of business carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

10. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the experts who have provided their advice for inclusion in this circular:

Name	Qualification
First Shanghai Capital Limited	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities
Ernst & Young Hua Ming LLP	Certified public accountants
Cushman & Wakefield Limited	Independent property valuer

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the place of business of the Company in the PRC at Xingang Commercial Building, Jingang Road, Dalian International Logistics Park Zone, Liaoning Province from the date of this circular up to and including the date of the EGM:

(a) this circular;

(b) the Articles of Association of the Company;

(c) the letter of advice from the Independent Financial Adviser to the Independent Shareholders in relation to the Possible Merger, A Share Specific Mandate and related transactions;

(d) the annual reports of the Company for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively and the interim report of the Company for the six months ended 30 June 2020;

(e) the financial reports of the Target Company for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 and six months ended 30 June 2020;

(f) the report on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(g) the property valuation report set out in Appendix VI to this circular;

(h) the written consent letters referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix; and

(i) the material contracts to in the paragraph headed "Material Contracts" in this Appendix; and

(j) the Merger Agreement (including the supplemental agreement).

As at the Latest Practicable Date, each of the above experts (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Group were made up pursuant to the Listing Rules), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

12. MISCELLANEOUS

The joint company secretaries of the Company are Ms. Wang Huiying and Mr. Lee Kin Yu, Arthur. Mr. Lee Kin Yu, Arthur is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.

Stock code: 601880 Stock abbreviation: Dalian Port Ann. No.: Lin 2020-041

The Company Announcement on Reply of Shanghai Stock Exchange to Letter of Inquiry on Information Disclosure Regarding the Proposal on the Possible Merger between the Company and the Target Company and Connected Transaction and A Share Specific Mandate

The board of directors and the directors of the Company, confirm that there are no false representations or misleading statements contained in or material omissions from this announcement, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

On 21 July 2020, the Company received the Letter of Inquiry on Information Disclosure Regarding the Proposal on the Possible Merger between the Company and the Target Company and Connected Transaction and A Share Specific Mandate (SSE Official Letter [2020] No. 0872) (the "**Letter of Inquiry**"). The Company and relevant intermediary agencies seriously discussed, verified and implemented the relevant issues in the Letter of Inquiry, and have responded accordingly.

Unless otherwise specified, the terms or abbreviations involved in this reply announcement shall have the same meaning as those disclosed in the Proposal on the Possible Merger between the Company and the Target Company and Connected Transaction and A Share Specific Mandate (Revision) (the "**Proposal**")[#].

* *For identification purposes only*

\# *For avoidance of doubt, the capitalized terms in this English version shall have the same meaning as those disclosed in the circular.*

Question 1. Based on the operating status of the Company and Yingkou Port, please compare and analyze the situation before and after the Possible Merger, and further explain the necessity of the Possible Merger, the impact of the Possible Merger on the production and operation, brand continuation, resource acquisition and market competitiveness of the companies concerned and the Company's integration and coordination measures in future. The financial advisor please express opinions.

Reply:

I. BASED ON THE OPERATING STATUS OF THE COMPANY AND THE TARGET COMPANY, PLEASE COMPARE AND ANALYZE THE SITUATION BEFORE AND AFTER THE POSSIBLE MERGER, AND FURTHER EXPLAIN THE NECESSITY OF THE POSSIBLE MERGER

1. Comparison before and after the Possible Merger

(1) Production and operation indicators

Both the Company and the Target Company are port enterprises in Liaoning Province, and the principal businesses of the Enlarged Group remain unchanged before and after the Possible Merger. Based on the operating conditions of the Company and the Target Company in 2019, the comparison of the throughput of each business segment before and after the Possible Merger is as follows:

Item	The Company	The Target Company	The Enlarged Group after the Possible Merger	Increase
Container ('0,000 TEUs)	1,022	548	1,569	53.62%
Oil ('0,000 tonnes)	5,748	629	6,378	10.94%
Bulk grain ('0,000 tonnes)	452	977	1,429	216.15%
Steel ('0,000 tonnes)	624	2,245	2,868	359.78%
Ore ('0,000 tonnes)	3,261	4,173	7,434	127.97%
Coal ('0,000 tonnes)	1,054	501	1,555	47.53%
Others ('0,000 tonnes)	1,785	2,135	3,920	119.61%
Vehicles (units)	837,758	–	837,758	0.00%

Note: The business information of the Enlarged Group after the Possible Merger is calculated by adding up the corresponding information of both parties to the Possible Merger.

The Company and the Target Company are the two most important ports in Liaoning. After the Possible Merger, the Enlarged Group will include the source of the former Company and the Target Company, and the throughput indicators of many businesses have been significantly improved. Based on the sum of the business index data of both parties to the Possible Merger, the Enlarged Group's steel, bulk grain, ore and other cargo throughput increased by 359.78%, 216.15% and 127.97%, respectively, as compared to the former Company. There are also significant increases in containers, coal, etc. The Possible Merger will greatly improve the business scale of the Enlarged Group. Meanwhile, the Possible Merger will further exert synergies, optimize the business structure, and improve the Enlarged Group ability to resist risks and continue as a going concern.

(2) Financial indicators

Upon completion of the Possible Merger, the Enlarged Group's total assets, owner's equity, operating income and net profit will be further expanded, the industry position and the financial condition will be improved, and the profitability will be enhanced.

Before and after the Possible Merger, changes in the major financial indicators of the Company and the Target Company are as follows:

Unit: RMB'0,000

	In 2019/31 December 2019			**First quarter in 2020/31 March 2020**		
Item	**The Company**	**The Target Company**	**After the Possible Merger**	**The Company**	**The Target Company**	**After the Possible Merger**
Current assets	689,098.56	353,999.60	1,043,098.15	707,889.16	353,170.82	1,061,059.99
Non-current assets	2,820,728.90	1,168,032.11	3,988,761.01	2,805,849.85	1,153,422.94	3,959,272.80
Total assets	3,509,827.45	1,522,031.71	5,031,859.17	3,513,739.02	1,506,593.76	5,020,332.78
Owner's equity attributable to shareholders of the parent company	1,876,978.97	1,234,526.91	3,111,505.89	1,895,897.00	1,264,435.37	3,160,332.37
Profit or loss of minority shareholders	263,462.59	55,530.15	318,992.74	268,921.12	56,682.39	325,603.52
Total owners' equity	2,140,441.56	1,290,057.06	3,430,498.62	2,164,818.12	1,321,117.77	3,485,935.89
Total operating income	664,590.73	476,832.70	1,141,423.42	150,274.40	114,934.13	265,208.53
Operating profit	113,649.00	135,261.74	248,910.74	25,969.12	39,048.69	65,017.81
Total profits	116,217.32	135,239.29	251,456.61	26,152.27	39,112.58	65,264.85
Net profit	89,493.19	104,828.80	194,322.00	20,262.43	30,339.60	50,602.03
Net profit attributable to shareholders of the parent company	71,823.05	101,163.23	172,986.28	18,169.44	29,187.36	47,356.79

Note 1: The data for the first quarter of 2020 and 31 March 2020 is unaudited.

Note 2: The financial information of the Enlarged Group after the Possible Merger is calculated based on the sum of the corresponding information of both parties to the Possible Merger, which is subject to the subsequent disclosure of the reviewed pro forma consolidated financial statements.

Upon completion of the transaction, the total assets of the Enlarged Group as at 31 December 2019 and 31 March 2020 increased by 43.36% and 42.88%, respectively, as compared to the former Company, and increased by 230.60% and 233.22% respectively as compared to the former Target Company. The total owners' equity of the Enlarged Group has increased by 60.27% and 61.03%, respectively, as compared to the former Company, and increased by 165.92% and 163.86%, respectively, as compared to the former Target Company. Upon completion of the Possible Merger, the total assets and total owners' equity of the Enlarged Group will be among the top five in the industry, and its influence and industry position will be improved.

In 2019 and the first quarter of 2020, the operating income of the Enlarged Group increased by 71.75% and 76.48%, respectively, as compared to the former Company, and increased by 139.38% and 130.75%, respectively, as compared to the former Target Company; the net profit of the surviving listed company increased by 117.14% and 149.73%, respectively, as compared to the former Company, and increased by 85.37% and 66.79%, respectively, as compared to the former Target Company. The assets, income and profitability of both parties in the Possible Merger have increased significantly.

Before and after the Possible Merger, the major financial indicators of the listed company changed as follows:

	In 2019/31 December 2019			First quarter in 2020/31 March 2020		
Item	**The Company**	**The Target Company**	**After the Possible Merger**	**The Company**	**The Target Company**	**After the Possible Merger**
Gross profit margin from sales	29.96%	34.79%	31.98%	30.23%	37.14%	33.23%
Operating profit margin	17.10%	28.37%	21.81%	17.28%	33.97%	24.52%
Net sales margin	13.47%	21.98%	17.02%	13.48%	26.40%	19.08%
Weighted average return on net assets	3.86%	8.42%	5.62%	0.96%	2.34%	1.49%
Weighted average return on net assets after deducting non-recurring gains or losses	3.50%	8.31%	5.36%	0.88%	2.26%	1.43%
Current ratio (times)	2.90	2.82	2.87	3.06	4.45	3.41
Quick ratio (times)	2.85	2.79	2.83	3.01	4.41	3.37
Gearing ratio	39.02%	15.24%	31.82%	38.39%	12.31%	30.56%

Note 1: The data for the first quarter of 2020 and 31 March 2020 is unaudited.

Note 2: The financial information of the Enlarged Group after the Possible Merger is calculated based on the sum of the corresponding information of both parties to the Possible Merger, which is subject to the subsequent disclosure of the reviewed pro forma consolidated financial statements.

Note 3: The weighted average return on net assets and the weighted average return on net assets after deducting non-recurring gains or losses are not annualised.

Before the transaction, the major profit indicators and debt repayment indicators of the Company and Yingkou Port were good. Upon completion of the Possible Merger, the major financial indicators of the Enlarged Group are within a relatively reasonable range, the overall capital structure is relatively healthy, and the liquidity is relatively strong.

Since the audit and valuation related to the Possible Merger has not been finalized, it is not yet possible to accurately and quantitatively analyze the financial condition and profitability of the Enlarged Group upon completion of the Possible Merger. The specific financial information shall be subject to the audit and valuation results. Both parties to the Possible Merger will complete the audit and valuation as soon as possible, convene a board meeting again to review related matters, and analyze in detail the specific impact of the Possible Merger on the financial condition and profitability of the Enlarged Group in the report on the Possible Merger.

2. The necessity of the Possible Merger

(1) The Possible Merger is an important measure for port integration in Liaoning Province

The Possible Merger is another important initiative to further promote the port integration project in Liaoning Province after China Merchants Group obtained control of the Company and the Target Company. In June 2017, in response to the call of the Party Central Committee and the State Council for "Supply-Side Structural Reform", China Merchants Group and the People's Government of Liaoning Province signed the Port Cooperation Framework Agreement, in relation to joint establishment of a unified operation platform for ports in Liaoning and for the purpose of integrating Liaoning coastal port operators in a market-oriented way, integrating the port operators in Liaoning Province, and achieving the sustainable and healthy development of the port industry in Liaoning Province. In September 2019, China Merchants Group, through its indirect subsidiary, China Merchants (Liaoning), obtained control of Liaoning Port Group and indirectly controlled the Company and the Target Company. The integration of ports in Liaoning made breakthrough progress. The Possible Merger aims to integrate the advantageous resources of both parties and solve many problems such as vicious competition and horizontal competition, deepen the achievements of ports integration in the early stage of Liaoning Province, and promote in-depth integration of ports in Liaoning Province.

(2) Implementing deep integration and release synergy

In the past few decades, the port industry in Liaoning has grown in a relatively extensive manner. Over 2,000 kilometers of coastline in Liaoning Province, there are densely distributed more than 40 ports of various sizes and nearly 400 productive berths. The Dalian port and the Yingkou port are the two major ports in Liaoning Province.

According to statistics from the Ministry of Transport, in 2019, the total cargo throughput of the Dalian port and Yingkou port was 604.59 million tons, accounting for 70.20% of the total cargo throughput of ports in Liaoning Province.

For a long time, the unreasonable development and utilization of port shoreline resources in the ports of Liaoning, disorderly competition in port development, repeated construction, homogenization of business, and low prices have restricted the healthy and sustainable development of businesses of the parties to the Possible Merger. Through the Possible Merger, the Company and the Target Company will achieve deep integration. Through further overall management and control of assets, personnel, brands, customers and other elements, synergistic effects will be further released, which can help promote the resolution of overcapacity, repeated construction, and vicious competition. We will strengthen the ability to serve customers in a unified manner and cost control, enhance the profitability of the Enlarged Group, and enhance its competitiveness in all aspects.

