Dalian Port (PDA) Company Limited*

大連港股份有限公司

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

(Stock Code: 2880)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "**Board**") of Dalian Port (PDA) Company Limited* (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (the Company and its subsidiaries, collectively referred as the "**Group**") prepared pursuant to China Accounting Standards for Business Enterprises for the year ended 31 December 2019. The Group's financial results for the reporting period have been audited by Ernst & Young (special general partnership).

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)

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

LIABILITIES AND SHAREHOLDERS' EQUITY	**31 December 2019 Consolidated**	31 December 2018 Consolidated
Current liabilities		
Short-term borrowings	**497,660,595.83**	3,404,071,430.31
Financial liabilities at fair value through profit or loss	**–**	–
Notes payable	**–**	–
Accounts payable	**189,817,515.63**	224,442,511.34
Advances from customers	**7,070,884.59**	6,153,114.57
Contractual liabilities	**34,297,750.03**	45,783,239.08
Employee benefits payable	**240,218,522.22**	260,854,026.38
Taxes payable	**96,991,071.20**	54,113,243.93
Other payables	**910,581,896.50**	740,764,133.44
Non-current liabilities due within one year	**400,779,150.69**	965,808,339.33
Total current liabilities	**2,377,417,386.69**	5,701,990,038.38

LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2019 Consolidated	31 December 2018 Consolidated
Non-current liabilities		
Long-term borrowings	**1,508,698,814.40**	2,052,026,017.12
Bonds payable	**5,884,379,767.90**	5,873,223,359.39
Lease liabilities	**3,132,442,496.82**	–
Long-term payables	**32,500,000.00**	40,000,000.00
Deferred income	**549,490,699.73**	587,760,573.96
Deferred tax liabilities	**113,385,648.38**	111,725,442.87
Other non-current liabilities	**95,544,136.00**	88,541,797.00
Total non-current liabilities	**11,316,441,563.23**	8,753,277,190.34
Total liabilities	**13,693,858,949.92**	14,455,267,228.72
Shareholders' equity		
Share capital	**12,894,535,999.00**	12,894,535,999.00
Capital surplus	**2,938,747,542.52**	2,935,193,506.32
Other comprehensive income	**70,943,358.93**	5,924,000.77
Specific reserve	**38,503,545.54**	32,179,588.47
Surplus reserve	**896,529,171.28**	823,997,607.17
Undistributed profits	**1,930,530,105.98**	1,584,535,562.22
Total equity attributable to shareholders of the parent company	**18,769,789,723.25**	18,276,366,263.95
Minority interests	**2,634,625,867.48**	2,583,949,680.22
Total shareholders' equity	**21,404,415,590.73**	20,860,315,944.17
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**35,098,274,540.65**	35,315,583,172.89

CONSOLIDATED INCOME STATEMENT 2019
(All amounts in RMB Yuan unless otherwise stated)

Item	For 12 months ended 31 December 2019 Consolidated	For 12 months ended 31 December 2018 Consolidated
I. Revenue	**6,645,907,276.19**	6,754,444,902.38
Less: Cost of sales	**4,654,940,360.28**	5,141,735,182.50
Taxes and surcharges	**58,424,293.22**	55,163,579.61
Selling and distribution expenses	**266,329.03**	677,390.25
General and administrative expenses	**658,917,252.38**	690,284,666.90
Research and development expenses	**14,842,826.17**	11,724,226.88
Financial expenses	**580,891,348.90**	288,306,943.32
Including: Interest expenses	**668,088,597.18**	596,102,239.30
Interest income	**62,587,427.37**	128,417,485.76
Asset impairment losses	**–**	–
Add: Other income	**106,352,640.53**	85,358,984.79
Investment income	**365,068,663.83**	280,500,274.39
Including: Investment income from associates and joint ventures	**309,660,253.74**	250,423,644.20
Gains on changes in fair value	**(930,957.50)**	4,435,068.00
Credit impairment loss	**(15,740,841.83)**	(77,901,590.39)
Losses on disposals of assets	**4,115,594.45**	450,029.12
II. Operating profit	**1,136,489,965.69**	859,395,678.83
Add: Non-operating income	**45,618,617.77**	21,494,785.64
Less: Non-operating expenses	**19,935,349.98**	5,410,743.16
III. Total profit	**1,162,173,233.48**	875,479,721.31
Less: Income tax expenses	**267,241,328.40**	193,498,370.29
IV. Net profit	**894,931,905.08**	681,981,351.02
Including: Net profit from continuing operations	**894,931,905.08**	681,981,351.02
Classified by ownership of the equity		
Net profit attributable to shareholders of the parent company	**718,230,462.31**	523,315,600.09
Gains or losses of minority interest	**176,701,442.77**	158,665,750.93

