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(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 2022

The board of directors (the “**Board**”) of Liaoning Port Co., Ltd.* (the “**Company**”) is pleased to announce the audited financial results of the Company and its subsidiaries (the Company and its subsidiaries, collectively referred to as the “**Group**”) prepared pursuant to China Accounting Standards for Business Enterprises for the year ended 31 December 2022. The Group’s financial results for the reporting period have been audited by Ernst & Young Hua Ming LLP (Special General Partnership).

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022

(All amounts in RMB Yuan unless otherwise stated)

| ASSETS | 31 December 2022 Consolidated | 31 December 2021 Consolidated |
|--|--|----------------------------------|
| Current assets | | |
| Cash at bank and on hand | 5,085,194,083.26 | 4,682,837,844.76 |
| Financial assets at fair value through profit or loss | – | – |
| Financial assets held for trading | – | – |
| Notes receivable | 369,445,570.06 | 382,699,154.88 |
| Accounts receivable | 2,892,038,334.72 | 2,484,558,788.25 |
| Financing receivable | 154,213,980.23 | 40,454,782.00 |
| Advances to suppliers | 50,203,341.38 | 57,266,286.24 |
| Other receivables | 430,925,163.74 | 418,964,033.51 |
| Inventories | 123,914,279.82 | 113,803,685.78 |
| Contract assets | – | – |
| Non-current assets due within one year | 13,250,000.00 | 25,705,000.00 |
| Other current assets | 363,604,225.68 | 477,689,360.75 |
| Total current assets | 9,482,788,978.89 | 8,683,978,936.17 |
| Non-current assets | | |
| Long-term receivables | – | 4,706,562.92 |
| Long-term equity investments | 3,773,439,477.49 | 3,854,128,735.24 |
| Investments in other equity instruments | 156,869,646.60 | 179,291,854.27 |
| Investment properties | 168,475,898.11 | 184,436,193.34 |
| Fixed assets | 30,694,317,643.78 | 31,618,423,562.64 |
| Construction in progress | 2,247,716,774.84 | 2,697,449,538.01 |
| Right-of-use assets | 4,975,490,327.00 | 4,414,466,347.72 |
| Intangible assets | 5,491,066,458.21 | 5,624,837,547.39 |
| Development expenditure | 12,684,691.00 | 13,695,980.00 |
| Goodwill | 225,929,504.67 | 225,929,504.67 |
| Long-term prepaid expenses | 56,672,475.72 | 48,222,076.27 |
| Deferred income tax assets | 311,387,413.57 | 237,861,355.01 |
| Other non-current assets | 12,551,780.38 | 25,821,465.85 |
| Total non-current assets | 48,126,602,091.37 | 49,129,270,723.33 |
| Total assets | 57,609,391,070.26 | 57,813,249,659.50 |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 31 December 2022 Consolidated | 31 December 2021 Consolidated |
|---|--|----------------------------------|
| Current liabilities | | |
| Short-term borrowings | – | – |
| Financial liabilities at fair value through profit or loss | – | – |
| Notes payable | – | – |
| Accounts payable | 303,332,013.22 | 299,243,621.90 |
| Advances from customers | 4,508,721.75 | 8,310,000.53 |
| Contract liabilities | 294,099,864.46 | 394,018,044.43 |
| Employee benefits payable | 327,349,498.36 | 283,539,639.27 |
| Taxes payable | 133,966,866.56 | 157,612,682.63 |
| Other payables | 922,571,445.46 | 5,211,704,627.42 |
| Non-current liabilities due within one year | 4,477,639,949.68 | 1,317,029,437.70 |
| Other current liabilities | 14,329,926.71 | 18,200,512.62 |
| | <hr/> | <hr/> |
| Total current liabilities | 6,477,798,286.20 | 7,689,658,566.50 |
| | <hr/> | <hr/> |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 31 December 2022 Consolidated | 31 December 2021 Consolidated |
|--|--|----------------------------------|
| Non-current liabilities | | |
| Long-term borrowings | 716,000,000.00 | 1,020,537,454.00 |
| Bonds payable | 2,495,906,235.36 | 2,486,907,371.14 |
| Lease liabilities | 5,117,114,432.76 | 4,479,123,277.25 |
| Long-term payables | 17,500,000.00 | 17,500,000.00 |
| Estimated liabilities | 170,708,538.56 | 212,308,104.33 |
| Deferred income | 571,197,128.39 | 503,761,225.92 |
| Deferred income tax liabilities | 259,568,410.54 | 288,311,027.10 |
| Other non-current liabilities | 41,606,945.81 | 61,401,012.91 |
| | <hr/> | <hr/> |
| Total non-current liabilities | 9,389,601,691.42 | 9,069,849,472.65 |
| | <hr/> | <hr/> |
| Total liabilities | 15,867,399,977.62 | 16,759,508,039.15 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Shareholders' equity | | |
| Share capital | 23,987,065,816.00 | 23,987,065,816.00 |
| Capital surplus | 9,026,991,793.19 | 9,022,246,406.02 |
| Other comprehensive income | 72,364,171.03 | 59,093,962.51 |
| Specific reserve | 147,235,048.25 | 92,693,542.25 |
| Surplus reserve | 1,462,397,659.49 | 1,346,971,923.09 |
| Undistributed profits | 3,950,404,277.47 | 3,437,962,835.75 |
| Total equity attributable to shareholders of the parent company | 38,646,458,765.43 | 37,946,034,485.62 |
| | <hr/> | <hr/> |
| Minority interests | 3,095,532,327.21 | 3,107,707,134.73 |
| Total shareholders' equity | 41,741,991,092.64 | 41,053,741,620.35 |
| | <hr/> | <hr/> |
| Total liabilities and shareholders' equity | 57,609,391,070.26 | 57,813,249,659.50 |
| | <hr/> <hr/> | <hr/> <hr/> |