(3) Fulfilling capital market commitments and resolving the problem of horizontal competition between the parties to the Possible Merger

The geographical locations of the Dalian port and Yingkou port are close, their principal businesses are highly overlapped, with consistent locations and highly overlapped economic hinterland, and there is a problem of horizontal competition. In terms of business operations, both parties operate same cargo types such as containers, oil, coal, grain, steel, etc. In terms of geographic location, both parties are located on the Liaodong Peninsula along the Bohai Sea, and the straight-line distance of the core port area is less than 200 kilometers. In terms of the economic hinterland, the economic hinterland of both parties mainly radiates to the northeast region along the Harbin-Dalian railway line. The market business mainly comes from the three northeastern provinces (Liaonin Province, Jilin Province and Heilongjiang Province) and the four cities in East area of Inner Mongolia (Xing'an League, Hulunbeier City, Chifeng City and Tongliao City).

In August 2019, China Merchants Group, through its indirect subsidiary China Merchants (Liaoning), obtained control of Liaoning Port Group and indirectly controlled the Company and the Target Company. However, the Company and the Target Company developed independently in history, leading to overlaps in business scope and customer bases, forming a homogeneous competition pattern with each other. Peer competitiveness has resulted in difficulty in coordinating contradictions and conflicts between the Company and the Target Company in their strategic positioning and business operations, hindering the Company and the Target Company from independently implementing major capital operations and affecting their long-term development. China Merchants Group and China Merchants (Liaoning) also made a commitment to the issue of horizontal competition within the scope of Liaoning Port Group, "under the principles of benefiting the development of the Company and the Target Company and safeguarding the interests of all shareholders, in particular the minority shareholders of the Company and the Target

Company, and to the extent permitted by the applicable laws, regulations, regulatory documents and related supervisory rules and on the assumption that the relevant business profitability meets the basic income requirement for a listed company, it will use its best endeavours to facilitate resolving such competition in a steady manner through measures, including but not limited to, assets restructuring, business adjustment and entrusted management, before the end of 2022 in accordance with the relevant regulations and the requirements of relevant securities supervision and management departments."

The Possible Merger promotes the merger between the Company and the Target Company. It is an important initiative taken by China Merchants Group and China Merchants (Liaoning) to fulfill the aforementioned capital market commitments, and also the best way to solve the problem of horizontal competition between the Company and the Target Company.

II. THE IMPACT OF THE POSSIBLE MERGER ON THE PRODUCTION AND OPERATION, BRAND CONTINUATION, RESOURCE ACQUISITION AND MARKET COMPETITIVENESS OF THE COMPANIES CONCERNED

Upon completion of the Possible Merger, the Target Company will terminate its listing and deregister, and the Company will take over and assume all the assets, liabilities, businesses, personnel, contracts and all other rights and obligations of the Target Company. The following sets out the main impacts of the Possible Merger on the companies concerned:

1. Improving external core competitiveness

Upon completion of the Possible Merger, the Enlarged Group will shift its business focus to improving quality of service, giving play to the function of port gathering, strengthening the connection with regional industries, etc., to further enhance its external competitiveness.

In terms of cargo throughput, the Possible Merger will significantly increase the cargo throughput capacity of the Enlarged Group. In 2019, the Company and the Target Company achieved total cargo throughput of 266 million tons and 198 million tons, respectively. Upon completion of the Possible Merger, the Enlarged Group will include the Company and the Target Company with a total cargo throughput of 464 million tons.

In terms of modern logistics system, the logistics system construction of the Company in Bohai Rim crude oil transfer, iron ore international distribution, cold chain logistics, and Bohai Rim internal branch lines has become increasingly complete after many years of intensive cultivation. Upon completion of the Possible Merger, the advantages of the Target Company's collection and distribution conditions will be integrated, supplemented with the road and railway network such as Shenyang-Dalian Expressway, Harbin-Dalian Highway, Changchun-Dalian Railway, and more than 40 sea-rail intermodal container trains, and the connection of the Eurasian Land Bridge via Manzhouli and the international container train to Mongolia via Erlianhot, forming a multi-level modern logistics system.

In terms of functional advantages, both the Company and the Target Company have a large number of high-quality berths and terminal assets. After the Possible Merger, professional terminals such as containers, automobiles, coal, bulk grains, ore, refined oil and liquid chemicals, as well as bulk cargo berths, multi-purpose berths and general berths will be coordinated. The production scale and cargo throughput capacity will be improved greatly.

In terms of service advantages, in recent years, both parties of the Possible Merger have been committed to continuously improving handling techniques, improving handling equipment, improving logistics service capabilities, and improving handling efficiency. Upon completion of the transaction, by absorbing and learning from each other's production experience and management experience, the service quality and service efficiency will be effectively improved, and the ability of customer acquisition will be enhanced.

2. Promoting the release of business synergy

Both the Company and the Target Company are port enterprises in Liaoning Province. The principal businesses of both parties are terminal and other port facility services, cargo handling, warehousing services, ship port services, port facility equipment and port machinery leasing and maintenance services. The Possible Merger is one of the important steps for port integration in Liaoning Province. It will help the two parties to integrate core resources, solve problems such as disorderly competition and low-cost competition, and fully release business synergy. The details of each segment are as follows:

(1) Container business segment

Both the Company and the Target Company operate container business. In 2019, the Company recorded 10.22 million TEUs of container transportation, and the Target Company recorded 5.48 million TEUs. Due to a series of factors such as the hinterland economy, geographic location, and cargo sourcing capabilities, currently, an industry pattern has been formed in which the Company is dominated by foreign trade containers and the Target Company is dominated by domestic trade containers. Upon completion of the Possible Merger, the positioning and obligations of the parties will be further clarified, and the supply structure of the container business will be adjusted to promote the realization of misaligned and coordinated development between the two parties. The Enlarged Group will further enhance its container sourcing capabilities, which will help improve the route network layout and create a shipping channel layout of "integration of main and branch stream".

(2) Bulk cargo business segment

Both the Company and the Target Company operate bulk cargo business, and the major cargo types include coal, ore, steel and bulk grains. In 2019, the Company recorded a total of 67.24 million tons of bulk cargo transportation, of which ore and coal occupy the majority; the Target Company recorded a total of 106.61 million tons of bulk cargo throughput, of which ore and steel occupy the majority. Due to the low value of bulk cargo, cargo owners and traders are more sensitive to port operating rates. Therefore, the Company and Yingkou Port have been competing for source of goods by reducing port operating rates in the past years. Upon completion of the Possible Merger, the bulk cargo berths and professional berth assets such as ore, bulk grain and coal in the Company and the Target Company will be coordinated and managed, and combined with the basic flow of bulk commodities, the duties and positioning of the Company and the Target Company will be under unified planning and adjustment. In addition, in recent years, the state has vigorously promoted the initiative of "shifting from highway to railway and from highway to waterway" in bulk cargo transportation. The Enlarged Company will also firmly grasp the policy opportunity to integrate and merge the advantages in collection, distribution and transportation via railway of the two parties to further enhance the competitiveness of the bulk cargo business.

(3) Oil business segment

Both the Company and the Target Company operate oil business. In 2019, the Company and the Target Company transported 57.48 million tons and 6.29 million tons of oil products, respectively. Currently, the oil berth utilization rate of both parties is relatively high, and the production capacity is close to saturation. In the future, the oil berth assets of parties to the Possible Merger will be managed in a coordinated manner, and production capacity will be planned scientifically and rationally, so as to maximize operating efficiency.

3. Improving service quality to build a refined service brand

Upon completion of the Possible Merger, the parties to the Possible Merger will complement advantages each other, give full play to the Company's free trade zone policy advantages, port and shipping financial advantages and logistics system advantages, effectively combine the advantages of the Target Company collection, distribution and transportation conditions and functional advantages, and enhance the service brand, to achieve overall transformation and upgrading.

III. INTEGRATION AND COORDINATION MEASURES IN THE FUTURE

1. Production and operation integration

(1) Implementing reasonable allocation of resources to optimize and adjust the structure of supply

Upon completion of the Possible Merger, the Enlarged Group will adjust and optimize the supply structure of containers, bulk cargo, oil products and other types of goods based on the geographical location, natural endowment and functional positioning of the port to achieve the goal of "building worldwide top port and Northeast Asia international shipping center".

(2) Coordinating production resources to achieve intensive development

Before the Possible Merger, the density of ports in Liaoning was relatively high, and each port operated independently. In order to seize the supply of goods, a large number of production facilities such as docks and berths were constructed, resulting in overcapacity. Upon completion of the Possible Merger, the Enlarged Group will scientifically plan the shoreline resources, berths, storage yards, storage facilities and other auxiliary logistics facilities in Dalian and Yingkou, optimize the development of port resource allocation, to avoid repeated construction and achieve intensive development.

(3) Complementary advantages to build modern port logistics

Upon completion of the Possible Merger, the Enlarged Group will make full use of the advantages in logistics volume of the port, to achieve comprehensive port development, comprehensively improve port functions, and build a modern port logistics system. In the future, the Enlarged Group will integrate the comprehensive resource advantages of both parties and strengthen the service concept of digital empowerment and port logistics to build a modern port logistics system.

2. Integration of assets and finance

Upon completion of the Possible Merger, the Enlarged Group will formulate and implement unified accounting policies and financial management systems in accordance with the requirements of relevant laws and regulations and major business operating needs to further improve the unified corporate governance and internal control system. It will manage the assets and finances of the parties to the Possible Merger under a unified corporate governance mechanism, thereby enhancing the coordination of management control, reducing costs, and achieving cost reduction and efficiency enhancement.

3. Integration of personnel and institutions

Upon completion of the Possible Merger, the Company and the Target Company will integrate personnel and institutions with the counterparty. The Enlarged Group will combine business operations and management needs to establish a scientific and reasonable management and control system and a business structure for division of duty and collaboration. After realizing the integration of the operation and management team, through mutual absorption and learning from production and management experience, the operation and management capabilities are effectively improved, internal management costs are reduced, and management coordination is achieved.

IV. ADDITIONAL DISCLOSURES

The relevant contents above have been additionally disclosed in "(I) The impact of the Possible Merger on the principal business of the Enlarged Group upon merger" and "(III) The impact of the Possible Merger on major financial indicators of the Enlarged Group after the Possible Merger" under "V. IMPACT OF THE POSSIBLE MERGER ON SURVIVING COMPANY UPON MERGER" of "NOTICE ON SIGNIFICANT EVENTS", "(II) Purpose of the Possible Merger" under "I. BACKGROUND AND PURPOSE OF THE POSSIBLE MERGER" of "CHAPTER I OVERVIEW OF THE POSSIBLE MERGER" and "(I) The impact of the Possible Merger on the principal business of the Enlarged Group upon merger" and "(III) The impact of the Possible Merger on major financial indicators of the Enlarged Group after the Possible Merger" under "VIII. IMPACT OF THE POSSIBLE MERGER ON SURVIVING COMPANY UPON MERGER" of "CHAPTER I OVERVIEW OF THE POSSIBLE MERGER" in the revised Proposal.

V. VERIFICATION OPINIONS FROM INTERMEDIARY AGENCIES

Upon verification, the independent financial advisor, CICC, and financial advisor, China Merchants Securities, of the Company are of the view that:

1. The Possible Merger will further expand the business scale of the Enlarged Group, optimize its business structure and improve its major financial indicators.

2. The Possible Merger is conducive to the deep integration of both parties to the Possible Merger, release of synergies, increase the continued profitability of the Enlarged Group, and solve the problem of horizontal competition, which is reasonable and necessary.

3. Through optimized and integrated measures in production and operation, assets and finance, personnel and institutions, the Possible Merger will strengthen the production and operation capabilities of the Enlarged Group, continue the brand advantages of the parties, consolidate the Enlarged Group resource acquisition capabilities, and enhance its overall market competitiveness, which has a positive impact on the Enlarged Group after the Possible Merger.

Question 2. The Proposal discloses that in the Possible Merger, the price of shares issued by the Company is the average trading price of shares for the 20 trading days up to and including 19 June 2020, and the Exchange Ratio of the Target Company is the average trading price of shares for the 20 trading days up to and including 19 June 2020, plus a 20% premium. Meanwhile, the Cash Alternative has no premium rate, which is lower than the exchange price. Please additionally disclose: (1) with reference to comparable transactions, explain the rationality of the Exchange Ratio, and the major considerations for the 20% premium; (2) explain the reason and rationality why price of Cash

Alternative of the Target Company is lower than the price of Exchange Ratio; (3) Whether the relevant pricing arrangement fully protects the rights and interests of minority shareholders. The financial advisor please express opinions.