Item	**For 12 months ended 31 December 2019 Consolidated**	For 12 months ended 31 December 2018 Consolidated
V. Earnings per share		
Basic earnings per share (RMB/yuan)	**0.06**	0.04
Diluted earnings per share (RMB/yuan)	**0.06**	0.04
VI. Other comprehensive income after tax – Net		
Attributable to shareholders of the parent company, net of tax	**23,803,781.53**	(874,034.80)
Other comprehensive income that will not be subsequently reclassified to profit or loss	**24,701,371.63**	(10,409,767.71)
Changes in fair value of other investments in equity instruments	**24,701,371.63**	(10,409,767.71)
Other comprehensive income that will be subsequently reclassified to profit or loss	**(897,590.10)**	9,535,732.91
Other comprehensive income convertible to profit or loss under equity method	**–**	–
Changes in fair value of available-for-sale financial assets	**–**	–
Translation differences on translation of foreign currency financial statements	**(897,590.10)**	9,535,732.91
Attributable to minority interest, net of tax	**131,112.53**	(232,741.00)
VII. Total comprehensive income	**918,866,799.14**	680,874,575.22
Including: Attributable to shareholders of the parent company	**742,034,243.84**	522,441,565.29
Attributable to minority interest	**176,832,555.30**	158,433,009.93

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)

I. GENERAL INFORMATION

Dalian Port (PDA) Company Limited (hereinafter referred to as the "Company") is a joint stock limited liability company incorporated in Liaoning Province, the People's Republic of China. It was approved by Dazheng [2005] No. 153 of the People's Government of Dalian City, Liaoning Province, and was jointly established by Dalian Port Corporation Limited (the "PDA Group"), Dalian Rongda Investment Co., Ltd., Dalian Haitai Holdings Co., Ltd., Dalian Detai Holdings Co., Ltd. and Bonded Zhengtong Co., Ltd. on 16 November 2005. The Company has been approved by the Administration for Industry and Commerce of Dalian City, Liaoning Province, with the enterprise unified social credit code: 91210200782451606Q. The H shares and RMB ordinary shares (A-share) issued by the Company were listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange on 28 April 2006 and 6 December 2010, respectively. The Company is headquartered in Xingang Commercial Building, Dayao Bay, Dalian Free Trade Zone, Liaoning Province.

The principal activities of the Company and its subsidiaries (hereinafter referred to as the "Group") include the provision of terminal business and logistics services such as international and domestic cargo loading and discharging, transportation, transshipment, storage and etc.; providing facilities and services for passenger waiting, embarking and disembarking; tallying and tugging services for vessels sailing on international and domestic lines; port logistics and port information technology consultation services; engaged in crude oil storage in port area (operating with the permit); refined oil products storage (restricted to those applying for bonded qualification and those at port storage facilities); import and export of goods and technology (excluding distribution of imported goods and articles prohibited by relevant laws and regulations; import and export of articles restricted by laws and regulations may only conduct with the grant of license) (with capital contribution from foreign party of less than 25%).

The parent company and ultimate parent company of the Group is Dalian Port Corporation Limited and China Merchants Group Limited, both of which were established in the PRC.

These financial statements were approved by the Company's Board of Directors on 26 March 2020.

The scope of consolidation of the consolidated financial statements is determined on the basis of control. In 2019, there is no changes excludes Dalian Dilangsirui Automobile Leasing Co., Ltd., a subsidiary of the Group, has cancelled.

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the "Accounting Standards for Business Enterprises – Basic Standards" and the specific accounting standards, application guidelines, explanations and other relevant regulations issued by the Ministry of Finance and revised thereafter (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises" or "CAS").

These financial statements are presented on a going concern basis.

When preparing these financial statements, except for certain financial instruments, the historical cost is used as the pricing principle. If the asset is impaired, the corresponding impairment provision is made in accordance with relevant regulations.

III. TAXES

1. Major categories of taxes and respective tax rates

Value-added tax (VAT) — Prior to 1 April 2019, the Group's revenue from port operations, sales of goods, entrusted loans, building & construction, property leasing, labour dispatch and steam, water and natural gas provision businesses are subject to output VAT at a tax rate of 6%, 16%, 6%, 11%, 5%, 6% and 11%, respectively, which is levied after deducting deductible input VAT for the current period. After 1 April 2019, the abovementioned revenues are subject to output VAT at a tax rate of 6%, 13%, 6%, 10%, 5%, 6% and 10%, respectively, which is levied after deducting deductible input VAT for the current period.

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

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

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

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

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

2. Tax preference

Land use tax

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

According to the Tentative Regulations of the People's Republic of China of Urban Land Use Tax, the land reclaimed from hill excavating and offshore filling and the reclaimed waste land will be exempted from land use tax for 5 to 10 years starting from the month of use. Accordingly, the lands reclaimed from hill excavating and offshore filling held by the Group are exempted from land use tax.

According to the Tentative Regulations of the People's Republic of China of Urban Land Use Tax and the Circular of the Ministry of Finance and of State Taxation Administration on Continuing to Implement Tax Preferential Policies for the Urban Land Use Tax Imposed on the Land for Bulk Commodity Storage Facilities of Logistics Enterprises(Cai Shui [2017] No. 33), from 1 January 2017 to 31 December 2019, the urban land use tax on the land for bulk commodity storage facilities owned by the logistics enterprises (including for self use and lease purpose) shall be calculated based on 50% of the applicable tax for the relevant grade of the land. Accordingly, the land use tax on the land for bulk commodity storage facilities held by the Group is calculated at half of the relevant tax rate.

VAT

According to the "Notice on Policies Related to Deepening Value-Added Tax Reform" issued by the Ministry of Finance, State Administration of Taxation and General Administration of Customs (No. 39 Notice of the Ministry of Finance, State Administration of Taxation and General Administration of Customs in 2019), the Group shall, from 1 April 2019 to 31 December 2021, deduct additional 10% of current deductible input tax from VAT payable.