CONSOLIDATED INCOME STATEMENT FOR 2022

(All amounts in RMB Yuan unless otherwise stated)

| Item | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|--|--|--|
| | Consolidated | Consolidated |
| I. Revenue | 11,980,738,429.67 | 12,347,554,608.01 |
| Less: Cost of sales | 8,883,869,879.05 | 8,518,330,456.05 |
| Taxes and surcharges | 126,850,750.87 | 129,281,474.13 |
| Selling expenses | – | – |
| Administrative expenses | 827,015,548.80 | 799,342,392.20 |
| Research and development expenses | 5,687,178.85 | 9,306,646.62 |
| Financial expenses | 467,437,207.25 | 526,378,915.07 |
| Including: Interest expenses | 542,904,055.94 | 632,573,123.30 |
| Interest income | 94,016,449.47 | 104,567,205.11 |
| Add: Other income | 159,150,828.08 | 148,959,925.94 |
| Investment income | 196,475,987.01 | 381,121,868.19 |
| Including: Investment income from associates and joint ventures | 182,348,397.40 | 322,022,018.21 |
| Gains on changes in fair value | – | – |
| Credit impairment losses | -155,909,455.10 | -114,702,724.03 |
| Asset impairment losses | -11,658,563.63 | -59,679,538.84 |
| Gains on disposals of assets | 5,051,232.80 | 144,560,327.91 |
| II. Operating profit | 1,862,987,894.01 | 2,865,174,583.11 |
| Add: Non-operating income | 45,420,590.27 | 32,065,509.49 |
| Less: Non-operating expenses | 15,331,818.93 | 242,802,412.35 |
| III. Total profit | 1,893,076,665.35 | 2,654,437,680.25 |
| Less: Income tax expenses | 461,716,445.69 | 576,241,786.81 |
| IV. Net profit | 1,431,360,219.66 | 2,078,195,893.44 |
| Including: Net profit from continuing operations | 1,431,360,219.66 | 2,078,195,893.44 |
| Classified by ownership of the equity | | |
| Net profit attributable to shareholders of the parent company | 1,279,734,789.11 | 1,916,076,220.45 |
| Gains or losses of minority interests | 151,625,430.55 | 162,119,672.99 |
| V. Earnings per share | | |
| Basic earnings per share (RMB/yuan) | 0.05 | 0.08 |
| Diluted earnings per share (RMB/yuan) | 0.05 | 0.08 |

| Item | For the 12 months ended 31 December 2022 Consolidated | For the 12 months ended 31 December 2021 Consolidated |
|--|--|--|
| VI. Other comprehensive income, net of tax | 15,551,394.62 | -25,604,967.94 |
| Other comprehensive income, net of tax, attributable to shareholders of the parent company | 14,689,874.52 | -25,463,179.82 |
| Other comprehensive income that may not be reclassified to profit or loss | -7,258,509.85 | -18,440,050.63 |
| Changes in fair value of investments in other equity instruments | -7,258,509.85 | -18,440,050.63 |
| Other comprehensive income that will be reclassified to profit or loss | 21,948,384.37 | -7,023,129.19 |
| Other comprehensive income convertible to profit or loss under equity method | - | - |
| Changes in fair value of available-for-sale financial assets | - | - |
| Exchange differences on translation of foreign currency financial statements | 21,948,384.37 | -7,023,129.19 |
| Other comprehensive income, net of tax, attributable to minority interests | 861,520.10 | -141,788.12 |
| VII. Total comprehensive income | <u>1,446,911,614.28</u> | <u>2,052,590,925.50</u> |
| Including: Attributable to shareholders of the parent company | 1,294,424,663.63 | 1,890,613,040.63 |
| Attributable to minority interests | <u>152,486,950.65</u> | <u>161,977,884.87</u> |

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

(All amounts in RMB Yuan unless otherwise stated)

I. GENERAL INFORMATION

Liaoning Port Co., Ltd. (formerly known as “Dalian Port (PDA) Company Limited” and 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 (“PDA Group”), Dalian Rongda Investment Co., Ltd., Dalian Haitai Holdings Co., Ltd., Dalian DETA Holdings Co., Ltd. and Dalian Bonded Zhengtong Co., Ltd. on 16 November 2005. The Company has been approved by the Dalian Administration for Industry and Commerce of Liaoning Province, with the enterprise unified social credit code: 91210200782451606Q. The H shares and RMB ordinary shares (A-shares) 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.

Yingkou Port Liability Co., Ltd. (hereinafter referred to as “Yingkou Port”) is a joint stock company approved by the People’s Government of Liaoning Province (Document Liao Zheng [2000] No. 46), and established by five promoters including, among others, Yingkou Port Authority (later converted into Yingkou Port Group Co., Ltd., hereinafter referred to as “Yingkou Port Group”) on 22 March 2000. Yingkou Port was listed for trading on the Shanghai Stock Exchange on 26 January 2002.

In order to promote the integration of Liaoning Port, upon the gratuitous transfer of the equity interests held by Dalian SASAC and Yingkou SASAC in PDA Group and Yingkou Port Group to Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司) (renamed as “Liaoning Port Group Limited”, hereinafter referred to as “Liaoning Port Group”) on February 2018, respectively, the de facto controller of the Company and Yingkou Port changed from Dalian SASAC and Yingkou SASAC to Liaoning SASAC, respectively. On 30 September 2019, the de facto controller of Liaoning Port Group was changed from Liaoning SASAC to China Merchants Group Limited (hereinafter referred to as “China Merchants Group”), and therefore the ultimate de facto controller of the Company and Yingkou Port was changed to China Merchants Group.