Reply:

(1) WITH REFERENCE TO COMPARABLE TRANSACTIONS, EXPLAIN THE RATIONALITY OF THE CONVERSION PRICE BASED ON THE AVERAGE TRADING PRICE OF SHARES FOR THE 20 TRADING DAYS BEFORE THE PRICING BENCHMARK DATE, AND THE MAJOR CONSIDERATIONS FOR THE 20% PREMIUM

1. Analysis on the rationality of determining the basis of the Exchange Ratio based on the average price of the 20 trading days before 19 June 2020

(1) The pricing is based on the average price of Shares for the 20 trading days before 19 June 2020, which meets the requirements of the Administrative Measures for Restructuring and best reflects the latest market transactions.

According to the Administrative Measures for Restructuring, the price at which a listed company issues shares shall not be lower than 90% of the market reference price. The market reference price is one of the average trading prices of the company's shares on the 20 trading days, 60 trading days or 120 trading days before the announcement of the board resolution for the issuance of shares to purchase assets. If the merger by absorption through share swap involves a listed company, the pricing and issuance of the shares of the listed company shall be implemented in accordance with the foregoing regulations.

The available market reference prices for the Company and the Target Company are as follows:

Pricing basis	**The Company** *(RMB/share)*	**The Target Company** *(RMB/share)*
Average price of 20 trading days up to and including 19 June 2020	1.71	2.16
Average price of 60 trading days up to and including 19 June 2020	1.73	2.16
Average price of 120 trading days up to and including 19 June 2020	1.81	2.25

The three market reference prices above are not much different. The average price of shares on the 20 trading days up to and including 19 June 2020 best reflects the latest condition of the Share price, so it can better reflect and maintain the interests of Shareholders and TC Shareholders.

(2) The pricing is based on the average price of shares for the 20 trading days before the pricing benchmark date with reference to recent transactions.

The market reference prices adopted in comparable transactions since 2014 are as follows:

Type of transaction	Name of transaction	Pricing benchmark
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Midea Group Co., Ltd. and Wuxi Little Swan Company Limited (A share)	Average price of the first 20 days
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Bestv Network Television Technology Development Co., Ltd. and Oriental Pearl Group Co., Ltd.	Average price of the first 20 days
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between CSR Corporation Limited and China CNR Corporation Limited	Average price of the first 20 days
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China GreatWall Technology Group Co., Ltd. and GreatWall Information Industry Co., Ltd.	Average price of the first 120 days
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Baoshan Iron & Steel Co., Ltd. and Wuhan Iron and Steel Company Limited	Average price of the first 20 days

Note: As the Administrative Measures for Major Assets Restructuring of Listed Companies (2014 Revision) revised the market reference price, which was adjusted from 20 trading days before the announcement of the first board resolution to one of the average prices of the company's shares for 20 trading days, 60 trading days or 120 trading days before the announcement of the first board resolution, hence, only the comparable cases from 2014 and after are included in the above.

According to the statistics of comparable transactions mentioned above, most of the Possible Merger in which A-share listed companies merge A-share listed companies after the introduction of the Administrative Measures for the Major Assets Restructuring of Listed Companies (2014 Revision) have adopted the 20-day average price as a market reference price.

In summary, the pricing based on the average price of the 20 trading days up to and including 19 June 2020 for the Exchange Ratio reasonably reflects the fair value of parties to the Possible Merger, and complies with regulatory requirements and comparable trading practices, and is reasonable.

2. Main considerations for giving the Target Company shareholders a 20% share swap premium

In the Possible Merger the exchange price of the Target Company is 20% premium to the average price of shares for the 20 trading days before the pricing benchmark date, which is based on the valuation of comparable companies and the exchange premium of comparable transactions, and taking account into the Possible Merger and the interests of shareholders concerned.

(1) The Target Company shareholders set the share exchange price with full reference to the valuation of comparable companies

(1) Selection criteria for comparable companies

In order to fully ensure the applicability of comparable companies, the Possible Merger selects comparable companies to the Target Company from the A-share listed companies based on the following criteria: 1) operation in the industry and are affected by the same economic factors; 2) exclude companies with abnormal value of 2019 P/E ratio, i.e. excluding A-share listed companies with negative P/E ratios and obvious abnormal P/E ratios.

(2) Selection of valuation ratio

Valuation indicators commonly used in comparable companies mainly include P/E ratio, P/B ratio, price-to-sales ratio, and enterprise value ratio (EV/EBITDA). The applicability of the above valuation indicators to the parties to the Possible Merger is analyzed as follows:

Valuation indicators	Applicability analysis
P/E ratio	Applicable. The Company and the Target Company operate stably for a long time and make profits during the reporting period. The P/E ratio indicators have reference value.

Valuation indicators	Applicability analysis
P/B ratio	Applicable. As both parties to the Possible Merger belong to the port industry, most of their assets are physical assets, and the book value of net assets can more accurately reflect the actual assets of the company, therefore, the P/B ratio multiple based on the book value has reference value.
Price-to-sales ratio	Not applicable. Port companies engaged in loading and unloading and trading businesses have large differences in gross profit margins, while price-to-sales ratios can not reflect the impact of differences in gross profit margins of each company on corporate value; meanwhile, in 2017, 2018, and 2019, the proportions of income from investment in associates and joint ventures to the Company's total profits are 49.52%, 28.60% and 26.64%, while such indicators of the Target Company are only 12.83%, 5.98% and 7.48%. The price-to-sales ratio can not reflect the impact of investment in associates and joint ventures on corporate value.
Enterprise value ratio **(EV/EBITDA)**	Applicable. The enterprise value ratio index is helpful for evaluating companies with heavy assets and high depreciation, and can eliminate the leverage difference of different comparable companies, which has reference value

Based on the analysis in the table above, among the commonly used valuation indicators, P/E ratio, P/B ratio and EV/EBITDA are suitable valuation indicators for both parties in the Possible Merger.

(3) Analysis of valuation results

Comparable companies' P/E ratio, P/B ratio, and enterprise value ratio (EV/EBITDA) are as follows:

Stock code	Stock abbreviation	P/E ratio in 2019 *(times)*	P/B ratio in 2019 *(times)*	EV/ EBITDA in 2019 *(times)*
600018.SH	Shanghai International Port Group	10.87	1.20	7.90
601018.SH	Ningbo Port	13.47	1.13	8.58
601298.SH	Qingdao Port	10.09	1.26	6.08
001872.SZ	China Merchants Port	9.45	0.76	7.92
601228.SH	Guangzhou Port	23.31	1.50	9.90
000582.SZ	Beibu Gulf Port	17.74	1.84	10.13
601326.SH	QHD Port	15.84	1.01	7.36
601000.SH	Tangshan Port	7.50	0.78	3.92
600717.SH	Tianjin Port	18.15	0.67	7.77
000088.SZ	Yantian Port	30.85	1.56	22.15
600017.SH	Rizhao Port	12.33	0.66	8.52
600190.SH	Jinzhou Port	35.71	0.95	11.30
600279.SH	Chongqing Gangjiu	27.51	0.81	16.04
000507.SZ	Zhuhai Port	22.26	0.95	11.36
000905.SZ	Xiamen Port	46.95	1.18	9.57
002040.SZ	Nanjing Port	23.54	1.14	10.60
Maximum		46.95	1.84	22.15
The third quartile		24.53	1.22	10.77
Average		20.35	1.09	9.94
Median		17.94	1.07	9.07
The first quartile		11.96	0.80	7.87
Minimum		7.50	0.66	3.92

Note 1: P/E ratio in 2019 = Closing price as at 19 June 2020/earnings per share attributable to shareholders of the parent company in 2019

Note 2: P/B ratio in 2019 = Closing price as at 19 June 2020/net assets per share attributable to shareholders of the parent company in 2019

Note 3: EV/EBITDA in 2019 = (Closing price as at 19 June 2020* total share capital of the listed company as of 19 June 2020 + interest-bearing liabilities at the end of 2019 + preferred shares at the end of 2019 + minority shareholders' equity at the end of 2019 – monetary funds at the end of 2019)/(total profit in 2019 + interest expenses included in finance cost in 2019 + fixed assets in 2019 + amortization of intangible assets in 2019 + Amortization of long-term deferred expenses in 2019)

Source: 2019 annual report of the listed company and Wind Information

In the Possible Merger, the Exchange Ratio of the Target Company was RMB2.59 per TC Share, corresponding to the 2019 P/E ratio of the Target Company of 16.57 times, which was lower than the average and median of comparable companies, and within the range of the first quartile and third quartile of comparable companies; corresponding to 2019 P/B ratio of the Target Company of 1.36 times, higher than the average and median of comparable companies, and within the valuation range of comparable companies; corresponding to enterprise value ratio of the Target Company in 2019 of 7.34 times, which is lower than the average and median of comparable companies and within the valuation range of comparable companies.

(2) Reference to comparable transactions

As the counterparty of the Possible Merger, the Target Company, is an A-share listed company, the comparable transaction only selects the counterparties which are A-share listed companies for reference analysis. In this type of transaction, the premium rate of the share swap price of the counterparty to the average price of shares for the 20 trading days before the pricing benchmark date ranges from -33.56% to 68.71%. The details are as follows:

Type of transaction	**Name of transaction**	**The average trading price 20 days before the suspension Market reference price of the counterparty** *(RMB/share)*	**Share swap price of the counterparty** *(RMB/share)*	**Share swap premium rate of the counterparty**
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Panzhihua Steel Group Panzhihua Steel Vanadium Co., Ltd. and Jicheng Future Co., Ltd.	6.50	7.85	20.79%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Panzhihua Steel Group Panzhihua Steel Vanadium Co., Ltd. and Chongqing Titanium Industry Co., Ltd of Pangang Group	14.14	17.08	20.79%

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Bestv Network Television Technology Development Co., and Oriental Pearl Group Co., Ltd	10.63	10.63	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between China Eastern Airlines Corporation Limited and Shanghai Airlines Co., Ltd.	5.50	6.88	25.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption through share swap between Jinan Iron & Steel and Laiwu Steel Corporation	7.18	8.35	16.27%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between CSR Corporation Limited and China CNR Corporation Limited	5.92	6.19	4.56%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China Meheco Group Co., Ltd. and Henan Topfound Pharmaceutical Co., Ltd.	6.39	6.39	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China GreatWall Technology Group Co., Ltd. and GreatWall Information Industry Co., Ltd.	36.26	24.09	-33.56%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Baoshan Iron & Steel Co., Ltd. and Wuhan Iron & Steel Company Limited	2.86	2.58	-10.00%

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Xinhu Zhongbao Co., Ltd. and Zhejiang Xinhu Venture Investment Co., Ltd.	7.11	7.11	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guanzhou Baiyunshan Pharmaceutical Co., Ltd.	11.55	11.55	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Midea Group Co., Ltd. and Wuxi Little Swan Company Limited (A share)	46.28	50.91	10.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Friendship Group Incorporated Company and Shanghai Bailian Group Co., Ltd.	13.53	13.53	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Qinghai Salt Lake Industry Co., Ltd. and Qinghai Salt Lake Industry Group Co., Ltd.	25.46	25.46	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between HBIS Company Limited and Handan Iron and Steel Co., Ltd.	4.10	4.10	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between HBIS Company Limited and Chengde Xinxin Vanadium and Titanium Co., Ltd.	5.76	5.76	0.00%

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Pharmaceuticals Holdings Co., Ltd. and Shanghai Zhongxi Pharmaceutical Co., Ltd.	11.36	11.36	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Pharmaceuticals Holdings Co., Ltd. and Shanghai Industrial Pharmaceutical Investment Co., Ltd.	19.07	19.07	0.00%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between BBMG Corporation and Hebei Taihang Cement Co., Ltd.	10.09	10.80	7.04%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Guangzhou Automobile Group Co., Ltd. and GAC Changfeng Motor Co., Ltd.	12.65	14.55	15.00%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Sinotrans Limited and Sinotrans Air Transportation Development Co., Ltd.	16.91	20.63	22.00%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Shanghai Electric Group Company Limited and Shanghai Power Transmission & Distribution Co., Ltd.	26.65	35.00	31.33%

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Aluminum Corporation of China Limited and Shandong Aluminum Industry Co., Ltd.	15.84	20.81	31.38%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Aluminum Corporation of China Limited and Lanzhou Alumnium Co., Ltd.	9.26	11.88	28.29%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Weichai Power Co., Ltd. and Zhuzhou Torch Spark Plug Co., Ltd.	4.88	5.80	18.85%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between China Communications Construction Company Limited and CRBC International	11.81	14.53	23.03%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between Midea Group Co., Ltd. and GD Midea Holding Co., Ltd.	9.46	15.96	68.71%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between Shenyin & Wanguo Futures Co., Ltd. and Shenwan Hongyuan Securities	8.30	9.96	20.00%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between Wens Foodstruff Group Co., Ltd. and Guangdong DaHuaNong Animal Health Products Co., Ltd.	8.33	13.33	60.00%

Type of transaction	Name of transaction	The average trading price 20 days before the suspension Market reference price of the counterparty *(RMB/share)*	Share swap price of the counterparty *(RMB/share)*	Share swap premium rate of the counterparty
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between China Merchants Expressway Network Technology Holdings Co., Ltd. and Huabei Expressway Co., Ltd.	4.73	5.93	25.00%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between China Merchants Shekou Industrial Zone Holdings Co., Ltd. and China Merchants Property Development Co., Ltd. (A shares)	28.22	38.10	35.01%
Maximum share swap premium rate of the counterparty				68.71%
The third quartile of share swap premium rate of the counterparty				24.02%
Average share swap premium rate of the counterparty				14.18%
Median share swap premium rate of the counterparty				15.00%
The first quartile of share swap premium rate of the counterparty				0.00%
Minimum share swap premium rate of the counterparty				-33.56%

Note 1: The pricing benchmark in the Merger by absorption through share swap of China GreatWall Technology Group Co., Ltd. with GreatWall Information Industry Co., Ltd. and China Merchants Shekou Industrial Zone Holdings Co., Ltd. with China Merchants Property Development Co., Ltd. (A shares) is the average price of shares for the 120 days before trading suspension. In the statistics in the table above, taking into account the unity of the data, the average trading prices of shares the counterparties before the suspension of trading was recalculated, which is RMB36.26 per share for GreatWall Information Industry Co., Ltd. and RMB28.22 per share for China Merchants Property Development Co., Ltd. (A shares) for comparison and analysis.