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

Corporate income tax

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

Dalian Port Logistics Technology Co., Ltd., a subsidiary of the Group, has obtained on 21 September 2015 the Certificate of the High and New Technological Enterprise (No. GR201521200005) issued by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax and Dalian Municipal Bureau of Local Taxation, and the term of validity is three years. In September 2018, with the approval of Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax, the expiry time of the Certificate of the High and New Technological Enterprise granted to Dalian Port Logistics Technology Co., Ltd. was postponed to 15 November 2021.

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

IV. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Financial assets held for trading

Financial assets at fair value through profit or loss	**31 December 2019**	31 December 2018
Debt instrument investments *(Note 1)*	**303,229,643.83**	1,887,883,698.64
Equity instrument investments *(Note 2)*	**1,721,550.00**	4,636,347.50
Total	**304,951,193.83**	1,892,520,046.14

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

Note 2: Equity instrument investments represent stocks of A-share listed companies. The fair value is determined at the closing price of the Shanghai Stock Exchange and Shenzhen Stock Exchange on the last trading day.

2. Notes receivable

	31 December 2019	31 December 2018
Trade acceptance notes	**–**	–
Bank acceptance notes	**248,851,749.33**	289,238,760.63
Total	**248,851,749.33**	289,238,760.63

As at the balance sheet date, notes receivable which were endorsed or discounted but not yet matured were as follows:

	31 December 2019		31 December 2018	
	Derecognised	**Not derecognised**	Derecognised	Not derecognised
Bank acceptance notes	**26,504,560.53**	**7,568,413.36**	48,602,332.58	7,073,910.19

As at 31 December 2019, there were no notes receivable pledged (31 December 2018: Nil).

As at 31 December 2019, there were no discounted notes or notes that were recognised as accounts receivable due to issuers' failure in performance (31 December 2018: Nil).

3. Accounts receivable

The credit terms of accounts receivable are usually 3 months. Accounts receivable are interest-free.

An ageing analysis of accounts receivable based on the recording date is as follows:

	31 December 2019	31 December 2018
Within 1 year	**1,186,574,172.87**	629,892,263.91
1 to 2 years	**137,145,331.46**	15,720,843.27
2 to 3 years	**7,392,745.38**	8,854,591.08
Over 3 years	**68,664,078.61**	64,031,972.60
Subtotal	**1,399,776,328.32**	718,499,670.86
Less: Provision for bad debts on accounts receivable	**77,003,761.77**	60,304,951.81
Total	**1,322,772,566.55**	658,194,719.05

Movements in the provision for bad debts of accounts receivable are as follows:

	Balance as at the beginning of the period/year	Provision for the period/year	Reversal during the period/year	Disposal of subsidiaries during the period/year	Write-off during the period/year	Balance as at the end of the period/year
2019	**60,304,951.81**	**16,698,809.96**	**–**	**–**	**–**	**77,003,761.77**
2018	46,720,189.36	39,010,791.98	–	(25,426,029.53)	–	60,304,951.81

	31 December 2019			
	Closing balance		Provision for bad debts	
	Amount	Percentage(%)	Amount	Percentage(%)
Provision for bad debts on an individual basis	–	–	–	–
Provision for bad debts on group basis by credit risk characteristics	1,399,776,328.32	100.00	77,003,761.77	5.50
Total	1,399,776,328.32	100.00	77,003,761.77	5.50

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

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

In 2019, the provision for bad debts was RMB16,698,809.96 (2018: RMB39,010,791.98), and received or reversed bad debts was nil (2018: Nil).

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

	Balance	Provision for bad debts	% of total accounts receivable
Total balances of top five accounts receivable	936,630,641.31	49,914,045.96	66.91

4. Other receivables

Item	**31 December 2019**	31 December 2018
Interest receivable		
Interest of entrusted loans	**3,425,024.59**	–
Dividends receivable		
Dalian Port Yidu Cold Chain Co., Ltd.	**92,189,824.35**	95,289,824.35
Dalian Jilong Logistics Co., Ltd.	**22,507,539.23**	22,507,539.23
Jinzhou New Age Container Terminal Co., Ltd.	**8,149,773.00**	7,760,250.43
Dalian Singamas International Container Co., Ltd.	**8,911,730.60**	7,614,047.00
Taicang Xinggang Tug Co., Ltd.	**–**	6,428,565.00
Dalian Automobile Terminal Co., Ltd.	**6,400,000.00**	4,800,000.00
Dalian Shunde Jifa Supply Chain Management Co., Ltd.	**–**	1,200,000.00
Dalian Wanpeng Port Engineering Testing Co., Ltd.	**640,000.00**	400,000.00
Dalian Dagang China Shipping Container Terminal Co., Ltd.	**1,382,375.33**	–
Dalian Port Design & Research Institute Co., Ltd.	**580,000.00**	–
Dalian New Silk Road International Logistics Co., Ltd.	**560,000.00**	–
Dalian United International Shipping Agency Co., Ltd.	**2,000,000.00**	–
China United Tally (Dalian) Co., Ltd.	**415,597.59**	–
Dalian Port Group Finance Co., Ltd.	**153,604,658.42**	–
Other receivables		
Receivables from agency purchase	**194,460,417.91**	235,008,103.00
Receivables from income of entrusted management services	**76,324,199.59**	78,527,307.21
Receivables from project payment and guarantee deposit	**53,245,335.49**	46,076,197.79
Entrusted loans	**49,530,570.84**	39,024,022.72
Port construction and miscellaneous expenses	**26,559,385.30**	37,533,375.40
Receivables from freights, deposit and security deposit	**26,265,259.77**	30,009,601.58
Government subsidies receivable	**47,293,451.37**	32,409,706.59
Public infrastructure maintenance expenses	**5,935,683.83**	6,026,376.24
Others	**34,754,371.84**	30,731,458.34
Subtotal	**815,135,199.05**	681,346,374.88
Less: Provision for bad debts	**58,301,069.66**	46,871,637.79
Total	**756,834,129.39**	634,474,737.09