As considered and approved at the 2020 second extraordinary general meeting of the Company convened on 25 September 2020, the 2020 first A Shareholders class meeting, the 2020 first H Shareholders class meeting, and approved by the Reply on Approval of Dalian Port (PDA) Company Limited’s Merger with Yingkou Port Liability Co., Ltd. by Absorption and Fundraising (Zheng Jian Xu Ke [2020] No. 3690) issued by China Securities Regulatory Commission, the Company has completed the merger by absorption through share swap on 4 February 2021. The Company (or its wholly-own subsidiaries) has inherited and taken over all assets, liabilities, businesses, personnel, contracts and all other rights and obligations of Yingkou Port. On 29 January 2021, upon the approval of Decision on the Cessation of Listing of the Shares of Yingkou Port Liability Co., Ltd. ([2021] No. 3690) by the Shanghai Stock Exchange, Yingkou Port will be delisted (with the deregistration completed on 28 September 2022). On 4 February 2021, upon the completion of such merger by absorption through share swap, the total share capital of the Company increased from 12,894,535,999 to 22,623,429,453, in which Yingkou Port Group, the parent company of Yingkou Port, has 30.57% equity interests. On 9 February 2021, the 9,728,893,454 A shares newly issued to the original shareholders of Yingkou Port involved in this merger by share swap were listed for trading. In accordance with the Reply by Zheng Jian Xu Ke [2020] No. 3690 to the Fundraising of the Company, the Company had issued 1,363,636,363 RMB ordinary shares (A shares) to eight specific investors including Anshan Iron & Steel Co. Ltd. on 17 November 2021. Total share capital of the Company increased from 22,623,429,453 to 23,987,065,816, in which Yingkou Port Group has 28.83% equity interests.

According to the Agreement in relation to the Voting Right Entrustment of Liaoning Port Co., Ltd. between Dalian Port Corporation Limited and Yingkou Port Group Corporation Limited entered into by PDA Group and Yingkou Port Group on 29 March 2021, PDA Group agreed to fully entrust the exercise of shareholders’ rights of its equity interests in the Company, other than right to earnings, right of disposition (including share pledge) and share options, to Yingkou Port Group, the parent company of the Company was changed from PDA Group to Yingkou Port Group.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) include the provision of terminal business and logistics services such as international and domestic cargo loading and discharging, transportation, 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; towage; 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 items prohibited by relevant laws and regulations; import and export of items restricted by laws and regulations may only be conducted after obtaining the relevant licence) (with capital contribution from foreign parties restricted to less than 25%).

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

The financial statements were approved by the Company’s Board of Directors on 30 March 2023.

The scope of consolidation of the consolidated financial statements is determined on the basis of control. The change of scope of consolidation as of 31 December 2022 is as below:

Companies excluded from the scope of consolidation during the year

| Name of enterprise | Place of registration | Nature of business | Percentage of total shareholding held by the Group (%) | Percentage of total voting right of the Group (%) | Reason for not being a subsidiary |
|---|------------------------|--------------------|--|---|-----------------------------------|
| Harbour Full Group Limited | British Virgin Islands | Logistics services | 100 | 100 | <i>Note</i> |
| Asia Pacific Ports Investment Co., Ltd. | Hong Kong | Logistics services | 100 | 100 | <i>Note</i> |

Note: Asia Pacific Ports Investment Co., Ltd. and Harbour Full Group Limited, the subsidiaries of the Group, have completed the deregistration in June 2022 and September 2022, respectively. The de-registration of these companies had material impact on neither the consolidated and company’s financial positions of the Group as at 31 December 2022, nor the consolidated and company’s operating results and cash flows of the Group for the year of 2022.

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” issued by the Ministry of Finance and the specific accounting standards, application guidelines, interpretations and other relevant regulations subsequently issued and revised (collectively “Accounting Standards for Business Enterprises” or “ASBEs”).

The financial statements are presented on a going concern basis.

Except for certain financial instruments, the financial statements have been prepared under the pricing principle of historical cost. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant regulations.

III. TAXES

1. Major categories of taxes and respective tax rates

Value-added tax (VAT)—The Group's revenues from port operation, sales of goods, transport service, interests on related party borrowings, revenues from project construction, property leasing and labour dispatch are subject to output VAT at a tax rate of 6%, 13%, 9%, 6%, 9%, 5% and 6%, respectively, which is levied after deducting deductible input VAT for the current year.

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

Educational surcharge—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.

2. Tax preferences

Property tax and land use tax

According to the Tentative Regulations of the People's Republic of China on Urban Land Use Tax and the Regulations on 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 on 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, all lands reclaimed from offshore filling held by the Group were exempted from land use tax for the period.

According to the Tentative Regulations of the People's Republic of China on Urban Land Use Tax and the Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Implementation of the Preferential Policies for Urban Land Use Tax Regarding the Land Used by Logistics Enterprises for Bulk Commodity Storage Facilities (Cai Shui [2020] No. 16), from 1 January 2020 to 31 December 2022, the urban land use tax on the lands 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 lands 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 (Notice No. 39 of the Ministry of Finance, State Administration of Taxation and General Administration of Customs in 2019), and the Several Policies on Promoting the Recovery and Development of Difficult Industries in the Service Sector (Fa Gai Cai Jin [2022] No. 271) (《關於促進服務業領域困難行業恢復發展的若干政策》(發改財金[2022]271 號)) issued by 14 departments including the National Development and Reform Commission, the Group is entitled to, from 1 April 2019 to 31 December 2022, deduct additional 10% of current deductible input tax from VAT payable.