Source: Relevant announcements of listed companies and Wind Information

In the Possible Merger, 20% premium is between the first quartile and the third quartile of the share swap premium rate of the counterparties in a comparable transactions, and in line with market practice.

II. PRICE DETERMINATION METHOD FOR CASH OPTION OF THE TARGET COMPANY AND ITS REASONABLENESS

1. Cash Option of the Target Company can fully protect investors

During the Possible Merger, the Exchange Ratio of the Target Company is determined based on a premium of 20% over the average trading price of TC Shares for the 20 trading days up to and including 19 June 2020, that is, RMB2.59/share; while the price for Cash Alternative is the average trading price of TC Shares for the 20 trading days up to and including 19 June 2020, that is, RMB2.16/share. Cash Option price of the Target Company is lower than its share swap price, and is the same as the market reference price.

The Exchange Ratio of the Target Company represents a premium over the market reference price, mainly due to the fact that as the price-to-earnings multiple of the Company is higher than that of the Target Company before announcement of the Possible Merger, such premium can effectively remedy the dilution of earnings per share of the former TC Shareholders who continue to hold shares of the surviving listed company after completion of the Possible Merger. While for TC Dissenting Shareholders who elect Cash Alternative, the price of Cash Alternative, which is no less than the market reference price, can fully protect such TC Dissenting Shareholders.

2. Price determination method for Cash Alternative is in line with the market practices

During the Possible Merger, the price for Cash Alternative is determined with reference to comparable transactions. Since the Target Company, the counterparty to the Possible Merger, is an A-share listed company, comparable transactions with A-share listed companies as the counterparties are selected to analyze the reasonableness of the pricing for Cash Alternative during the Possible Merger:

Type of transaction	Name of transaction	Average trading price of shares for 20 trading days before suspension of A shares of the counterparty *(RMB/share)*	Cash option price of the counterparty *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Pangang Steel & Vanadium and Changcheng Special Steel	6.50	6.50	0.00%

Type of transaction	Name of transaction	Average trading price of shares for 20 trading days before suspension of A shares of the counterparty *(RMB/share)*	Cash option price of the counterparty *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Pangang Steel & Vanadium and Panyu Titanium	14.14	14.14	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Bestv Network Television Technology Development Co., and Oriental Pearl Group Co., Ltd	10.63	10.63	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China Eastern Airlines Corporation Limited and Shanghai Airlines Co., Ltd.	5.50	5.50	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Jinan Iron & Steel and Laiwu Steel Corporation	7.18	7.18	0.00%

Type of transaction	Name of transaction	Average trading price of shares for 20 trading days before suspension of A shares of the counterparty *(RMB/share)*	Cash option price of the counterparty *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between CSR Corporation Limited and China CNR Corporation Limited	5.92	5.92	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China Meheco Group Co., Ltd. and Henan Topfound Pharmaceutical Co., Ltd.	6.39	6.39	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between China GreatWall Technology Group Co., Ltd. and GreatWall Information Industry Co., Ltd.	36.26	24.09	-33.56%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Baoshan Iron & Steel Co., Ltd. and Wuhan Iron and Steel Company Limited	2.86	2.58	-9.79%

Type of transaction	Name of transaction	Average trading price of shares for 20 trading days before suspension of A shares of the counterparty *(RMB/share)*	Cash option price of the counterparty *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Xinhu Zhongbao Co., Ltd. and Zhejiang Xinhu Venture Investment Co., Ltd.	7.11	7.11	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guanzhou Baiyunshan Pharmaceutical Co., Ltd.	11.55	11.55	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Midea Group Co., Ltd. and Wuxi Little Swan Company Limited (A share)	46.28	41.85	-9.57%

Type of transaction	**Name of transaction**	**Average trading price of shares for 20 trading days before suspension of A shares of the counterparty** *(RMB/share)*	**Cash option price of the counterparty** *(RMB/share)*	**Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares**
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Friendship Group Incorporated Company and Shanghai Bailian Group Co., Ltd.	13.53	13.53	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Qinghai Salt Lake Industry Co., Ltd. and Qinghai Salt Lake Industry Group Co., Ltd.	25.46	25.46	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between HBIS Company Limited and Handan Iron and Steel Co., Ltd.	4.10	4.10	0.00%

Type of transaction	Name of transaction	Average trading price of shares for 20 trading days before suspension of A shares of the counterparty *(RMB/share)*	Cash option price of the counterparty *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between HBIS Company Limited and Chengde Xinxin Vanadium and Titanium Co., Ltd.	5.76	5.76	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Pharmaceuticals Holdings Co., Ltd. and Shanghai Zhongxi Pharmaceutical Co., Ltd.	11.36	11.36	0.00%
Merger by absorption between A-share listed company and A-share listed company	Merger by absorption between Shanghai Pharmaceuticals Holdings Co., Ltd. and Shanghai Industrial Pharmaceutical Investment Co., Ltd.	19.07	19.07	0.00%

Type of transaction	Name of transaction	Average trading price of shares for 20 trading days before suspension of A shares of the counterparty *(RMB/share)*	Cash option price of the counterparty *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between BBMG Corporation and Hebei Taihang Cement Co., Ltd.	10.09	10.65	5.55%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Guangzhou Automobile Group Co., Ltd. and GAC Changfeng Motor Co., Ltd.	12.65	12.65	0.00%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Shanghai Electric Group Company Limited and Shanghai Power Transmission & Distribution Co., Ltd.	26.65	28.05	5.25%

Type of transaction	**Name of transaction**	**Average trading price of shares for 20 trading days before suspension of A shares of the counterparty** *(RMB/share)*	**Cash option price of the counterparty** *(RMB/share)*	**Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares**
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Aluminum Corporation of China Limited and Shandong Aluminum Industry Co., Ltd.	15.84	16.65	5.11%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Aluminum Corporation of China Limited and Lanzhou Alumnium Co., Ltd.	9.26	9.50	2.59%
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Weichai Power Co., Ltd. and Zhuzhou Torch Spark Plug Co., Ltd.	4.88	5.05	3.48%

Type of transaction	Name of transaction	Average trading price of shares for 20 trading days before suspension of A shares of the counterparty *(RMB/share)*	Cash option price of the counterparty *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares
Merger by absorption between H-share listed company and A-share listed company	Merger by absorption between Sinotrans Limited and Sinotrans Air Transportation Development Co., Ltd.	16.91	17.28	2.19%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between China Communications Construction Company Limited and CRBC International	11.81	12.31	4.23%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between Midea Group Co., Ltd. and GD Midea Holding Co., Ltd.	9.46	10.59	11.95%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between Shenyin & Wanguo Futures Co., Ltd. and Shenwan Hongyuan Securities	8.30	8.22	-0.96%

Type of transaction	Name of transaction	Average trading price of shares for 20 trading days before suspension of A shares of the counterparty *(RMB/share)*	Cash option price of the counterparty *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between Wens Foodstruff Group Co., Ltd. and Guangdong DaHuaNong Animal Health Products Co., Ltd.	8.33	10.62	27.49%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between China Merchants Expressway Network Technology Holdings Co., Ltd. and Huabei Expressway Co., Ltd.	4.73	4.73	0.00%
Merger by absorption between non-listed company and A-share listed company	Merger by absorption between China Merchants Shekou Industrial Zone Holdings Co., Ltd. and China Merchants Property Development Co., Ltd. (A share)	28.22	24.11	-14.56%

Type of transaction	Name of transaction	Average trading price of shares for 20 trading days before suspension of A shares of the counterparty *(RMB/share)*	Cash option price of the counterparty *(RMB/share)*	Premium of cash option price over average trading price of shares for 20 trading days before suspension of A shares
Maximum premium rate over cash option of the counterparty				27.49%
The third quartile of premium rate over cash option of the counterparty				2.39%
Average premium rate over cash option of the counterparty				-0.02%
Median premium rate over cash option of the counterparty				0.00%
The first quartile of premium rate over cash option of the counterparty				0.00%
Minimum premium rate over cash option of the counterparty				-33.56%

Source of data: Relevant announcements of listed companies and Wind Information

During the Possible Merger, the price for Cash Alternative is the same as the average trading price of shares for 20 trading days before suspension of A shares, and the premium (discount) falls between the first quartile and the third quartile of the premiums of cash options of the counterparties to the above comparable transactions over average trading price of shares for 20 trading days before suspension of their shares and is the same as the median and differs slightly from the average. Therefore, the pricing is in line with the market practices and is reasonable.

Meanwhile, the price for Cash Alternative is no higher than the market reference price, is also in line with the practices for merger by absorption between two A-share listed companies. Among all of the comparable cases of merger by absorption between A-share listed companies, none of the price for cash option of dissenting shareholders of the counterparty is higher than the market reference price.

3. Pricing for Cash Alternative helps facilitate TC Shareholders to enjoy the long-term benefits from the future development of the Enlarged Group

The Possible Merger helps both parties to integrate resources, produce synergistic effects, and improve their comprehensive strengths, which serves the long-term interests of all shareholders of both parties. During the Possible Merger, the Exchange Ratio of the Target Company represents a premium of 20% over the average trading price of TC Shares for 20 trading days up to and including 19 June 2020, with no premium for the price of Cash Alternative, which helps prevent the minority shareholders from casting a dissenting vote, which is against their real intention in the Possible Merger, at the general meeting of the Target Company to secure the arbitrage inherently due to the dissenting vote and the Cash Alternative price being higher than the market reference price, thus causing unnecessary adverse impacts on the Possible Merger. Meanwhile, the price for Cash Alternative, which is slightly lower than the Exchange Ratio price, is also conducive to facilitating the active share swap by TC Shareholders and enabling all TC Shareholders to share the long-term bonus from integration of both parties. In addition, the Cash Alternative price in the Possible Merger is no less than the market reference price. In the event of a downward or an upward fluctuation in the share prices of the Target Company in the future, TC Dissenting Shareholders may exit by exercising the Cash Alternative or selling TC Shares in the secondary market, respectively. Therefore, the pricing for Cash Alternative can protect the interests of TC Dissenting Shareholders.

In conclusion, the price for Cash Alternative is lower than the Exchange Ratio price, but is no less than the market reference price, which is in line with the market practices and helps protect the interests of TC Dissenting Shareholders and is thereby reasonable.

III. PRICING FOR THE POSSIBLE MERGER EFFECTIVELY CONSIDERS THE INTERESTS OF SHAREHOLDERS OF BOTH PARTIES AND IS THEREFORE REASONABLE

1. Relevant pricing arrangement fully refers to the trading prices of shares of both parties in the public market and the comparable companies and comparable transactions

During the Possible Merger, the Exchange Ratio and price of protection mechanism for dissenting shareholders of both parties are both determined based on the average trading price of A shares of both parties for 20 trading days before the date of announcement on the Board resolution regarding the issuance of shares for acquisition of assets and fully with reference to the trading prices of shares of both parties in the public market before the announcement of the Possible Merger, and are therefore fair. Meanwhile, the above prices fully refer to the valuations of comparable companies and premiums of comparable transactions, and are therefore reasonable.