The management of the Group was of the opinion that impairment provision for interests receivable and dividends receivable as at the balance sheet date was not necessary.

The ageing analysis of other receivables is as follows:

	31 December 2019	31 December 2018
Within 1 year	**346,839,983.85**	407,819,856.33
1 to 2 years	**123,835,736.93**	98,901,254.04
2 to 3 years	**20,770,756.68**	12,198,876.97
Over 3 years	**22,922,198.48**	16,426,161.53
Subtotal	**514,368,675.94**	535,346,148.87
Less: Provision for bad debts of other receivables	**58,301,069.66**	46,871,637.79
Total	**456,067,606.28**	488,474,511.08

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

	First stage	**Second stage**	**Third stage**	**Total**
	Expected credit loss over the next 12 months	**Expected credit loss for the entire duration**	**Financial assets with credit impairment (expected credit loss for the entire duration)**	
Opening balance	24,067,877.23	8,856,853.74	13,946,906.82	46,871,637.79
Opening balance for the year				
– Transfers to stage 2	(10,885,018.58)	10,885,018.58	–	–
– Transfers to stage 3	(669,232.72)	–	669,232.72	–
Provision for the year	–	12,944,642.77	10,855,263.16	23,799,905.93
Reversal for the year	(12,370,474.06)	–	–	(12,370,474.06)
Closing balance	143,151.87	32,686,515.09	25,471,402.70	58,301,069.66

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

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

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

	Balance	**Provision for bad debts**	**% of total other receivables**
Total balances of top five other receivables	334,109,978.91	26,676,110.63	64.96

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

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

5. Inventories

Item	Closing balance			Opening balance		
	Book balance	**Provision for impairment of inventories**	**Carrying amount**	Book balance	Provision for impairment of inventories	Carrying amount
Raw materials	**67,645,732.91**	**7,803,794.80**	**59,841,938.11**	87,663,016.37	7,803,794.80	79,859,221.57
Finished goods	**36,753,425.79**	**–**	**36,753,425.79**	60,916,714.52	–	60,916,714.52
Turnover materials	**8,470,223.04**	**–**	**8,470,223.04**	8,712,395.31	–	8,712,395.31
Total	**112,869,381.74**	**7,803,794.80**	**105,065,586.94**	157,292,126.20	7,803,794.80	149,488,331.40

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

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

Item	Opening balance	Increase in the current period		Decrease in the current period		**Closing balance**
		Provision	Ohers	Reversal or write-off	Disposal of subsidiaries	
Raw materials	7,803,794.80	–	–	–	–	**7,803,794.80**
Total	7,803,794.80	–	–	–	–	**7,803,794.80**

6. Investments in other equity instruments

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

7. Accounts payable

Item	31 December 2019	31 December 2018
Vessel leasing and ocean freight	**77,398,031.78**	66,750,317.05
Purchase of goods	**6,968,059.69**	6,482,312.42
Purchase of auxiliary materials	**105,451,424.16**	151,209,881.87
Total	**189,817,515.63**	224,442,511.34

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

The aging of accounts payable based on the recording date is analysed as follows:

Item	31 December 2019	31 December 2018
Within 1 year	**168,579,375.94**	211,557,703.99
1 to 2 years	**11,362,810.29**	4,055,467.41
2 to 3 years	**3,145,657.50**	6,090,455.65
Over 3 years	**6,729,671.90**	2,738,884.29
Total	**189,817,515.63**	224,442,511.34

As at 31 December 2019, major accounts payable with aging over one year are as follows:

	Amounts payable	Reason for outstanding amounts
Purchase of goods	5,453,670.86	Unsettled
Purchase of auxiliary materials	13,133,870.53	Unsettled
Total	18,587,541.39	

8. Contract liabilities

Item	**2019**	2018
Miscellaneous expenses	**11,114,219.32**	8,910,485.64
All-in charges for cargo handling within one year	**8,850,000.00**	16,875,000.00
Advance deposits for fares	**107.66**	7,825,140.37
Freight	**6,631,684.70**	414,887.10
Others	**7,701,738.35**	11,757,725.97
	34,297,750.03	45,783,239.08