Corporate income tax

Dalian Jifa South Coast International Logistics Co., Ltd., a subsidiary of the Group, has obtained on 19 November 2021, the Certificate of High and New Technological Enterprise (Certificate No. GR202121200628) issued by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance and Dalian Municipal Taxation Bureau of the State Administration of Taxation, and the term of validity of the certificate is three years. 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 company is 15%.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementation of Inclusive Tax Relief Policies for Small and Micro Enterprises (Announcement of the Ministry of Finance and the State Administration of Taxation [2019] No. 13), the Announcement on Further Implementation of Preferred Tax Policies for Small and Micro Enterprises (Announcement of the Ministry of Finance and the State Administration of Taxation [2022] No. 13), the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB1 million shall be calculated at a reduced rate of 25% as taxable income amount and be subject to corporate income tax at 20% tax rate; the portion of annual taxable income over RMB1 million but not exceeding RMB3 million shall be calculated at a reduced rate of 50% as taxable income amount and be subject to corporate income tax at 20% tax rate from 1 January 2019 to 31 December 2024. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on the Announcement on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Entrepreneurs (Announcement of the Ministry of Finance and the State Administration of Taxation [2021] No. 12), from 1 January 2021 to 31 December 2022, the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB1 million, in addition to the preferential policies stipulated in the Notice on Implementation of Inclusive Tax Relief Policies for Small and Micro Enterprises (Announcement of the Ministry of Finance and the State Administration of Taxation [2019] No. 13), the corporate income tax shall be levied by half. The above preferred tax policies were applicable for several subsidiaries of the Group, namely Dalian Changxing Island Economic Zone Wanpeng Port Construction Supervision & Consultation Co., Ltd., Qinhuangdao Jigang Shipping Agency Co., Ltd., Dalian Port Haiheng Ship Management Co., Ltd., Dalian Ocean Shipping Tally Co., Ltd., Dalian ETDZ Jin Xin Petro-chemistry Co., Ltd., Dalian Gangrun Gas Co., Ltd. and Caofeidian Port Container Logistics Co., Ltd. for the year.

“Six Taxes and Two Fees” Reduction Policy

Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation Regarding Further Implementing the “Six Taxes and Two Fees” Reduction and Exemption Policies for Small and Micro Enterprises (Announcement [2022] No. 10 of the Ministry of Finance and the State Administration of Taxation), from 1 January 2022 to 31 December 2024, small-scale taxpayers and small low-profit enterprises of the Group are entitled to a 50% reduction of resource tax, city maintenance and construction tax, property tax, urban land use tax, stamp tax (excluding securities trading stamp tax), farmland occupation tax, educational surcharge, and local educational surcharge. The above preferred tax policies were applicable for several subsidiaries of the Group, namely Dalian Changxing Island Economic Zone Wanpeng Port Construction Supervision & Consultation Co., Ltd., Qinhuangdao Jigang Shipping Agency Co., Ltd., Dalian Jifa Shipping Agency Co., Ltd., Dalian Gangrun Gas Co., Ltd., Dalian Port Haiheng Ship Management Co., Ltd. and Inner Mongolia Lugang Bonded Logistics Park Co., Ltd. for the year.

IV. NOTES TO THE KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Notes receivable

| | 31 December 2022 | 31 December 2021 |
|-----------------------|------------------------------|------------------------------|
| Bank acceptance notes | <u>369,445,570.06</u> | <u>382,699,154.88</u> |
| Total | <u><u>369,445,570.06</u></u> | <u><u>382,699,154.88</u></u> |

Note: The Group believes that the acceptor holding its bank acceptance notes has a high credit rating and there is no significant credit risk, so no provision for credit impairment was made.

The Group's notes receivable which have been endorsed or discounted but not mature yet as at the balance sheet date are as follows:

| | 31 December 2022 | | 31 December 2021 | |
|-----------------------|----------------------|-------------------|-----------------------|-------------------|
| | Derecognised | Not derecognised | Derecognised | Not derecognised |
| Bank acceptance notes | <u>18,150,230.58</u> | <u>500,000.00</u> | <u>118,249,731.60</u> | <u>433,700.00</u> |

As at 31 December 2022, the Group had no pledged notes receivable (31 December 2021: Nil).

As at 31 December 2022, the Group had no discounted notes or notes that were converted into accounts receivable due to the drawer's inability to perform the contracts (31 December 2021: Nil).

2. 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 2022 | 31 December 2021 |
|----------------------------------|--------------------------------|--------------------------------|
| Within 1 year (including 1 year) | 1,220,103,223.75 | 1,267,897,767.45 |
| 1 to 2 years (including 2 years) | 627,872,887.05 | 654,370,784.28 |
| 2 to 3 years (including 3 years) | 643,391,636.87 | 675,178,206.36 |
| Over 3 years | 854,776,722.48 | 218,450,854.39 |
| Sub-total | 3,346,144,470.15 | 2,815,897,612.48 |
| Less: Provision for credit loss | <u>454,106,135.43</u> | <u>331,338,824.23</u> |
| Total | <u><u>2,892,038,334.72</u></u> | <u><u>2,484,558,788.25</u></u> |

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 | Reversal/write-off during the period/year | Balance as at the end of the period/year |
|------|--|-------------------------------|---------------------------------|---|---|--|
| 2022 | 331,338,824.23 | 158,005,683.65 | -35,082,051.53 | - | -156,320.92 | 454,106,135.43 |
| 2021 | 235,148,773.11 | 115,061,903.76 | -18,324,250.00 | -547,602.64 | - | 331,338,824.23 |