2. Pricing for the Possible Merger considers the interests of shareholders of both parties

Upon completion of the Possible Merger, the earnings per share and net assets per share of the Company and the Target Company are as follows:

Unit: RMB/share

		First quarter of 2020		
Name of company	**Item**	**Before Possible Merger**	**After Possible Merger**	**Change**
the Company	Basic earnings per share attributable to shareholders of the parent company	0.014	0.021	48.06%
the Target Company	Basic earnings per share attributable to shareholders of the parent company	0.045	0.032	-29.92%
the Company	Basic earnings per share, after deducting non-recurring profit or loss, attributable to shareholders of the parent company	0.013	0.020	54.96%
the Target Company	Basic earnings per share, after deducting non-recurring profit or loss, attributable to shareholders of the parent company	0.045	0.030	-31.81%

		2019		
Name of company	**Item**	**Before Possible Merger**	**After Possible Merger**	**Change**
the Company	Basic earnings per share attributable to shareholders of the parent company	0.056	0.076	36.82%
the Target Company	Basic earnings per share attributable to shareholders of the parent company	0.156	0.115	-26.14%
the Company	Basic earnings per share, after deducting non-recurring profit or loss, attributable to shareholders of the parent company	0.051	0.073	43.84%

Name of company	Item	2019 Before Possible Merger	 After Possible Merger	 Change
the Target Company	Basic earnings per share, after deducting non-recurring profit or loss, attributable to shareholders of the parent company	0.154	0.110	-28.62%

Name of company	Item	31 March 2020 Before Possible Merger	 After Possible Merger	 Change
the Company	Net assets per share attributable to shareholders of the parent company	1.470	1.392	-5.31%
the Target Company	Net assets per share attributable to shareholders of the parent company	1.953	2.109	7.95%

Name of company	Item	31 December 2019 Before merger	 After merger	 Change
the Company	Net assets per share attributable to shareholders of the parent company	1.456	1.371	-5.83%
the Target Company	Net assets per share attributable to shareholders of the parent company	1.907	2.076	8.86%

Note 1: Financial data for the first quarter of 2020 and at the end of March 2020 are unaudited

Note 2: Basic earnings per share and net assets per share attributable to shareholders of the parent company of the Target Company after the Possible Merger are calculated by the Exchange Ratio of 1:1.5146 multiplied by the basic earnings per share and net assets per share attributable to shareholders of the parent company of the Company after the Possible Merger, respectively

Note 3: Net profit attributable to shareholders of the parent company, net assets attributable to shareholders of the parent company and non-recurring profit or loss of Enlarged Group after the Possible Merger are calculated by adding up the respective data of the two parties, but shall be subject to the audited pro forma consolidated financial statements to be disclosed subsequently

Note 4: The impact of the A Share Specific Mandate is excluded

Upon completion of the Possible Merger, earnings per share attributable to shareholders of the Company will be increased, while net assets per share attributable to shareholders of the Company will be diluted; earnings per share attributable to shareholders of the Target Company will be diluted, while net assets per share attributable to shareholders of the Target Company will be increased. Meanwhile, the share swap price of the Target Company represents a certain premium over the market reference price, demonstrating the principle of balancing the interests of shareholders of both parties.

If excluding the impact of the A Share Specific Mandate, basic earnings per share attributable to shareholders of the parent company of the Company for the year 2019 and the first quarter of 2020 will be increased by 36.82% and 48.06%, respectively; basic earnings per share attributable to shareholders of the parent company of the Target Company for the year 2019 and January to March 2020 will be diluted by 26.14% and 29.92%, respectively; as at 31 December 2019 and 31 March 2020, net assets per share attributable to shareholders of the parent company of the Company will be diluted by 5.83% and 5.31%, respectively; net assets per share attributable to shareholders of the parent company of the Target Company will be increased by 8.86% and 7.95%, respectively.

Upon the Possible Merger, the Enlarged Group will become the core estuary in the Northeast region. Both parties will achieve full integration of port resources, and business synergies will be fully released to further improve the overall port assets and business profitability and development space. Through the in-depth integration of assets, personnel, brand, management and other elements, the Enlarged Group will further reduce operating costs, enhance cargo acquisition capabilities, improve the quality of business growth, and further strengthen international competitiveness and risk resistance while consolidating its domestic market position, which helps effectively protect the interests of all shareholders, in particular, the minority shareholders.

IV. ADDITIONAL DISCLOSURES

The relevant contents above have been additionally disclosed in "(II) the Possible Merger" under "I. THE POSSIBLE MERGER" of "NOTICE ON SIGNIFICANT EVENTS", "(V) Pricing for the Possible Merger effectively considers the interests of shareholders of both parties" under "IX. ARRANGEMENT OF THE POSSIBLE MERGER FOR PROTECTING THE RIGHTS AND INTERESTS OF MEDIUM AND SMALL INVESTORS" of "NOTICE ON SIGNIFICANT EVENTS", "(II) the Possible Merger" under "II. THE POSSIBLE MERGER of "CHAPTER I OVERVIEW OF THE POSSIBLE MERGER" and "(V) Pricing for the Possible Merger effectively considers the interests of shareholders of both parties" under "VI. ARRANGEMENT OF THE POSSIBLE MERGER FOR PROTECTING THE RIGHTS AND INTERESTS OF MEDIUM AND SMALL INVESTORS" of "CHAPTER V OTHER IMPORTANT MATTERS" in the revised Proposal.

V. VERIFICATION OPINIONS FROM INTERMEDIARY AGENCIES

Upon verification, the independent financial advisor, CICC, and financial advisor, China Merchants Securities, of the Company are of the view that: in the Possible Merger, the Exchange Ratio, which are based on the average trading price of shares for the 20 trading days up to and including 19 June 2020, are in compliance with the laws and regulations and operating practices; the premiums of the Exchange Ratio and price of Cash Alternative over the market reference price fully refer to the valuations of comparable companies and pricing levels of comparable transactions, protecting the legitimate rights and interests of investors. The pricing for the Possible Merger fully protects the legitimate rights and interests of investors of both parties, and is reasonable.

Question 3. As disclosed in the Proposal, the Company and the Target Company will perform the creditor notification and announcement procedures, and at the requests of their respective creditors, pay off their debts in advance or provide a guarantee. Please additionally disclose: (1) specific amounts, types and expiry dates of debts of the Company and the Target Company, and amounts not subject to early repayment or provision of a guarantee with the approval from creditors; (2) explanation on periods for the Company and the Target Company to pay off their debts or provide a guarantee to their creditors who demand early repayment, and if failure to do so, specific measures to protect creditors, respectively; (3) analysis, in combination with the debt paying ability and guarantee ability of the Company, of detailed impacts on the production, operation, capital arrangements, etc. of the Company from the early repayment or provision of a guarantee at the requests of creditors and relevant countermeasures. The financial advisor and legal advisor please express opinions.

Reply:

I. SPECIFIC AMOUNTS, TYPES AND EXPIRY DATES OF DEBTS OF THE COMPANY AND THE TARGET COMPANY, AND AMOUNTS NOT SUBJECT TO EARLY REPAYMENT OR PROVISION OF A GUARANTEE WITH THE APPROVAL FROM CREDITORS

1. Specific amounts, types and expiry dates of debts of the Company and the Target Company

The principal and interest of the major debts (unaudited) that involve financial creditors of the Company on the basis of parent company as at 31 March 2020 were bonds payable of RMB6,123.7910 million, representing 60.43% of the total liabilities. The major information on the bonds issued by the Company is as follows:

Name of bonds	Abbreviation of bonds	Code	Issue date	Expiry date	Issue amount *(RMB in 100 million)*
Corporate bonds of the Company in 2011	11 Dalian Port	122072	23 May 2011	23 May 2021	23.5

Name of bonds	Abbreviation of bonds	Code	Issue date	Expiry date	Issue amount *(RMB in 100 million)*
Corporate bonds (first tranche) publicly issued by the Company to eligible investors in 2017	17 Dalian Port 01	140399	27 April 2017	27 April 2022	10.7
First tranche of medium-term notes of the Company in 2018	18 Dalian Port MTN001	101800837	3 August 2018	3 August 2023	25.0

Note: Dalian Port Corporation Limited provided an unconditional and irrevocable joint liability guarantee for 11 Dalian Port

The major debts (unaudited) that involve financial creditors of the Target Company on the basis of parent company as at 31 March 2020 were: (1) the total principal and interest of loans payable to Agricultural Bank of China Limited Yingkou Economic and Technological Development Zone Sub-branch, China Construction Bank Corporation Yingkou Economic and Technological Development Zone Sub-branch and Industrial Bank Co., Ltd. Dalian Branch of RMB358.5120 million. As of 31 May 2020, the repayment the principal and interest of the aforementioned loans was completed; and (2) the principal and interest of bonds payable of RMB1,009.1662 million, representing 55.83% of the total liabilities. The major information on the bonds issued by the Target Company is as follows:

Name of bonds	Abbreviation of bonds	Code	Issue date	Expiry date	Issue amount *(RMB in 100 million)*
Corporate bonds of the Target Company	14 Yingkou Port	122331	20 October 2014	20 October 2021	10

2. Amounts not subject to early repayment or provision of a guarantee by the Company and the Target Company with the approval from creditors

The Company and the Target Company will perform the creditor notification and announcement procedures in respect of the Possible Merger according to Article 173 of the Company Law upon review and passing of the Possible Merger at their general meetings, respectively. Creditors may correspondingly request the Company or the Target Company to pay off their debts or provide a guarantee within 30 days upon receipt of the notification or, otherwise, within 45 days from the date of announcement.

As at the date of issuance of this reply announcement, the Company and the Target Company have not performed the creditor notification and announcement procedures under the Company Law. None of the creditors has requested the Company and the Target Company to pay off their debts in advance or provide a separate guarantee.

II. EXPLANATION ON PERIODS FOR THE COMPANY AND THE TARGET COMPANY TO PAY OFF THEIR DEBTS OR PROVIDE A GUARANTEE TO THEIR CREDITORS WHO DEMAND EARLY REPAYMENT, AND IF FAILURE TO DO SO, SPECIFIC MEASURES TO PROTECT CREDITORS, RESPECTIVELY

1. Period for the Company to pay off its debts or provide a guarantee to its creditors who demand early repayment as well as protective measures

The Company will perform the creditor notification and announcement procedures in respect of debts succession of the Possible Merger according to Article 173 of the Company Law upon review and passing of the Possible Merger at its general meeting. Creditors may request the Company to pay off its debts or provide a guarantee within 30 days upon receipt of the notification or, otherwise, within 45 days from the date of announcement. The Company will pay off its debts in advance or provide a guarantee therefor according to laws at the request of creditors. Given that the Company Law does not clearly specify the period for a debtor to pay off its debts or provide a guarantee to its creditors who demand early repayment, the Company will then determine the relevant period after negotiation with such creditors.

The Company will convene meetings of bondholders for 11 Dalian Port, 17 Dalian Port 01 and 18 Dalian Port MTN001, respectively, as agreed in the prospectus, and perform relevant obligations according to the resolutions passed at such meetings.

2. Period for the Target Company to pay off its debts or provide a guarantee to its creditors who demand early repayment as well as protective measures

The Target Company will perform the creditor notification and announcement procedures in respect of debts succession of the Possible Merger according to Article 173 of the Company Law upon review and passing of the Possible Merger at its general meeting. Creditors may request the company to pay off its debts or provide a corresponding guarantee within 30 days upon receipt of the notification or, otherwise, within 45 days from the date of announcement. The Target Company will pay off its debts in advance or provide a guarantee therefor according to laws at the request of creditors. Given that the Company Law does not clearly specify the period for a debtor to pay off its debts or provide a guarantee to its creditors who demand early repayment, the Target Company will then determine the relevant period after negotiation with such creditors.

The Target Company will convene a meeting of bondholders for 14 Yingkou Port, as agreed in the prospectus, and perform relevant obligations according to the resolutions passed at such meeting.

III. ANALYSIS, IN COMBINATION WITH THE DEBT PAYING ABILITY AND GUARANTEE ABILITY OF THE COMPANY, OF DETAILED IMPACTS ON THE PRODUCTION, OPERATION, CAPITAL ARRANGEMENTS, ETC. OF THE COMPANY FROM THE EARLY REPAYMENT OR PROVISION OF A GUARANTEE AT THE REQUESTS OF CREDITORS AND RELEVANT COUNTERMEASURES

Cash at bank and on hand (unaudited) and financial assets held for trading (unaudited) of the Company on the basis of parent company as at 31 March 2020 were RMB1,424.2677 million and RMB1,659.9986 million, respectively. Through analysis on the liabilities of the Company on the basis of parent company and assuming the debts subject to early repayment account for 100%, 50% and 10% of the total liabilities respectively, current assets coverage ratio and net assets coverage ratio of the Company are set out below:

Unit: RMB in 100 million

Net assets	Current assets	Total liabilities	Assumed early repayment ratio	Amount of debt assumed to be paid off in advance	Net assets coverage ratio	Current assets coverage ratio
191.35	60.40	101.34	100%	101.34	188.82%	59.60%
			50%	50.67	377.64%	119.20%
			10%	10.13	1888.20%	596.01%

As at the date of issuance of this reply announcement, there has been no material impact on current assets and net assets of the Company, current assets of the Company can satisfy its debt repayment needs to a certain extent. With a relatively high level of current assets coverage ratio and net assets coverage ratio, the Company is capable, to a certain extent, to pay off its debts in advance or provide a guarantee.