9. Other payables

Item	**31 December 2019**	31 December 2018
Interest payable		
Interest of short-term borrowings	**–**	–
Interest of bonds	**–**	–
Interest of long-term borrowings with instalment payments and principal due upon maturity	**1,003,902.03**	–
Dividends payable		
Singapore Dalian Port Investment Pte. Ltd.	**134,380,881.40**	107,025,432.70
China Shipping Terminal Development Co., Ltd.	**24,688,807.01**	32,060,365.06
Nippon Yusen Kabushiki Kaisha	**35,404,193.75**	30,275,340.05
COSCO Ports (Dalian) Limited	**22,482,955.16**	19,225,945.87
China Shipping Port Development Co., Ltd.	**18,916,693.30**	16,176,313.07
Dalian Bonded Zhengtong Company Limited	**5,779,554.22**	5,779,554.22
NYK Bulk & Projects Carriers Ltd.	**–**	1,285,945.46
PSA China Pte Ltd	**–**	7,888,266.76
Minority shareholders of subsidiaries	**–**	653,522.68
Other payables		
Insurance claims	**2,074,165.31**	2,278,443.92
Port construction and security expenses	**34,539,492.24**	32,269,105.00
Project expenses and guarantee deposit	**305,199,654.88**	312,380,425.06
Land compensation	**35,070,000.00**	35,070,000.00
Borrowings from related parties	**163,679,156.00**	–
Deposit and security deposit	**22,335,161.23**	37,626,809.96
Freight	**29,565,710.74**	29,453,362.07
Others	**75,461,569.23**	71,315,301.56
Total	**910,581,896.50**	740,764,133.44

As at 31 December 2019, major other payables with aging over one year of the Group are as follows:

Item	Amount	Reasons for outstanding amounts
Project expenses payable and guarantee deposit	91,146,579.21	Unsettled
Security expenses payable to the Bureau of Port	18,637,788.20	Unsettled
Land compensation	35,070,000.00	Unsettled
Total	144,854,367.41	

10. Revenue and cost of sales

Revenue of sales is as follows:

Item	**For the 12 months ended 31 December 2019**	For the 12 months ended 31 December 2018
Revenue from principal operations	**6,368,605,011.51**	6,440,045,307.27
Revenue from other operations	**277,302,264.68**	314,399,595.11
Total	**6,645,907,276.19**	6,754,444,902.38

Cost of sales is as follows:

Item	**For the 12 months ended 31 December 2019**	For the 12 months ended 31 December 2018
Cost of principal operations	**4,412,174,637.33**	4,892,967,432.46
Cost of other operations	**242,765,722.95**	248,767,750.04
Total	**4,654,940,360.28**	5,141,735,182.50

Revenue of sales is as follows:

	2019	2018
Revenue from contracts with customers	**6,531,860,273.93**	6,612,706,441.10
Revenue from leasing services	**114,047,002.26**	141,738,461.28
	6,645,907,276.19	6,754,444,902.38

Breakdown of revenue from contracts with customers：

2019

Reporting segment	**Commodity**	**Labour services or services**	**Others**	**Total**
Major operation area				
Dalian	295,944,581.86	5,916,854,857.70	325,880,107.73	6,538,679,547.29
Others	–	106,528,602.48	699,126.42	107,227,728.90
	295,944,581.86	6,023,383,460.18	326,579,234.15	6,645,907,276.19

The composition of the revenue of 2019 is as follows:

Segment	Commodity	Labour services or services	Others	Total
Container terminal and related logistics services and trading business	102,759,988.26	2,451,754,461.75	116,691,788.67	2,671,206,238.68
Oil/liquefied chemicals terminal and related logistics services and trading business	124,753,564.24	1,444,794,923.33	45,916,855.96	1,615,465,343.53
Bulk and general cargo terminal and logistics services	1,068,576.64	956,625,229.75	22,170,315.32	979,864,121.71
Grains terminal and related logistics services and trading business	13,286,000.00	120,228,349.63	12,955,842.32	146,470,191.95
Passenger and roll-on, roll-off terminal and related logistics services	548,908.50	170,280,719.08	11,472,559.56	182,302,187.14
Port value-added and ancillary services	45,693,305.31	809,992,555.36	98,227,736.64	953,913,597.31
Automobile terminal and related logistics services and trading business	7,834,238.91	12,210,308.33	1,346,470.10	21,391,017.34
Others	–	57,496,912.95	17,797,665.58	75,294,578.53
	295,944,581.86	6,023,383,460.18	326,579,234.15	6,645,907,276.19
Time of revenue recognition Recognised at a certain point of time				
Revenue from sales of goods	29,010,280.58	–	–	29,010,280.58
Revenue from electric supply services	47,118,581.68	–	–	47,118,581.68
Revenue from commodity trading	219,815,719.60	–	–	219,815,719.60
Recognised over a certain period				
Revenue from agency services	–	671,795,203.70	–	671,795,203.70
Revenue from project construction and inspection services	–	113,808,913.69	–	113,808,913.69
Revenue from logistics services	–	970,755,785.78	–	970,755,785.78
Revenue from port handling services	–	3,995,280,973.35	–	3,995,280,973.35
Revenue from port management services	–	144,737,063.40	–	144,737,063.40
Revenue from tallying services	–	61,315,082.53	–	61,315,082.53
Revenue from information services	–	65,690,437.73	–	65,690,437.73
Revenue from others	–	–	212,532,231.89	212,532,231.89
Revenue from leasing services	–	–	114,047,002.26	114,047,002.26
	295,944,581.86	6,023,383,460.18	326,579,234.15	6,645,907,276.19

The income recognized for the year and included in the book value of contract liability at the beginning of the year is as follows:

	2019	2018
Sales of motor vehicles	**–**	25,728.40
Miscellaneous expenses	**7,312,875.83**	3,994,771.99
All-in charges for cargo handling within one year	**7,333,167.00**	9,689,571.00
Advance deposits for fares	**2,543,324.37**	–
Freight	**409,052.10**	5,909,747.73
Others	**6,801,954.27**	18,243,980.83
	24,400,373.57	37,863,799.95

11. Financial expenses

Item	**For the year ended 31 December 2019**	For the year ended 31 December 2018
Interest costs	**675,089,301.81**	640,780,966.26
Less: Amounts capitalised on interest	**(7,000,704.63)**	(44,678,726.96)
Interest expenses	**668,088,597.18**	596,102,239.30
Less: Interest income	**(62,587,427.37)**	(128,417,485.76)
Net exchange losses (net gain is represented by "-")	**(25,823,736.49)**	(181,313,131.35)
Others	**1,213,915.58**	1,935,321.13
Total	**580,891,348.90**	288,306,943.32

12. Credit impaired loss

Item	**For the year ended 31 December 2019**
Impairment losses on bad debts	**(15,740,841.83)**

13. Other income

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

Item	**For the year ended 31 December 2019**	For the year ended 31 December 2018	Related to assets/income
Relocation compensation	**29,562,016.86**	30,836,231.06	Related to assets
Transport junction passenger station project subsidies	**3,412,885.44**	568,814.24	Related to assets
Sea-railway transportation subsidies	**2,191,030.92**	2,191,030.89	Related to assets
Production safety fund	**1,978.56**	1,270,329.76	Related to assets
Energy conservation and emission reduction special fund	**59,527.40**	3,250,821.15	Related to assets
Vessel acquisition subsidies	**–**	776,217.56	Related to assets
Others related to assets	**742,187.60**	513,621.67	Related to assets
Equipment reconstruction subsidies	**541,628.00**	451,449.99	Related to assets
Operation subsidies	**46,319,759.28**	13,442,804.28	Related to assets
VAT input super deduction	**11,983,994.85**	–	Related to assets
Others related to income	**7,158,514.62**	5,892,881.90	Related to assets
Stable position subsidies	**4,186,117.00**	6,949,029.49	Related to assets
Container subsidies	**193,000.00**	13,765,752.80	Related to assets
Foreign trade and economic development special funds	**–**	5,450,000.00	Related to assets
Total	**106,352,640.53**	85,358,984.79	

14. Investment income

Item	**For the year ended 31 December 2019**	For the year ended 31 December 2018
Income from long-term equity investments under equity method	**309,660,253.74**	250,423,644.20
Income from business combination involving enterprises not under common control	**–**	–
Losses from disposal of long-term equity investments	**295.00**	–
Income earned during the holding period of financial assets at fair value through profit or loss	**–**	–
Income earned during the holding period of financial assets held for trading	**103,993.00**	93,422.00
Dividend income from other investments on hand in equity instruments	**9,019,773.00**	8,291,129.78
Income from disposal of financial assets at fair value through profit or loss	**–**	–
Investment income from disposal of financial assets held for trading	**43,452,014.85**	20,492,078.41
Income from wealth management products and entrusted investments	**–**	–
Others	**2,832,334.24**	1,200,000.00
Total	**365,068,663.83**	280,500,274.39

15. Income tax expenses

Item	**For the year ended 31 December 2019**	For the year ended 31 December 2018
Current income tax	**291,751,836.39**	207,343,790.57
Deferred income tax	**(24,510,507.99)**	(13,845,420.28)
Total	**267,241,328.40**	193,498,370.29

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

Item	**For the year ended 31 December 2019**	For the year ended 31 December 2018
Total profit	**1,162,173,233.48**	875,479,721.31
Income tax calculated at applicable tax rates	**290,543,308.37**	218,869,930.33
Effect of different tax rates applicable to certain subsidiaries	**22,176,168.46**	1,497,451.73
Adjustments for current income tax of prior period	**4,648,513.62**	(3,135,563.51)
Income not subject to tax	**(87,060,510.90)**	(70,314,968.82)
Expenses not deductible	**8,342,396.93**	7,880,788.42
Utilisation of deductible losses in previous years	**(1,845,986.29)**	(2,580,067.18)
Effect of unrecognised deductible temporary difference and deductible losses	**30,437,438.21**	41,280,799.32
Income tax expenses	**267,241,328.40**	193,498,370.29

16. Earnings per share

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

Item	For the year ended 31 December 2019	For the year ended 31 December 2018
Consolidated net profit attributable to ordinary shareholders of the parent company	**718,230,462.31**	523,315,600.09
Weighted average number of ordinary shares of the Company outstanding and in issue	**12,894,535,999.00**	12,894,535,999.00
Basic earnings per share	**0.06**	0.04

17. Segment information

Operating segments

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

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

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

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

(4) Bulk grains terminal and related logistics services and trading services, responsible for loading and unloading of grains and provision of related logistics services, bulk grains trading operation;

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of decision making on resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit. The adjusted total profit is measured consistently with the Group's total profit except for certain revenue and expenses attributable to headquarters. Segment assets and liabilities exclude certain assets and liabilities attributable to headquarters as these assets and liabilities are managed by the Group.

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

Inter-segment revenue is eliminated on consolidation. Inter-segment sales and purchases are conducted in accordance with the terms mutually agreed between the parties.