As at 31 December 2022, details of accounts receivable of which provision for bad debts is made according to its credit risk rating are as follows:

| | Book balance of estimated default | Expected credit loss rate | Expected credit loss for the entire duration |
|-------------|--|--------------------------------------|---|
| Portfolio A | 598,534,421.07 | 0.00%-0.10% | 62,943.12 |
| Portfolio B | 34,790,860.33 | 0.10%-0.30% | 49,362.33 |
| Portfolio C | 2,638,348,746.63 | 0.30%-50.00% | 382,978,832.00 |
| Portfolio D | 74,470,442.12 | 50.00%-100.00% | 71,014,997.98 |
| | <u>3,346,144,470.15</u> | | <u>454,106,135.43</u> |

As at 31 December 2022, a summary of the top five accounts receivable was as follows:

| | Balance | Provision for credit loss | Percentage of total accounts receivable (%) |
|---|-------------------------|--------------------------------------|--|
| Total balances of top five accounts receivable | <u>2,780,911,456.81</u> | <u>381,076,464.18</u> | <u>83.12</u> |

3. Receivables financing

| | 31 December 2022 | 31 December 2021 |
|--|-------------------------|----------------------|
| Bank acceptance notes measured at fair value | <u>154,213,980.23</u> | <u>40,454,782.00</u> |
| Total | <u>154,213,980.23</u> | <u>40,454,782.00</u> |

As at 31 December 2022, the Group has no receivables financing pledged (31 December 2021: Nil).

As at 31 December 2022, the Group's receivables financing which have been endorsed or discounted but not mature yet as at the balance sheet date are as follows:

| | 31 December 2022 | | 31 December 2021 | |
|-----------------------|-------------------------|-----------------------------|-----------------------|---------------------|
| | Derecognised | Not derecognised | Derecognised | Not derecognised |
| Bank acceptance notes | <u>165,581,952.09</u> | <u>–</u> | <u>288,398,660.07</u> | <u>8,253,435.95</u> |

4. Other receivables

| Item | 31 December 2022 | 31 December 2021 |
|---|------------------------------|------------------------------|
| Interest receivable | 3,323,273.19 | 1,803,884.62 |
| Borrowings from related parties | 3,323,273.19 | 1,803,884.62 |
| Less: provision for credit loss | 633,356.08 | 53,199.41 |
| Subtotal | <u>2,689,917.11</u> | <u>1,750,685.21</u> |
| Dividends receivable | 130,848,201.48 | 155,988,379.90 |
| Dalian Port Yidu Cold Chain Co., Ltd. | 72,617,796.35 | 88,189,824.35 |
| Dalian Jilong Logistics Co., Ltd. | 22,507,539.23 | 22,507,539.23 |
| Dalian Port Logistic Network Co., Ltd. | 10,000,000.00 | 13,295,232.49 |
| Dalian Automobile Terminal Co., Ltd. | 11,200,000.00 | 11,200,000.00 |
| Dalian Singamas International Container Co., Ltd. | 5,467,472.88 | 8,350,187.78 |
| Dalian Port Logistics Technology Co., Ltd. | 7,000,000.00 | 10,000,000.00 |
| China United Tally (Dalian) Co., Ltd. | 1,112,267.52 | 1,112,267.52 |
| Dalian Dagang China Shipping Container Terminal Co., Ltd. | 943,125.50 | 637,328.53 |
| Dalian Port Design and Research Institute Co., Ltd. | – | 696,000.00 |
| Less: provision for credit loss | 18,504,417.88 | 2,659,059.32 |
| Subtotal | <u>112,343,783.60</u> | <u>153,329,320.58</u> |
| Other receivables | 403,699,639.38 | 348,659,602.76 |
| Government subsidies receivable | 140,177,900.52 | 89,578,655.40 |
| Receivables from income of entrusted management services | 86,437,627.26 | 85,232,416.60 |
| Receivables from project payment and guarantee deposit | 32,459,217.00 | 31,943,816.99 |
| Settlement to be transferred | 25,639,033.71 | 17,897,611.31 |
| Borrowings from related parties | 23,000,000.00 | 23,000,000.00 |
| Advances receivable | 22,775,660.35 | 24,290,086.79 |
| Receivables from deposit and security deposit | 20,477,252.74 | 19,905,803.84 |
| Public infrastructure maintenance expenses | 8,170,749.02 | 7,128,371.74 |
| Port miscellaneous expenses | 2,969,906.20 | 10,140,671.00 |
| Others | 41,592,292.58 | 39,542,169.09 |
| Less: provision for credit loss | 87,808,176.35 | 84,775,575.04 |
| Subtotal | <u>315,891,463.03</u> | <u>263,884,027.72</u> |
| Total | <u><u>430,925,163.74</u></u> | <u><u>418,964,033.51</u></u> |

The ageing analysis of other receivables is as follows:

| | 31 December 2022 | 31 December 2021 |
|----------------------------------|------------------------------|------------------------------|
| Within 1 year (including 1 year) | 168,690,521.19 | 161,254,527.10 |
| 1 to 2 years (including 2 years) | 74,436,286.64 | 36,011,047.76 |
| 2 to 3 years (including 3 years) | 20,370,093.77 | 33,579,609.74 |
| Over 3 years | 140,202,737.78 | 117,814,418.16 |
| Subtotal | <u>403,699,639.38</u> | <u>348,659,602.76</u> |
| Less: provision for credit loss | 87,808,176.35 | 84,775,575.04 |
| Total | <u><u>315,891,463.03</u></u> | <u><u>263,884,027.72</u></u> |