Cash at bank and on hand (unaudited) of the Target Company on the basis of parent company as at 31 March 2020 was RMB825.5531 million.

Through analysis on the liabilities of the Target Company on the basis of parent company and assuming the debts subject to early repayment account for 100%, 50% and 10% of the total liabilities respectively, current assets coverage ratio and net assets coverage ratio of the Target Company are set out below:

Unit: RMB in 100 million

Net assets	Current assets	Total liabilities	Assumed early repayment ratio	Amount of debt assumed to be paid off in advance	Net assets coverage ratio	Current assets coverage ratio
125.27	13.62	18.08	100%	18.08	692.87%	75.33%
			50%	9.04	1385.73%	150.66%
			10%	1.81	6928.65%	753.32%

As at the date of issuance of this reply announcement, there has been no material impact on current assets and net assets of the Target Company, current assets of the Target Company can satisfy its debt repayment needs to a certain extent. With a relatively high level of current assets coverage ratio and net assets coverage ratio, the Target Company is capable, to a certain extent, to pay off its debts in advance or provide a guarantee.

As such, as at the date of issuance of this reply announcement, there has been no material impact on current assets and net assets of the Company and the Target Company, current assets of the Company and the Target Company can basically satisfy their needs for repaying financial liabilities. If creditors demand early debt repayment or provision of a guarantee, the Company and the Target Company may protect the legitimate rights and interests of creditors through provision of a guarantee, payment in cash, realization of current assets or other ways; meanwhile, during the Possible Merger, the Company intends to non-publicly issue A shares to no more than 35 particular investors through a book-building exercise to raise funds of no more than RMB2.1 billion, which will be used to replenish the working capital of the Enlarged Group upon the Possible Merger, and make repayment of debts and payment of fees to intermediary agencies for the Possible Merger, so as to further enhance its adaptability.

IV. ADDITIONAL DISCLOSURES

The relevant contents above have been additionally disclosed in "(II) the Possible Merger" under "I. THE POSSIBLE MERGER" of "NOTICE ON SIGNIFICANT EVENTS", "X. ARRANGEMENT OF THE POSSIBLE MERGER FOR PROTECTING THE RIGHTS AND INTERESTS OF CREDITORS" of "NOTICE ON SIGNIFICANT EVENTS", "(II) the Possible Merger" under "II. THE POSSIBLE MERGER" of "CHAPTER I OVERVIEW OF THE POSSIBLE MERGER" and "VII. ARRANGEMENT OF THE POSSIBLE MERGER FOR PROTECTING THE RIGHTS AND INTERESTS OF CREDITORS" of "CHAPTER V OTHER IMPORTANT MATTERS" in the revised Proposal.

V. VERIFICATION OPINIONS FROM INTERMEDIARY AGENCIES

1. Verification Opinions from the Financial Advisors

Upon verification, the independent financial advisor, CICC, and financial advisor, China Merchants Securities, of the Company are of the view that: as at the date of issuance of this reply announcement, the Company and the Target Company have not launched the creditor notification and announcement procedures, and none of the creditors has requested the Company and the Target Company to pay off their debts in advance or provide a separate guarantee, so temporarily, there is no arrangement for specific period for early debt repayment or provision of a guarantee. According to the first quarterly reports of the Company and the Target Company in 2020 and the explanation given by the Company and the Target Company, as of the date of issuance of this reply announcement, there has been no material impact on current assets and net assets of the Company and the Target Company, current assets of the Company and the Target Company can basically satisfy their needs for repaying financial liabilities. Moreover, the Company intends to raise funds during the Transaction to replenish the working capital of the the Enlarged Group upon the Possible Merger, and make repayment of debts and payment of fees to intermediary agencies for the Possible Merger, so as to further enhance its adaptability.

2. Verification Opinions from the Legal Advisor

Upon verification, King & Wood Mallesons, the legal advisor of the Company, is of the view that: as at the date of issuance of this reply announcement, the Company and the Target Company have not launched the creditor notification and announcement procedures, and none of the creditors has requested the Company and the Target Company to pay off their debts in advance or provide a separate guarantee, so temporarily, there is no arrangement for specific period for early debt repayment or provision of a guarantee. According to the first quarterly reports of the Company and the Target Company in 2020 and the explanation given by the Company and the Target Company, as of the date of issuance of this reply announcement, there has been no material impact on current assets and net assets of the Company and the Target Company, current assets of the Company and the Target Company can basically satisfy their needs for repaying financial liabilities. Moreover, the Company intends to raise funds during the Possible Merger to replenish the working capital of the Enlarged Group upon the Possible Merger, and make repayment of debts and payment of fees to intermediary agencies for the Possible Merger, so as to further enhance its adaptability.

Question 4. According to the Proposal, upon completion of the the Possible Merger, the Target Company will terminate its listing and deregister, and the Company will take over and assume all the assets, liabilities, businesses, personnel, contracts and all other rights and obligations of the Target Company. Please additionally disclose: (1) the impact of the termination of listing and deregister of the Target Company on its production and operation, including but not limited to the application for qualification, change of ownership of assets, change of contracts and contract renewal, etc., and whether there are any legal obstacles to the change of relevant rights and obligations; (2) if the relevant assets involve co-owners, whether the consent of co-owners has been obtained; (3) if take-over and assumption are involved, whether the Company meets the relevant qualifications and laws and regulations. The financial advisor and legal advisor please express opinions.

Reply:

I. THE IMPACT OF THE TERMINATION OF LISTING AND DEREGISTER OF THE TARGET COMPANY ON ITS PRODUCTION AND OPERATION, INCLUDING BUT NOT LIMITED TO THE APPLICATION FOR QUALIFICATION, CHANGE OF OWNERSHIP OF ASSETS, CHANGE OF CONTRACTS AND CONTRACT RENEWAL, ETC., AND WHETHER THERE ARE ANY LEGAL OBSTACLES TO THE CHANGE OF RELEVANT RIGHTS AND OBLIGATIONS

The Target Company's related businesses are carried out by itself, its, branches and subsidiaries respectively; the qualifications and assets involved in the business are held by each party, and the business contracts involved are also signed by each party.

1. The Target Company

(1) Business qualifications

Upon completion of the Possible Merger, the Target Company will terminate its listing and deregister, and the Enlarged Group the Company will take over and assume all the assets, businesses, personnel, contracts and all other rights and obligations of the Target Company. Except for the change of legal entity, there will be no substantial change in the business site, business equipment, facilities, personnel, etc. involved in the existing business of the Target Company, and the licenses and qualifications necessary for production and operation of the Target Company will be changed to the Enlarged Group or reapplied by the Enlarged Group company in accordance with relevant laws and regulations.

(2) Ownership of assets

(1) Land and property

Some of the lands and properties owned by the Target Company have outstanding real estate ownership certificates. As of the date of the reply announcement, there are no property rights disputes, no mortgages or other restricted rights of third parties, no judicial seizure or freezing of such lands and properties, and some of the properties having outstanding real estate ownership certificates do not affect the normal business use of the Target Company and have no material adverse impact on the existing business of the Target Company.

Upon completion of the Possible Merger, the Target Company is required to go through the relevant procedures of transferring the ownership of such lands and properties to the Company, and the properties without real estate ownership certificates can only go through the procedures of transferring the ownership to Dalian Port after obtaining the certificates.

(2) Intellectual property

The Target Company is the sole legal owner of the intellectual properties it owns. As of the date of the reply announcement, there are no property rights disputes, no mortgages or other restricted rights of third parties, and no judicial seizure or freezing of such intellectual properties. Upon completion of the Possible Merger, the Target Company will register the changes of such intellectual properties to the Company in accordance with procedures prescribed by relevant laws and regulations.

(3) External investment

The Target Company currently has a total of 2 holding subsidiaries and 4 participating subsidiaries. The details are as follows:

No.	Company name	Scope of business	Shareholding ratio of the Target Company	Current status
1.	Yingkou Xingang Ore Terminal Co., Ltd.	Loading and unloading; warehousing (excluding flammable and explosive dangerous goods); labor services (excluding labor dispatch). (Business activities for which approval shall be obtained according to law can only be carried out upon approval by the relevant authorities.)	88%	Surviving
2.	Yingkou New Century Container Terminal Co., Ltd.	Loading and unloading, transportation and warehousing operations in container terminals (except for inflammable and explosive dangerous goods); container disassembly, container repair and cleaning. (Business activities for which approval shall be obtained according to law can only be carried out upon approval by the relevant authorities.)	60%	Surviving

No.	Company name	Scope of business	Shareholding ratio of the Target Company	Current status
3.	Yingkou Container Terminals Company Limited	Loading and unloading of container vessels, international container transshipment, stacking, disassembly, repair and cleaning, cargo acquisition, loading and unloading of bulk cargo vessel and other related businesses (operating with licenses if administrative permits involved). (Business activities for which approval shall be obtained according to law can only be carried out upon approval by the relevant authorities.)	50%	Surviving
4.	Zhongchuliang Yingkou Warehousing and Transportation Co., Ltd.	Grain warehousing, acquisition, transshipment and trade; distribution: steel, building materials and fertilizer. (Business activities for which approval shall be obtained according to law can only be carried out upon approval by the relevant authorities.)	48.3%	Surviving
5.	Anshan Yingkou Harbor Co., Ltd.	Port engineering construction; stevedoring; sales of tires, steel wire rope, steel belts, lubricating oil; warehousing; labor services; domestic shipping agency. (Business activities for which approval shall be obtained according to law can only be carried out upon approval by the relevant authorities.)	20%	Surviving

No.	Company name	Scope of business	Shareholding ratio of the Target Company	Current status
6.	Yingkou Port Group Finance Co., Ltd.	Provision of financial and corporate finance advisory services, credit worthiness verification and related consultancy and agency services to member companies; provision of assistance in the payment and receipt of transaction proceeds to member companies; performing authorized insurance agency business; provision of guarantees to member companies; dealing with entrusted loans or investments among member companies; provision of draft acceptance and discounting services to member companies; provision of intra-group transfer and settlement services to member companies as well as the planning of settlement and clearing scheme; absorbing deposits from member companies; provision of loans and finance leases to member companies; conducting inter-bank borrowing and lending. (Business activities for which approval shall be obtained according to law can only be carried out upon approval by the relevant authorities.)	49%	Processing deregistration

Note: On 3 June 2020, China Banking and Insurance Regulatory Commission issued the China Banking and Insurance Regulatory Commission's Reply on the Dissolution of Yingkou Port Group Finance Co., Ltd. (Yin Bao Jian Fu [2020] No. 336) to Yingkou Port Group Finance Co., Ltd., pursuant to which, it agreed the dissolution of Yingkou Port Group Finance Co., Ltd. Yingkou Port Group Finance Co., Ltd. is expected to complete the deregistration procedures before the implementation of the Possible Merger. The equity interest held by the Target Company in Yingkou Port Group Finance Co., Ltd. will not be assumed by Dalian Port.

On 17 December 2018, the Dalian Maritime Court rendered the (2015) Da Hai Shang Chu Zi No. 517 (大海商初字第517號) Civil Ruling, ruling that Kunlun International Trade Co., Ltd.'s application for property preservation in litigation be granted, and that the assets equivalent to RMB216,107,800.40 of the Grain Branch of the Target Company and the Target Company be seized, impounded or frozen; on 26 December 2018, Dalian Maritime Court served the (2015) Da Hai Shang Chu Zi No. 517 Supplementary Enforcement Notice to Administration for Market Regulation in Bayuquan District, Yingkou City, requesting its assistance in freezing the equity interests held by the Target Company in Yingkou Xingang Ore Terminal Co., Ltd. and Zhongchuliang Yingkou Warehousing and Transportation Co., Ltd. for a period of 3 years. As of the date of the reply announcement, the equity interests in Yingkou Xingang Ore Terminal Co., Ltd. and Zhongchuliang Yingkou Warehousing and Transportation Co., Ltd. held by the Target Company have been judicially frozen by the Dalian Maritime Court due to property preservation.

