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

ANNOUNCEMENT IN RELATION TO THE IMPAIRMENT PROVISION MADE BY SUBSIDIARIES

This announcement is made pursuant to Rule 13.09(2)(a) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Liaoning Port Co., Ltd. (“**Liaoning Port**” or the “**Company**”) held the first extraordinary meeting of the sixth session of the board (the “**Board**”) of directors in 2022 on 13 January 2022, at which the resolution in relation to the impairment provision made by Suimu Logistics (as defined below) and other enterprises and provision for estimated liabilities made by DCT Logistics (as defined below) was considered and approved. The relevant information is set out as follows:

In order to ensure the quality of Liaoning Port’s accounting information and meet the regulatory requirements of listed companies, in accordance with the relevant provisions of the Accounting Standards for Business Enterprises and in light of the Company’s litigation and asset operation, it is expected to make provision for impairment of assets and estimated liabilities in fiscal year 2021.

1. IMPAIRMENT OF SUIMU LOGISTICS

(1) Background

Heilongjiang Suimu Logistics Co., Ltd. (黑龍江綏穆大連港物流有限公司) (“**Suimu Logistics**”), established in September 2009 with a registered capital of RMB45 million, is a subsidiary controlled by Dalian Port Jifa Logistics Co., Ltd. (大連港集發物流有限責任公司) (“**Jifa Logistics**”, a wholly-owned subsidiary of Liaoning Port) and is owned as to 91.67% by Jifa Logistics within the scope of consolidated financial statements.

Affected by factors such as market policy adjustments and the transportation market condition, Suimu Logistics continued to report a loss after the cessation of government subsidies in 2018 and had no prospect of eliminating the loss despite the best efforts made. Therefore, it was resolved to suspend business and intend to conduct liquidation, cancellation or equity transfer at Suimu Logistics’ shareholders meeting of 2021.

(2) Impairment and relevant amount

1. Impairment of assets of Suimu Logistics

Suimu Logistics' fixed assets and land use right assets, which mainly consisted of land, buildings, sites, railway lines and other real estate exclusively used for logistics, amounted to an original value of RMB160.41 million and a net carrying amount of RMB126.11 million as at the end of November 2021. Upon the business suspension, the assets were idle with low realizability and commercial value with an estimated present value of future cash flows of RMB81.11 million. It was intended to make provision for impairment of assets of RMB45 million as the assets were impaired in accordance with the relevant regulations of the Accounting Standards for Business Enterprises No. 8 – Impairment of Assets.

2. Impairment of related equity and debt

After Suimu Logistics made provision for impairment of assets, its net assets were estimated to be negative RMB48.24 million at the end of December 2021. As the appraisal value of assets will not be sufficient to repay the debts, the corresponding shareholder, Jifa Logistics, is required to make provision for impairment of equity and debt.

(1) Impairment of equity

Jifa Logistics intends to make full provision for impairment of assets on its cost of long-term equity investment of RMB41.25 million.

(2) Impairment of debt

As at the end of November 2021, Jifa Logistics provided Suimu Logistics with a loan principal of RMB97 million with an interest receivable of RMB8.05 million. The unrecoverable principal and interest of borrowings of Jifa Logistics are considered according to the net assets of Suimu Logistics at the end of December. It is proposed to make provision for bad debts of approximately RMB48.24 million with accrued interest suspended.

2. ESTIMATED LIABILITIES OF DCT LOGISTICS

(1) Background

DCT Logistics Co., Ltd. (大連集裝箱碼頭物流有限公司) (“**DCT Logistics**”) was established in July 2001 with a registered capital of RMB155,387,000, and is owned as to 50% and 50% by Dalian Port Container Development Co., Ltd. (大連港集裝箱發展有限公司) (“**Dalian Port Container**”) and Jifa Logistics (the wholly-owned subsidiaries of Liaoning Port), respectively, within the scope of consolidated financial statements. On 29 November 2021, DCT Logistics received the first-instance judgment issued by Ningbo Maritime Court regarding China Chengtong International Co., Ltd. (“**Chengtong**”)’s suing against DCT Logistics. The judgement ruled that DCT Logistics should pay a compensation amount and corresponding interest of RMB113 million to Chengtong, and other litigation claims of Chengtong were dismissed. On 9 December 2021, DCT Logistics filed an appeal to the Higher People’s Court of Zhejiang Province. As at the date hereof, the court has not yet opened a hearing, and therefore the ruling of the first instance has not become effective.

(2) Estimated liabilities and impairment amount

1. Recognition of estimated liabilities by DCT Logistics

According to the relevant regulations of the Accounting Standards for Business Enterprises No. 13 – Contingency and the Accounting Standards for Business Enterprises No. 8 – Impairment of Assets, and taking into account the progress of the lawsuits and the outcome of the first-instance judgment regarding the lawsuit filed on 29 November, DCT Logistics intends to make provision for estimated liabilities of RMB113.03 million, and Dalian Port Container and Jifa Logistics intend to make impairment provision for their shareholdings and goodwill held therein accordingly.

2. Impairment of the long-term equity investments in DCT Logistics by Dalian Port Container and Jifa Logistics

Upon recognition of estimated liabilities, it is expected that the net assets of DCT Logistics as at the end of December 2021 would be approximately RMB68.20 million, and Dalian Port Container and Jifa Logistics intend to make provision for impairment of assets in the amount of RMB47.46 million and RMB64.54 million, respectively, based on the difference of RMB112 million between the carrying amount of the long-term equity investments and the expected book value of net assets of DCT Logistics.