Movements in provision for bad debts of expected credit loss in relation to other receivables over the next 12 months and the entire duration are as follows:

| | Stage I | Stage II | Stage III | Total |
|-------------------------------------|---|---|--|----------------------|
| | Expected credit loss over the next 12 months | Expected credit loss for the entire duration (without credit impairment) | Expected credit loss for the entire duration (with credit impairment) | |
| Opening balance | 53,194.87 | 33,411,438.46 | 51,310,941.71 | 84,775,575.04 |
| Opening balance in the current year | | | | |
| – Transfer to stage II | -12,164.41 | 12,164.41 | – | – |
| – Transfer to stage III | -70.20 | -1,880,785.41 | 1,880,855.61 | – |
| Provision in the year | 1,903,592.44 | 898,426.55 | 1,559,485.51 | 4,361,504.50 |
| Reversal in the year | – | – | -255,256.00 | -255,256.00 |
| Write-off during the year | – | – | -1,073,647.19 | -1,073,647.19 |
| Closing balance | <u>1,944,552.70</u> | <u>32,441,244.01</u> | <u>53,422,379.64</u> | <u>87,808,176.35</u> |

As at 31 December 2022, details of other receivables of which provision for bad debts is made according to its credit risk rating are as follows:

| Provision for credit loss | 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 | 233,917,699.58 | 0.00%-0.10% | 34,459.06 | – |
| Portfolio B | 46,907,081.02 | 0.05%-0.30% | 1,910,093.64 | – |
| Portfolio C | 67,639,859.50 | 0.30%-50.00% | – | 32,441,244.01 |
| Portfolio D | 55,234,999.28 | 50.00%-100.00% | – | 53,422,379.64 |
| | <u>403,699,639.38</u> | | <u>1,944,552.70</u> | <u>85,863,623.65</u> |

As at 31 December 2022, a summary of the top five debtors by other receivables was as follows:

| | Balance | Provision for credit loss | % of total other receivables |
|--|-----------------------|----------------------------------|-------------------------------------|
| Total balances of top five other receivables | <u>255,483,234.50</u> | <u>32,057,426.39</u> | <u>63.29</u> |

As at 31 December 2022, the receivables from government grants were as follows:

| | Government grants | Amount | Ageing | Basis |
|---|--|----------------|-----------------------------|---|
| Dalian Jiye Logistics Co., Ltd. | Subsidy for China-Europe Railway Lines | 104,470,383.44 | Within 1 year and 1-2 years | Opinions on the Support Policy of Dalian China Europe Railway Express and Administrative Measures for the Special Funds of Dalian China-Europe Railway Express |
| Inner Mongolia Lugang Bonded Logistics Park Co., Ltd. | Subsidy for container freight | 19,901,925.08 | 1-2 years and 2-3 years | Reply of Horqin District People's Government on Subsidy to China-Europe Railway Lines |
| Heilongjiang Suimu Dalian Port Logistics Co., Ltd. | Subsidy for warehouse construction and operation | 12,359,192.00 | 4-5 years and over 5 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 | 3,446,400.00 | 4-5 years | Request for Instructions Concerning Supporting the Development of Container Freight in Dongying Port Zone |
| | | 140,177,900.52 | | |

5. Inventories

| Item | Book balance | Closing balance Provision for impairment of inventories | Carrying amount | Book balance | Opening Balance Provision for impairment of inventories | Carrying amount |
|------------------------------|---------------------|--|------------------------|---------------------|--|------------------------|
| Raw materials | 94,189,095.07 | 1,442,701.98 | 92,746,393.09 | 97,769,561.70 | 9,246,496.78 | 88,523,064.92 |
| Inventories (finished goods) | 8,692,167.69 | 2,697,873.64 | 5,994,294.05 | 4,044,357.69 | - | 4,044,357.69 |
| Turnover materials | 14,171,877.83 | 18,014.10 | 14,153,863.73 | 12,230,371.35 | - | 12,230,371.35 |
| Contract performance cost | 10,315,427.88 | - | 10,315,427.88 | 8,279,690.75 | - | 8,279,690.75 |
| Others | 704,301.07 | - | 704,301.07 | 726,201.07 | - | 726,201.07 |
| Total | 128,072,869.54 | 4,158,589.72 | 123,914,279.82 | 123,050,182.56 | 9,246,496.78 | 113,803,685.78 |

The information on the amortisation of contract performance cost in the balance of inventories is as follows:

| Item | Opening balance | Increase in the period | Amortisation in the period | Other decrease | Closing balance |
|----------------------|------------------------|-------------------------------|-----------------------------------|-----------------------|------------------------|
| Project construction | 8,279,690.75 | 47,148,161.87 | 45,112,424.74 | - | 10,315,427.88 |

Movements in the provision for impairment of inventories are as below:

| Item | Opening balance | Increase in the current period | | Decrease in the current period | | Closing balance |
|------------------------------|---------------------|--------------------------------|----------|--------------------------------|----------|----------------------------|
| | | Provision | Others | Reversal or write-off | Others | |
| Raw materials | 9,246,496.78 | - | - | 7,803,794.80 | - | 1,442,701.98 |
| Inventories (finished goods) | - | 2,697,873.64 | - | - | - | 2,697,873.64 |
| Turnover materials | - | 18,014.10 | - | - | - | 18,014.10 |
| Total | <u>9,246,496.78</u> | <u>2,715,887.74</u> | <u>-</u> | <u>7,803,794.80</u> | <u>-</u> | <u>4,158,589.72</u> |