Segment information for the year 2019 is as follows:

Item	Oil/liquefied chemicals terminal and related logistics services and trading business *RMB'000*	Container terminal and related logistics services and trading business *RMB'000*	Bulk and general cargo terminal and logistics services *RMB'000*	Bulk grain terminal and related logistics services and trading business *RMB'000*	Passenger and roll-on/roll -off terminal and logistics services *RMB'000*	Port value-added services and ancillary port operations *RMB'000*	Automobile terminal and related logistics services and trading business *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue from external customers	1,615,465	2,671,206	979,864	146,470	182,302	953,914	21,391	75,295	–	6,645,907
Inter-segment revenue	969	6,010	1,030	283	139	180,605	–	10,059	(199,095)	–
Cost of sales	988,986	1,916,663	712,377	160,133	135,942	630,728	25,194	84,917	–	4,654,940
Investment income from associates and joint ventures	181,429	18,066	20,244	(614)	3,311	75,417	11,807	–	–	309,660
Credit impairment loss	(1,327)	(4,582)	18,651	(12,447)	(407)	5,923	(7)	9,937	–	15,741
Depreciation and amortisation	265,665	395,461	194,625	61,925	43,305	69,860	8,402	55,427	–	1,094,670
Total profit/(loss)	685,741	540,032	145,925	(36,359)	18,105	244,911	(7,137)	(429,045)	–	1,162,173
Income tax expenses	147,922	134,909	26,870	(7,348)	4,011	35,750	(119)	(74,754)	–	267,241
Net profit/(loss)	537,819	405,123	119,055	(29,011)	14,094	209,161	(7,018)	(354,291)	–	894,932
Total assets	8,371,916	10,491,182	4,166,970	1,305,081	1,556,556	2,996,122	921,735	6,915,948	(1,627,235)	35,098,275
Total liabilities	2,529,291	4,729,836	649,756	201,772	45,055	435,526	34,884	6,694,974	(1,627,235)	13,693,859
Long-term equity investments in associates and joint-ventures	1,641,200	718,375	153,771	37,318	339,723	913,350	342,718	–	–	4,146,455
Increase in non-current assets	84,121	122,716	27,154	15,560	9,969	14,077	36,966	82,874	–	393,437

OPERATING DISCUSSION AND ANALYSIS

SUMMARY

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.

The Group is the most convenient seaport gateway from Northeast Asia across the Pacific Ocean and the rest of the world, having a comprehensive transportation network and is one of China's major sea-railway intermodal transport and sea transshipment ports. During the reporting period, the Group principally engaged in the following core businesses under the following business models: oil/liquefied chemical terminal and the related logistics services (Oil Segment); container terminal and related logistics services (Container Segment); automobile terminal and related logistics services (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 2019, background information on the macro-economy and industries relevant to the Group's principal business is set out as follows:

In 2019, the world economy was lack of robust driving forces, and the growth of certain emerging economies has stalled. From a domestic perspective, affected by the factors including the tightening international trade, the weakening global economic growth and insufficiency of domestic demand, the domestic economic growth has slowed down. However, the basic trend of steady and long-term improvement of the economy in China remained unchanged. China proactively aligned its economy with the new normality, adhered to the overall direction of making progress while maintaining stability, placed emphasis on pushing forward supply side structural reforms, and promoted the continual transformation and upgrading of the port industry.

At present, the Group's development is at a leading position in the industry. In 2019, the Group ranked eighth in terms of coastal port cargo throughput nationwide. (Source from "Chinese port Website")

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 financial 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 sales	**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)
Finance costs	**580,891,348.90**	288,306,943.32	101.5
Credit impairment loss	**15,740,841.83**	77,901,590.39	(79.8)
Other revenue	**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	59.7
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 sales decreased by RMB486,794,822.22 or 9.5% year-on-year, mainly due to the year-on-year decrease of 72.7% in costs of trading business. Excluding the effect of trading business, cost of sales would have increased by 1.5% year-on-year, mainly due to the increase of tank rental costs resulting from the growth of crude oil storage business, the increase of repair costs arising from regular equipment maintenance, as well as the increase of transportation costs as a result of increased volume of container transit business. However, the implementation of the new accounting standards on leases had caused a reduction in total operating costs.

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

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

In 2019, the Group's general and 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 financial expenses 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 financial expenses due to the implementation of new accounting standards on leases.

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 RMB 1.42 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 a fixed rate borrowings). The gearing ratio was 39.02% (the total liabilities amounted to 13,693,858,949.92/the total assets amounted to 35,098,274,540.65), 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.

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 a fixed rate borrowings), in which RMB827,677,202.72 were borrowings repayable within one year, and RMB7,393,078,582.30 were borrowings repayable after one year.

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

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

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

The Group continued to closely monitor its interest rate risk and exchange rate risk. As of 31 December 2019, the Group has not entered into any foreign exchange hedging contracts. Please refer to the financial report to be disclosed for further details about the interest rate and foreign exchange risks.

CONTINGENT LIABILITIES

The Company's associate, Dalian North Oil Petroleum Logistics Co., Ltd. ("DNPL"), financed RMB116 million by means of 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.

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 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: 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 m3 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 m3 in the Xingang resort area	550,000,000.00	550,000,000.00	–
Construction of phase II of the Shatuozi oil storage tanks project in the Xingang Shatuozi area	29,600,000.00	29,600,000.00	–
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.