3. Impairment of goodwill

Jifa Logistics intends to make full provision for impairment of assets for the goodwill of DCT Logistics amounting to RMB6.22 million based on the progress of the lawsuits of DCT Logistics.

3. IMPAIRMENT OF SHUNDE JIFA

Dalian Shunde Jifa Supply Chain Management Co., Ltd. (大連舜德集發供應鏈管理有限公司) (“**Shunde Jifa**”) was established in 2013 with a registered capital of RMB50 million, and was owned as to 20% and 80% by Dalian Port Container (a wholly-owned subsidiary of Liaoning Port) and Shunde (Dalian) Supply Chain Management Co., Ltd. (舜德(大連)供應鏈管理股份有限公司) (“**Shunde**”), respectively. At present, the business of Shunde Jifa has been suspended due to Shunde’s involvement in multiple lawsuits.

According to the relevant regulations of the Accounting Standards for Business Enterprises No. 8 – Impairment of Assets, Dalian Port Container intends to make full provision for impairment of assets based on the net carrying amount of RMB8.47 million of long-term equity investments in Shunde Jifa at the end of November.

4. THE IMPACT OF MAKING PROVISION FOR IMPAIRMENT ON THE COMPANY (REFERS TO THE RELEVANT FINANCIAL INDICATORS OF LIAONING PORT)

Based on the aforementioned impairment and estimated amounts, it is estimated that the consolidated total profit of Liaoning Port will be reduced by approximately RMB173 million, and the net profit attributable to the parent company will be reduced by approximately RMB167 million. Both estimated amounts will be subject to confirmation by audit and valuation. Details are set out in the following table (amount unit: RMB'0,000):

No.	Entity of provision	Items	Provision amount of single entity	The impact on total profit on the consolidated level
1	Suimu Logistics	Fixed assets/intangible assets	4,500	-4,500
2	Jifa Logistics	Long-term equity investments – Suimu Logistics	4,125	–
3	Jifa Logistics	Other receivables (principal amount of the loan) – Suimu Logistics	4,019	–
4	Jifa Logistics	Interest receivable – Suimu Logistics	805	–
5	DCT Logistics	Estimated liability	11,303	-11,303
6	Dalian Port Container and Jifa Logistics	Long-term equity investments – DCT Logistics	11,200	–
7	Dalian Port Container	Long-term equity investments – Shunde Jifa	847	-847
8	Consolidated level	Goodwill – DCT Logistics	622	-622
Total			37,421	-17,272

5. CONSIDERATION OF THE BOARD AND EXPLANATION OF THE REASONABLENESS OF MAKING PROVISION FOR IMPAIRMENT OF ASSETS

The Board believes that making provision for impairment of assets complies and is in line with the Accounting Standards for Business Enterprises and the accounting policies of the Company. It is made on a prudential principle which is well substantiated and gives a fair view of the actual assets conditions, and financial positions of the Company.

6. INDEPENDENT OPINIONS OF INDEPENDENT DIRECTORS ON MAKING PROVISION FOR IMPAIRMENT OF ASSETS

Making provision for impairment is well substantiated and complies with the Accounting Standards for Business Enterprises, the accounting policies of the Company and the actual conditions of the relevant assets. Such provision enables the Company to better present a fair view of its financial positions and is in line with the interests of the Company, which helps provide true, reliable, and accurate accounting information to investors. Meanwhile, the decision-making procedure is in line with relevant laws, regulations, and the articles of association of the Company, without any prejudice to the interests of the Company and all shareholders, in particular minority shareholders.

7. EXPLANATION OF THE AUDIT COMMITTEE OF THE BOARD ON WHETHER MAKING PROVISION FOR IMPAIRMENT OF ASSETS CONFORMS TO THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

Making provision for impairment complies with the Accounting Standards for Business Enterprises and the accounting policies of the Company. Such provision enables the Company to better present a true and fair view of its financial positions, which helps provide true, reliable, and accurate accounting information to investors, without any prejudice to the interests of the Company and all shareholders, in particular minority shareholders.

8. OPINIONS OF THE SUPERVISORY COMMITTEE ON MAKING PROVISION FOR IMPAIRMENT OF ASSETS

Making provision for impairment of assets complies with the Accounting Standards for Business Enterprises, the accounting policies of the Company and the actual conditions of the relevant assets, which is well substantiated and helps the Company to better present a true and fair view of its financial positions, without any prejudice to the interests of the Company and all shareholders, in particular minority shareholders. The supervisory committee of the Company agreed with making provision for impairment.

By Order of the Board
Liaoning Port Co., Ltd.*
WANG Huiying LEE, Kin Yu Arthur
Joint Company Secretaries

Dalian City, Liaoning Province, the PRC
13 January 2022

As at the date of this announcement, the Board comprises:

Executive Directors: ZHANG Yi and WEI Minghui

Non-executive Directors: ZHOU Qinghong, SI Zheng, XU Song and YANG Bing

Independent non-executive Directors: LI Zhiwei, LIU Chunyan and LAW Man Tat

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

* *For identification purposes only*