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 | Equity instruments still held |
| Jinzhou New Age Container Terminal Co., Ltd. | 35,821,151.91 | 88,664,785.91 | - | 9,374,935.25 |
| Qinhuangdao Port Xingangwan Container Terminal Co., Ltd. | -15,307,528.35 | 44,692,471.65 | - | - |
| Dalian Port Design and Research Institute Co., Ltd. | 6,128,966.58 | 6,763,566.58 | - | - |
| Da-In Ferry Co., Ltd. | 4,404,050.29 | 6,304,107.79 | - | - |
| Fujian Ninglian Port Co., Ltd. | - | - | 13,419,666.00 | - |
| Dalian Xin Beiliang Co., Ltd. | -5,739,685.33 | 10,444,714.67 | - | 2,194,152.42 |
| Total | <u>25,306,955.10</u> | <u>156,869,646.60</u> | <u>13,419,666.00</u> | <u>11,569,087.67</u> |

7. Accounts payable

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

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

| Item | 31 December 2022 | 31 December 2021 |
|----------------------------------|------------------------------|-----------------------|
| Within 1 year (including 1 year) | 273,580,612.87 | 266,927,636.69 |
| 1 to 2 years (including 2 years) | 6,613,219.77 | 3,838,076.28 |
| 2 to 3 years (including 3 years) | 2,518,117.57 | 1,103,354.68 |
| Over 3 years | 20,620,063.01 | 27,374,554.25 |
| Total | <u>303,332,013.22</u> | <u>299,243,621.90</u> |

As at 31 December 2022, major accounts payable with ageing over one year are as follows:

| | Amount payable | Reason for outstanding amount |
|---|------------------------------|--------------------------------|
| Dalian Enesky International Trade Co., Ltd. (大連恩埃斯凱國際貿易有限公司) | <u>8,000,000.00</u> | Unsettled |
| Total | <u><u>8,000,000.00</u></u> | |
| 8. Contract liabilities | | |
| | 31 December 2022 | 31 December 2021 |
| Item | | |
| Port miscellaneous expenses | 259,761,974.35 | 356,248,731.08 |
| Freight | 23,741,208.71 | 22,750,876.88 |
| Others | <u>10,596,681.40</u> | <u>15,018,436.47</u> |
| Total | <u><u>294,099,864.46</u></u> | <u><u>394,018,044.43</u></u> |
| 9. Other payables | | |
| | 31 December 2022 | 31 December 2021 |
| Item | | |
| Interest payable | | |
| Interest payable on short-term borrowings | – | – |
| Interest payable on bonds | – | – |
| Interest of long-term borrowings with instalment payments and principal due upon maturity | <u>–</u> | <u>–</u> |
| Dividends payable | | |
| | 129,642,029.96 | 109,959,372.43 |
| Singapore Dalian Port Investment Pte. Ltd. | 54,436,724.71 | 51,396,226.34 |
| China Shipping Terminal Development Co., Ltd. | 23,009,984.79 | 21,724,789.52 |
| Nippon Yusen Kabushiki Kaisha | 14,341,983.23 | 13,540,928.86 |
| Anshan Iron & Steel Co. Ltd. | 10,434,656.79 | – |
| COSCO SHIPPING Ports (Dalian) Limited | 9,107,682.79 | 8,598,984.02 |
| COSCO SHIPPING Ports Development Co., Ltd. | 7,663,015.86 | 7,235,007.25 |
| Dalian Bonded Zhengtong Co., Ltd. | 5,779,554.22 | 5,779,554.22 |
| United States Sankyo Holdings Limited | 2,704,681.98 | 935,490.12 |
| NYK Bulk & Projects Carriers Ltd. | <u>2,163,745.59</u> | <u>748,392.10</u> |
| Other payables | | |
| | 792,929,415.50 | 5,101,745,254.99 |
| Project expenses and guarantee deposit | 291,177,799.63 | 320,667,434.62 |
| Land compensation | 7,500,000.00 | 7,500,000.00 |
| Deposit and security deposit | 113,607,724.15 | 84,051,731.32 |
| Freight | 6,072,329.18 | 5,780,651.87 |
| Demurrage charge | 4,979,198.95 | 48,829,620.29 |
| Last payment for assets acquisition (Note) | 139,144,304.85 | 4,429,144,304.85 |
| Others | <u>230,448,058.74</u> | <u>205,771,512.04</u> |
| Total | <u><u>922,571,445.46</u></u> | <u><u>5,211,704,627.42</u></u> |

As at 31 December 2022, major other payables with ageing over one year of the Group are as follows:

| Item | Amounts | Reasons for outstanding amounts |
|---|------------------------------|--|
| Yingkou Port Group Corporation Limited | 210,206,371.31 | The condition for payment is unsatisfied |
| Ocean Harvest Container Co., Ltd. | 49,022,558.11 | The condition for payment is unsatisfied |
| Muling Economic Development District Infrastructure Construction and Investment Co., Ltd.* (穆稜經濟開發區基礎設施建設投資有限公司) | 14,006,954.00 | The condition for payment is unsatisfied |
| E-Shipping Global Supply Chain Management (Shenzhen) Co., Ltd. | 11,930,000.00 | The condition for payment is unsatisfied |
| Dalian Beiliang Enterprise Group Co., Ltd. | 7,500,000.00 | The condition for payment is unsatisfied |
| Total | <u><u>292,665,883.42</u></u> | |

Note: Liaoning Port Holdings (Yingkou) Co., Ltd., a wholly-owned subsidiary of the Company, acquired related business and assets from Yingkou Port Group Corporation Limited at the total transaction consideration of RMB8,953,252,324.87 (including tax) in 2021. In accordance with the transaction agreement, Liaoning Port Holdings (Yingkou) Co., Ltd. had made the first payment totalling RMB4,524,108,020.02 to Yingkou Port Group Corporation Limited for the transaction on 14 December 2021. RMB4,290,000,000.00 was paid in the year. The remaining amount of RMB139,144,304.85 was outstanding as at 31 December 2022.