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.

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 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 *(‘0,000 TEUs)*	2018 *(‘0,000 TEUs)*	**Increase/** (Decrease)
Foreign trade	Dalian port	**543.2**	540.1	0.6%
	Other ports *(Note 1)*	**5.9**	11.9	(50.4%)
	Sub-total	**549.1**	552.0	(0.5%)
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 points
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 such as "One Belt and One Road" and the building of China-Japan-RoK Free Trade Zone, 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 reduce 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 Terminal 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 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 26.7%. 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 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:

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

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

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.

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

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.

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, the application of the New Accounting Standards on Leases has not had a significant impact on other aspects of the Group.

ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

In 2019, the Group's priorities were to improve the quality and efficiency, place emphasis on innovation and seek collaboration for extending the scope of service and expanding service functionality, allowing the Group to achieve stable growth in production and business operations as well as to maintain strong competitiveness in the port industry.

1. Advantages in terms of logistics system

In 2019, the Group established the full logistics system by making use of the advantages in terms of strategic locations and ports and deepening its cooperation with major customers. The construction of logistics system such as the transshipment of crude oil in Bohai Rim, the international distribution of iron ore, cold chain logistics, and the Bohai Rim feeder were gradually complete.

2. Advantages in terms of value-added services

The Group placed emphasis on growing the value-added services for the port and shipping industries such as supply chain finance, port information services, bonded warehousing, distribution processing as well as inspection and testing, and actively involved in the segments of high value-added business such as key agency and peripheral support to push the logistics industry chain forward to the high value-added areas.

3. Port Finance Advantages

With the approval of the Liaoning Free Trade Zone, the Group focused on the development of businesses such as warehouse receipt finance, credit finance and trade financing. We deepened cooperation with financial institutions, broadened and innovated financing channels.

4. Advantages in terms of e-commerce

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

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

(I) Competitive landscape and development trend in the industry

In 2020, the world economy situation is more complex and changeable. The unfavorable factors increase significantly and uncertainty of development increases continuously. The international trade situation is extremely severe, and the relevant impact is hard to be eliminated in the short term. The recession in the real economy has increased global financial risks, and the confidence of global investors is insufficient. Affected by the novel coronavirus outbreak, the domestic and foreign economic and trade cooperation will be slowed down to different degrees, and the transportation difficulties caused by the interregional trade control will have a negative impact on the port production. Therefore, it is difficult to fundamentally change the shrinking momentum of global economic and trade development in 2020.

2020 is the last year to complete the building of a moderately prosperous society in all respects and finish the 13th Five-Year Plan. The Chinese economy is characterized by ultra-large scale, the business environment improves continuously,the supply system optimizes constantly and the consumer market has huge potential although the economy still suffers great downward pressure. Thus, the domestic economy trend is expected to stably edge up.

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.

(II) Possible risk exposures

2020, will see more uncertainties in the development of the world economy. The novel coronavirus outbreak at the beginning of the year has posed severe threat to the situation of international economy. Under the impact of this, the growth momentum of the domestic economy may slow down. The port industry is facing downside pressure. Firstly, the world trade is complex and changeable and there are still potential risks in the market. Secondly, the Chinese economy has entered a stage of structural adjustment, 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. Lastly, the growing competition pressure from ports of Japan, South Korea and surroundings, rising rail freight, dominant trend in M&A and restructuring, alliance and upsizing of operations in the international shipping market and normal practice to cut and merge container routes have presented challenges to the production and operation of ports.

(III) Company's development strategy

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

In 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 the traffic and the revenue.

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

We will improve the regional iron ore distribution service system, optimize the market strategy, so as to stabilize our market share in Northeast China in terms of ore mixing and realize 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 for the purpose of expanding 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 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.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct governing director's dealing in the Company's securities transactions (the "Code of Securities Dealings") on terms no less exacting than the standards required under the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules. Upon specific enquiries, all directors and supervisors confirmed that they had complied with the provision of the Code of Securities Dealings during the year ended 31 December 2019.

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

For the year ended 31 December 2019, the Company has not redeemed any of the listed securities of the Company, nor has the Company or any of its subsidiaries purchased or sold the listed securities of the Company.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's audit committee has reviewed the accounting standards and practices adopted by the Group and the annual results for the year ended 31 December 2019.

FINAL DIVIDEND

The Board proposed to distribute a final dividend of RMB2.1 cents per share for the year ended 31 December 2019 (PRC withholding tax included), aggregating to a total dividend of RMB270,785,255.98. The proposal is subject to approval at the forthcoming annual general meeting of the Company and the dividend is expected to be distributed before 1 September 2020. The record date and closure of books for determining entitlement to the final dividend and attending the forthcoming annual general meeting will be announced in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements on the reporting period under the Listing Rules, the 2019 annual report containing all information of the Company in this announcement of annual results for the year ended 31 December 2019 will be published on the Company's website at www.dlport.cn and the website of the Stock Exchange at www.hkex.com.hk in due course.

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

Dalian City, Liaoning Province, the PRC
26 March 2020

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

Executive Director: WEI Minghui

Non-executive Directors: CAO Dong, LI Jianhui and YUAN Yi

Independent non-executive Directors: WANG Zhifeng, SUN Xiyun and LAW Man Tat

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

* *For identification purposes only*