Article 167 of Interpretation of the Supreme People's Court on the Application of the Civil Procedure Law of the People's Republic of China stipulates that "Where the preserved person of property preservation provides other equivalent property posted as security which is conducive to enforcement, a people's court may render a ruling of changing the subject matter of preservation to the property posted as security by the preserved person." Accordingly, the Target Company is required to provide the Dalian Maritime Court with other equivalent property, such as security deposits and bank guarantees etc., posted as security acceptable to the court, apply for the release of judicial preservation on the equity interests of the existing subsidiaries and provide equivalent property posted as security in order to lift the equity freeze. The Target Company can go through the procedures of transferring the equity it held in the two aforementioned subsidiaries to the Enlarged Group after the Possible Merger only after the freezing of equity interests is released and the remaining shareholders agree and waive the right of first refusal. Subsequently, the Target Company will make timely disclosures on the progress of resolving this matter in accordance with relevant laws and regulations.

In summary, upon completion of the Possible Merger, the equity interests held by the Target Company in Yingkou Port Group Finance Co., Ltd. will not be assumed by the Company; in addition, after the freezing of the equity interests in Yingkou Xingang Ore Terminal Co., Ltd. and Zhongchuliang Yingkou Warehousing and Transportation Co., Ltd. held by the Target Company is released and the remaining shareholders of the Target Company's subsidiaries agree and waive the right of first refusal, the equity interests of the Target Company's subsidiaries will be succeeded by the Company and will be subject to the registration procedures required by relevant laws and regulations.

(3) Contract variation

According to the requirement of Article 90 of the Contract Law, where a party is merged after the contract has been concluded, the legal person or other organization established after the Possible Merger shall exercise the rights and obligations thereunder.

Meanwhile, there are no binding clauses restricting the Possible Merger under the major business contracts of major customers and suppliers that the Target Company is performing. Accordingly, the rights and obligations of the Target Company under its relevant contracts will continue to be performed by the Enlarged Group after the Possible Merger upon completion of the Possible Merger.

2. Branches of the Target Company

The "Opinions on the Registration of Mergers and Demergers of Companies to Support Corporate Mergers and Restructuring" of the State Administration for Industry and Commerce stipulates that, "Where a company dissolved or separated as a result of a merger has a branch, the disposal plan for the branch shall be set forth in the Possible Merger agreement, demerger resolution or decision. If the disposal plan states that the branch is to be cancelled, the company shall deregister the branch before merger or demerger; if the disposal plan states that the branch belongs to a surviving or newly established company, it may register the change of affiliation of the branch in accordance with branch name change procedures."

According to the Agreement on the Possible Merger, upon completion of the Possible Merger, branches of the Target Company will belong to surviving company and change its registration to branches of the Company. Therefore, upon completion of the Possible Merger, branches of the Target Company will go through the branch name change procedures in accordance with the above requirements and register the change of branch affiliation to the Enlarged Group, and the relevant qualifications of branches of the Company shall be subject to the register procedures required by laws and regulations after the branch name change.

3. Subsidiaries of the Target Company

According to the Agreement on the Possible Merger, upon completion of the Possible Merger, the Target Company's shareholding in subsidiaries will belong to surviving company and will be registered as subsidiaries of the Company.

Subsidiaries of the Target Company are independent legal entities, and their relevant assets, qualifications, businesses and contracts do not involve the need for changes due to the continued existence of legal personality.

II. IF THE RELEVANT ASSETS INVOLVE CO-OWNERS, WHETHER THE CONSENT HAS BEEN OBTAINED FROM CO-OWNERS

As of the date of the reply announcement, the Target Company is the sole evidential right owner of its own lands, properties and intellectual properties, which are not shared with others. Therefore, there is no need to obtain the consent from other co-owners for the asset succession and transfer registration involved in this merger.

III. IF TAKE-OVER AND ASSUMPTION ARE INVOLVED, WHETHER THE COMPANY MEETS THE RELEVANT QUALIFICATIONS AND LAWS AND REGULATIONS

Upon completion of the Possible Merger, the Target Company will terminate its listing and deregister, and the Company will take over and assume the business site, business equipment, facilities and personnel involved in the existing business of the Target Company; provided that there is no material change in such production and operation conditions, the permits and qualifications necessary for the existing production and operation of the Target Company can be changed to the Enlarged Group or may be reapplied for by the Enlarged Group in accordance with relevant laws and regulations; relevant qualifications of branches of the Target Company shall be subject to the change procedures required by laws and regulations after the branch name change; subsidiaries of the Target Company are independent legal entities, and their qualifications do not involve the need for changes due to the continued existence of legal personality.

IV. ADDITIONAL DISCLOSURES

The above-mentioned contents have been additionally disclosed in the "XI. Analysis of the Termination of Listing and Deregister of the Target Company" under "CHAPTER III BASIC INFORMATION OF THE COUNTERPARTY" in the revised proposal.

V. VERIFICATION OPINIONS FROM INTERMEDIARY AGENCIES

1. Verification Opinions from the Financial Advisors

Upon verification, the independent financial advisor, CICC, and financial advisor, China Merchants Securities, of the Company are of the view that: upon completion of the Possible Merger, the Target Company will terminate its listing and deregister, and Dalian Port will take over and assume the business site, business equipment, facilities and personnel involved in the existing business of the Target Company. Provided that there is no substantial change in such production and operation conditions, the permits and qualifications necessary for the existing production and operation of the Target Company can be changed to the Enlarged Group or may be reapplied for by the Enlarged Group in accordance with relevant laws and regulations; the Target Company's self-owned lands, properties and intellectual properties need to be transferred and registered to the Company, and properties without real estate ownership certificates can only be transferred and registered to the Company after obtaining real estate ownership certificates; the Target Company's own business contracts will continue to be performed by the surviving entity; branches of the Target Company will register the change of branch affiliation in accordance with the branch name change procedure, and its relevant qualifications shall be subject to the change procedures required by laws and regulations after the branch name change; after the freezing of the equity interests in Yingkou Xingang Ore Terminal Co., Ltd. and Zhongchuliang Yingkou Warehousing and Transportation Co., Ltd. held by the Target Company is released and the remaining shareholders of the Target Company's subsidiaries agree to waive the right of first refusal, the equity interests of the Target Company's subsidiaries will be held by the Company; the relevant assets of the Target Company do not involve other co-owners, and the registration of the succession and transfer of assets involved in the Possible Merger does not require the consent from other co-owners.

2. Verification Opinions from the Legal Advisor

Upon verification, King & Wood Mallesons, the legal advisor of the Company, is of the view that: upon completion of the Possible Merger, the Target Company will terminate its listing and deregister, and the Company will take over and assume the business site, business equipment, facilities and personnel involved in the existing business of Yingkou Port. Provided that there is no substantial change in such production and operation conditions, the permits and qualifications necessary for the existing production and operation of the Target Company can be changed to the Enlarged Group or may be reapplied for by the Enlarged Group, the Company, in accordance with the statutory procedures; the Target Company's self-owned lands, properties and intellectual properties need to be transferred and registered to the Company, and properties without real estate ownership certificates can only be transferred and registered to the Company after obtaining real estate ownership certificates; the Target Company's own business contracts will continue to be performed by the surviving entity; branches of the Target Company will register the change of branch affiliation in accordance with the branch name change procedure, and its relevant qualifications shall be subject to the change procedures required by laws and regulations after the branch name change; after the freezing of the equity interests in Yingkou Xingang Ore Terminal Co., Ltd. and Zhongchuliang Yingkou Warehousing and Transportation Co., Ltd. held by the Target Company is released and the remaining shareholders of the Target Company's subsidiaries agree to waive the right of first refusal, the equity interests of the Target Company's subsidiaries will be held by the Company the relevant assets of the Target Company do not involve other co-owners, and the registration of the succession and transfer of assets involved in the Possible Merger does not require the consent from other co-owners.

Question 5. According to the proposal, upon completion of the Possible Merger there is peer competition between Liaoning Port Group's direct operation of some port businesses in Liaoning and the Enlarged Group upon merger, i.e. the Company, and the Liaoning Port Group will continue to fulfill its commitments regarding avoidance of peer competition. Please the Company additionally disclose the specifics of the peer competition and the impact on the Company. The financial advisor please express opinions.

Reply:

I. SPECIFICS OF PEER COMPETITION

1. Peer competition prior to the Possible Merger

Prior to the Possible Merger, the principal businesses of the Company include oil/liquefied chemicals terminal, container terminal, automobile terminal, ore terminal, general cargo terminal, bulk grain terminal, passenger and roll-on, roll-off terminal operations and related logistics services, as well as port value-added services and ancillary port operations, and the types of cargoes include oil products, containers, automobiles, steel, ore, coal, equipment, grain, passengers and ro-ro cars, etc. The Company's mainly operates business in Dalian City, Liaoning Province. The Target Company is mainly engaged in port business, and the main types of cargoes include containers, mineral and construction materials, grain, machinery and equipment, coal and relevant products, oil and gas and relevant products and non-metal ores, etc. It mainly operates business in Bayuquan Port area in Yingkou City, Liaoning Province. Its hinterland of the cargo source coincided with the Company and there was competition in the industry. In addition to the port operations of the Company and the Target Company, other enterprises controlled by Liaoning Port Group also operates part of the port business in Liaoning, and there is peer competition between such enterprise and both parties in involved in the Possible Merger.

2. The Possible Merger will resolve peer competition between the Company and the Target Company

The Possible Merger is a measure for Liaoning Port Group and China Merchants Group to strictly fulfill their commitments made when they indirectly acquired the Company and the Target Company in 2018 and 2019, respectively, for the purpose of resolve the peer competition. According to the Target Company proposal, upon completion of the Possible Merger, the Target Company will terminate its listing and deregister, and the Company will assume and take over all existing assets, liabilities, businesses, personnel, contracts and all other rights and obligations of the Target Company. Therefore, the problem of peer competition between the Company and the Target Company will be resolved through the Possible Merger.

3. Peer competition after the Possible Merger

The Possible Merger will not result in any new peer competition within Liaoning Port Group. Upon completion of the Possible Merger, there is still peer competition between Liaoning Port Group and the Company, the Enlarged Group of the Possible Merger, in container business, bulk and general cargo business, oil products business, etc. (which are also operated by certain entities) in Liaoning area, such as Yingkou, Panjin and Huludao, mainly involving the following entities:

(1) Subsidiaries

No.	Company name	Place of registration	Controlling shareholders and shareholding ratio	Main business
1	Yingkou Port Group (Bayuquan Port area)	Yingkou City	Liaoning Port Group holds 22.965% directly, and holds 22.965% through Dalian Port Corporation	Port loading and unloading, warehousing and related services

No.	Company name	Place of registration	Controlling shareholders and shareholding ratio	Main business
2	Yingkou Port Group (old port area)	Yingkou City	Liaoning Port Group holds 22.965% directly, and holds 22.965% through Dalian Port Corporation	In line with Yingkou City Government's urban planning, the old port area has been closed and will subsequently be transferred to the Yingkou City Government
3	Panjin Port Co., Ltd.	Panjin City	100% held by Panjin Port Group Co., Ltd.	According to the Letter from the People's Government of Panjin City on the Closure of the Hekou Port Area in Panjin Port, Panjin City decided to close Hekou Port area of Panjin Port, which is no longer conducting actual operations
4	Yingkou Port Fairy Island Pier Co., Ltd.	Gaizhou City	86% held by Yingkou Port Group	Mainly engaged in crude oil loading and unloading and warehousing
5	Dalian Port Petroleum & Chemical Co., Ltd.	Dalian City	100% held by Dalian Port Corporation	Transshipment, warehousing and transportation of refined oil

(2) Branches

No.	Company name	Place of registration	Main business
1	Second Branch of Yingkou Port Group Co., Ltd.	Yingkou City	Coal loading and unloading and warehousing
2	Fifth Branch of Yingkou Port Group Co., Ltd.	Yingkou City	Mainly engaged in the loading and unloading, warehousing and transportation and transshipment, etc. of crude oil, fuel oil, refined oil and liquid chemical products
3	Container Branch of Panjin Port Group Co., Ltd.	Panjin City	Loading and unloading, stacking and disassembly of containers and simple processing of packaging within the port
4	First Branch of Panjin Port Group Co., Ltd.	Panjin City	Mainly engaged in loading and unloading and warehousing of bulk and general cargo (petroleum coke, metal ore, steel, mineral and construction materials, grain, fertilizer, industrial salt, etc.)
5	Second Branch of Panjin Port Group Co., Ltd.	Panjin City	Mainly engaged in the loading and unloading, warehousing and transportation, transshipment, etc. of oil products (gasoline, diesel fuel, fuel oil, crude oil and asphalt)
6	First Branch of Suizhong Port Group Co., Ltd.	Huludao City	Mainly engaged in the loading and unloading and warehousing of bulk and general cargo (mineral and construction materials and grain)

(3) Berths under construction

As at the date of issuance of this reply announcement, Liaoning Port Group has some berths under construction in Fairy Island Port area in Yingkou, Bayuquan Port area in Yingkou, Taiping Bay Port area in Dalian, Dayao Bay North Shore Port area in Dalian, Duoluomu Port area in Guanglu Township, Changhai County, Dalian, Panjin Port area, Suizhong Port and other port areas.

II. IMPACT OF THE PEER COMPETITION ON THE COMPANY

1. Measures taken against the peer competition and their impact

(1) With respect to item 1 of "(1) Subsidiaries" in the above table, Yingkou Port Group and the Target Company signed the "2020 Lease Agreement between the Target Company and the Target Company on the Avoidance of Peer Competition" in January 2020, the Target Company leased to Yingkou Port Group the assets related to the operation of 18# ore berth in the First Harbor Basin, 3# general berth in A Harbor Basin, 1#-2# refined oil products and liquid chemicals berth in A Harbor Basin, 61#-71# general berth along with its storage yard and tank farm in the Fifth Harbor Basin in Bayuquan Port Area, with a lease term from 1 January 2020 to 31 December 2020, and the above agreement has been approved by the first meeting of the seventh session of the board of directors and the 2019 annual general meeting of the Target Company.

Upon the completion of the Possible Merger, the aforesaid lease agreement will continue to be effective for the Enlarged Group, and the Enlarged Group may continue to lease the relevant assets from Yingkou Port Group, and the peer competition between the headquarters of Yingkou Port Group and the Enlarged Group has been resolved by way of lease operation.

(2) With respect to item 2 of "(1) Subsidiaries" in the above table, in line with the urban planning of Yingkou Municipal Government, the obsolete port area in Yingkou of Yingkou Port Group has been closed and will subsequently be transferred to the Yingkou Municipal Government, so there is no peer competition in the Enlarged Group.

(3) With respect to item 3 of "(1) Subsidiaries" in the above table, Panjin Port Co., Ltd. is located in Hekou Port Area of Panjin Port, and according to the "Letter from the People's Government of Panjin on the Closure of the Hekou Port Area of Panjin Port", Panjin has decided to close the Hekou Port Area of Panjin Port, which now no longer conducts actual business, so there is no peer competition in the Enlarged Group.

(4) With respect to item 5 of "(1) Subsidiaries" in the above table, Dalian Port Petroleum and Chemical Co., Ltd. (hereinafter referred to as "DPPC") was a wholly-owned subsidiary of the Company, which had been in a loss-making state from 2009 to 2012, causing a large financial burden to the Company. As approved by the First Extraordinary General Meeting of the Company in 2013, the Company transferred 100% equity interest in DPPC to Dalian Port Corporation and agreed to waive the strict compliance with the non-competition agreement by Dalian Port Corporation in respect of the continuation of the business in which DPPC is engaged. Pursuant to the "Equity Transfer Agreement" signed between the Company and Dalian Port Corporation on 30 October 2012, the Company was granted an option by Dalian Port Corporation to repurchase the equity interest of DPPC on the same pricing basis as the aforementioned acquisition in the event that DPPC will turn around in the future. As of 31 December 2018 and 2019, the net assets of DPPC were RMB-497,380,100 and RMB-419,037,900, respectively, with the undistributed profits of RMB-1,033,888,500 and RMB-955,927,200, respectively.

Based on the above, the DPPC's issues on peer competition have been waived at the general meeting of the Company, the connected shareholders have abstained themselves from voting at the general meeting, while the independent directors of Dalian Port have all voted for the connected transaction and expressed their independent opinions in agreement. Meanwhile, according to the Equity Transfer Agreement, the Company has an option to safeguard the interests of the minority shareholders of Dalian Port through repurchase in the event that DPPC turns around.

(5) With regard to other competing businesses, the proportion of the business income of each entity with peer competition in 2019 to the sum of the main business income of the Company and the Target Company (calculated on the basis of the sum of the main business income presented in their respective 2019 audit reports, and accurate data shall be based on the data of the pro forma consolidated statement of the Possible Merger is as follows:

No.	Name of company	Competing businesses	Revenue from competing businesses in 2019 *(RMB ten thousand)*	The proportion of competing businesses to the sum of the main business of the Company and the Target Company
1	Second Branch of Yingkou Port Group Co., Ltd.	Coal loading and unloading and warehousing	37,220.38	3.38%
2	Fifth Branch of Yingkou Port Group Co., Ltd.	Loading and unloading, warehousing and transportation and transfer, etc. of crude oil, fuel oil, refined oil and liquid chemical products	9,616.25	0.87%

No.	Name of company	Competing businesses	Revenue from competing businesses in 2019 *(RMB ten thousand)*	The proportion of competing businesses to the sum of the main business of the Company and the Target Company
3	Container Branch of Panjin Port Group Co., Ltd.	Loading and unloading, stacking and disassembly of containers and simple processing of packaging within the port	8,304.11	0.75%
4	First Branch of Panjin Port Group Co., Ltd.	Loading and unloading and warehousing of bulk and general cargo (petroleum coke, metal ore, steel, mining and construction materials, grain, fertilizer, industrial salt, etc.)	60,848.59	5.53%
5	Second Branch of Panjin Port Group Co., Ltd.	Loading and unloading, warehousing and transportation, transfer, etc. of oil products (gasoline, diesel fuel, fuel oil, crude oil and asphalt)	22,501.43	2.05%

No.	Name of company	Competing businesses	Revenue from competing businesses in 2019 *(RMB ten thousand)*	The proportion of competing businesses to the sum of the main business of the Company and the Target Company
6	First Branch of Suizhong Port Group Co., Ltd.	Loading and unloading and warehousing of bulk and general cargo (mining and construction materials and grain)	11,896.36	1.08%
7	Yingkou Port Fairy Island Pier Co., Ltd.	Crude oil loading and unloading and warehousing	65,069.24	5.91%

Note: Except for Yingkou Port Fairy Island Pier Co., Ltd., the financial data of other entities are unaudited.

Each of the aforementioned competing businesses accounted for a relatively small proportion of the sum of main businesses of the Company and the Target Company, and there is no material adverse impact on the Enlarged Group upon the completion of the Possible Merger.

(6) There is no actual peer competition between the berths under construction of Liaoning Port Group and the Enlarged Group after the Possible Merger, the Company. However, the berths may lead to peer competition after construction is completed and operation begins, and there is potential peer competition.

2. Undertakings have been made by related parties to avoid and resolve peer competition

Upon the completion of the Possible Merger, there will still be issues arising from the peer competition between the other enterprises controlled by Liaoning Port Group operating some of their port businesses in Liaoning and the Company, the Enlarged Group upon Merger, and with respect to resolving the aforementioned issues, on 13 January 2018, Liaoning Port Group made the following undertakings in the "Acquisition Report" for the avoidance of peer competition.

"1. For the peer competition (if any) between Gang Hang Development and the Company arising from the transfer, Gang Hang Development will, in accordance with the requirements of the relevant securities regulatory authorities, subject to the applicable laws, regulations and relevant regulatory rules, and in the interest of the development of listed companies and the principle of safeguarding the interests of shareholders, especially those of minority shareholders, steadily promote the integration of relevant businesses to tackle the issues arising from peer competition before the end of 2022.

2. The Company and other subsidiaries controlled by the Company guarantee that they will strictly comply with the laws, regulations, regulatory documents and the provisions of the internal management system of the Company, such as the "Articles of Association of the Company and will not seek improper benefits by virtue of its position as de facto controller, or harm the legitimate interests of the Company and other shareholders.

3. The undertakings above shall remain in effect for so long as Gang Hang Development has control over the Company. If any loss is caused to the Company as a result of the failure of Gang Hang Development to fulfill the undertakings above, Gang Hang Development will be liable for the corresponding compensation."

China Merchants Group, as the de facto controller of the Company and Liaoning Port Group, has made the following continuous undertakings for the avoidance of peer competition:

"1. With regard to matters on the peer competition between Liaoning Port Group and the Company, China Merchants Group will, in accordance with the relevant regulations and the requirements of the relevant securities regulatory authorities, subject to applicable laws and regulations, regulatory documents and relevant regulatory rules and under the premise that the profitability of the relevant business meets the basic revenue requirements of the Company, and in the interest of the development of the Company and the principle of safeguarding the interests of shareholders, especially those of minority shareholders, try its best to steadily solve the issues arising from peer competition through a variety of measures, including but not limited to asset restructuring, business adjustment and entrustment management before the end of 2022.

The aforementioned measures include but are not limited to:

(1) Asset restructuring: to gradually restructure part of the assets with overlapping business of the Liaoning Port Group and the Company by means of cash consideration or issuance of shares and other methods permitted by relevant laws and regulations for purchasing assets and replacement of assets, or other feasible restructuring methods, so as to eliminate the overlapping business;

(2) Business adjustment: to sort out the business boundaries between Liaoning Port Group and the Company and to achieve a differentiated operation between them with no efforts spared, thereby differentiating the business in terms of

business composition, product types and customer groups through different methods such as business division and one party acquiring the competing business of the other party;

(3) Entrustment management: by signing entrustment agreement, one party shall fully entrust the decision-making right and management right involved in the operation of the relevant assets with overlapping business to the other party for unified management; and

(4) Other feasible measures to the extent permitted by laws, regulations and relevant policies.

The implementation of the aforementioned measures shall be conditional upon the fulfillment of the necessary procedures for consideration by listed companies, as well as the procedures for approval and filing by securities regulatory authorities and other relevant authorities in accordance with applicable laws and regulations, regulatory documents and relevant regulatory rules.

2. China Merchants Group will continue to treat the companies controlled by China Merchants Group fairly in accordance with the economic laws of the industry and the rules of market competition. It will not procure the companies controlled by China Merchants Group to make arrangements or decisions that are contrary to the economic laws and the rules of market competition by virtue of its position as de facto controller, and will carry out businesses according to their core competitive advantages formed by their own operating conditions and regional characteristics.

3. China Merchants Group and other companies controlled by China Merchants Group guarantee that they will strictly comply with the laws and regulations, regulatory documents and relevant administrative rules as well as the provisions of the internal management system of the Company, such as the "Articles of Association of the Company, and will not seek improper benefits by virtue of its position as de facto controller, or harm legitimate rights or interests of the Company and other shareholders.

4. The undertakings above shall remain in effect for so long as China Merchants Group has control over the Company. If any loss is caused to the Company as a result of the failure by China Merchants Group to fulfill the undertakings above, China Merchants Group will be liable for the corresponding compensation."

To sum up, the Possible Merger will not lead to a new peer competition in the Company, the Enlarged Group. In view of the peer competition and the potential peer competition that still exists upon the completion of the Possible Merger, some of the competing businesses have been solved by asset leasing or the method exempted by the general meeting. The income from other competing businesses accounted for a relatively small proportion of the sum of main business income of the Company and the Target Company. Meanwhile, Liaoning Port Group and China Merchants Group have come up with clear and feasible solutions for the matters arising from peer competition upon the Possible Merger, and on the basis of fulfilling the undertakings of all parties, such matters will not have a significant adverse impact on the Company, the Enlarged Group.

III. ADDITIONAL DISCLOSURES

The relevant contents above have been additionally disclosed in "(IV) Impact of the Possible Merger on the Peer Competition of the Enlarged Group upon Merger" in "V. IMPACT OF THE POSSIBLE MERGER ON THE ENLARGED GROUP UPON MERGER" under "NOTICE ON SIGNIFICANT EVENTS" and "(IV) Impact of the Possible Merger on the Peer Competition of the Enlarged Group upon Merger" in "VIII. IMPACT OF THE POSSIBLE MERGER ON THE ENLARGED GROUP UPON MERGER" under "CHAPTER I. OVERVIEW OF THE POSSIBLE MERGER" in the revised proposal.

IV. Verification Opinions from Intermediary Agencies

Upon verification, the independent financial advisor, CICC, and financial advisor, China Merchants Securities, of the Company are of view that: the Possible Merger is a measure to fulfill the undertakings made by Liaoning Port Group and China Merchants Group in 2018 and 2019 respectively to resolve the peer competition in the Company, and such competition between the Company and the Target Company will be resolved through the Possible Merger. In addition, the Possible Merger will not lead to a new peer competition in the Company, the Enlarged Group. In view of the peer competition and the potential peer competition that still exists upon the completion of the Possible Merger, some of the competing businesses have been solved by asset leasing or the method exempted by the general meeting. The income from other competing businesses accounted for a relatively small proportion of the sum of main business income of the Company and the Target Company. Meanwhile, Liaoning Port Group and China Merchants Group have come up with clear and feasible solutions for the matters arising from peer competition upon the Possible Merger, and on the basis of fulfilling the undertakings of all parties, such matters will not have a significant adverse impact on the Company, the Enlarged Group.

The announcement is hereby given.

The board of directors of the Company
28 July 2020