10. Revenue and cost of sales

Revenue is as follows:

| Item | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|-----------------------------------|---|---|
| Revenue from principal operations | 11,545,257,742.30 | 11,881,383,284.89 |
| Revenue from other operations | 435,480,687.37 | 466,171,323.12 |
| Total | <u><u>11,980,738,429.67</u></u> | <u><u>12,347,554,608.01</u></u> |

Cost of sales is as follows:

| Item | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|------------------------------|---|---|
| Cost of principal operations | 8,475,674,923.80 | 8,077,067,297.50 |
| Cost of other operations | 408,194,955.25 | 441,263,158.55 |
| Total | <u><u>8,883,869,879.05</u></u> | <u><u>8,518,330,456.05</u></u> |

Revenue is as follows:

| | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|---------------------------------------|---|---|
| Revenue from contracts with customers | 11,762,993,841.09 | 12,122,414,522.05 |
| Revenue from leasing services | 217,744,588.58 | 225,140,085.96 |
| Total | <u>11,980,738,429.67</u> | <u>12,347,554,608.01</u> |

Breakdown of revenue is as follows:

2022

| Major operating region | Commodity | Labour services or services | Others | Total |
|-------------------------------|------------------------------|--|------------------------------|---------------------------------|
| Within China | 153,093,959.58 | 11,404,384,595.95 | 423,259,874.14 | 11,980,738,429.67 |
| Total | <u>153,093,959.58</u> | <u>11,404,384,595.95</u> | <u>423,259,874.14</u> | <u>11,980,738,429.67</u> |

The composition of the revenue is as follows:

| Major business segment | Commodity | Labour services or services | Others | Total |
|---|------------------------------|--|------------------------------|---------------------------------|
| Container terminal and related logistics services | 1,710,807.55 | 3,627,913,288.25 | 107,066,942.68 | 3,736,691,038.48 |
| Oil/liquefied chemicals terminal and related logistics services | 24,200,820.95 | 1,580,849,091.23 | 42,107,178.60 | 1,647,157,090.78 |
| Bulk and general cargo terminal and related logistics services | 1,982,064.94 | 4,392,500,517.10 | 11,030,617.33 | 4,405,513,199.37 |
| Bulk grain terminal and related logistics services | – | 654,594,596.09 | 18,645,060.00 | 673,239,656.09 |
| Passenger and roll-on/roll-off terminal and related logistics services | 1,224,968.68 | 137,885,007.51 | 10,528,935.79 | 149,638,911.98 |
| Port value-added and ancillary services | 123,975,297.46 | 911,561,114.74 | 129,810,092.91 | 1,165,346,505.11 |
| Automobile terminal and related logistics services | – | 53,831,727.36 | 5,872,496.59 | 59,704,223.95 |
| Others | – | 45,249,253.67 | 98,198,550.24 | 143,447,803.91 |
| Total | <u>153,093,959.58</u> | <u>11,404,384,595.95</u> | <u>423,259,874.14</u> | <u>11,980,738,429.67</u> |

Time of revenue recognition

| | | | | |
|---------------------------------------|----------------|---|---|----------------|
| Recognised at a certain point of time | | | | |
| Revenue from sales of goods | 30,677,557.00 | – | – | 30,677,557.00 |
| Revenue from electric supply services | 122,416,402.58 | – | – | 122,416,402.58 |

Recognised over a certain period

| | | | | |
|--|---|------------------|----------------|------------------|
| Revenue from logistics services | – | 827,998,018.45 | – | 827,998,018.45 |
| Revenue from project construction and inspection services | – | 106,671,564.02 | – | 106,671,564.02 |
| Revenue from transportation | – | 1,195,309,339.32 | – | 1,195,309,339.32 |
| Revenue from port operation services | – | 8,880,912,289.21 | – | 8,880,912,289.21 |
| Revenue from port management services | – | 340,719,420.53 | – | 340,719,420.53 |
| Revenue from tallying services | – | 52,773,964.42 | – | 52,773,964.42 |
| Others | – | – | 205,515,285.56 | 205,515,285.56 |

Others

| | | | | |
|-------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|
| Revenue from leasing services | – | – | 217,744,588.58 | 217,744,588.58 |
| Total | <u>153,093,959.58</u> | <u>11,404,384,595.95</u> | <u>423,259,874.14</u> | <u>11,980,738,429.67</u> |

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

| | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|-----------------------------|---|---|
| Port miscellaneous expenses | 349,456,567.23 | 205,120,650.59 |
| Freight | 22,425,867.06 | 17,980,068.83 |
| Others | 14,325,136.01 | 6,377,580.05 |
| | <hr/> | <hr/> |
| Total | <u>386,207,570.30</u> | <u>229,478,299.47</u> |

11. Financial expenses

| Item | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|--|---|---|
| Interest costs | 542,904,055.94 | 632,573,123.30 |
| Less: Amounts capitalised on interest | – | – |
| Interest expenses | 542,904,055.94 | 632,573,123.30 |
| Less: Interest income | 94,016,449.47 | 104,567,205.11 |
| Net exchange losses (net gain is represented by “-”) | 17,654,965.66 | -3,101,268.89 |
| Others | 894,635.12 | 1,474,265.77 |
| | <hr/> | <hr/> |
| Total | <u>467,437,207.25</u> | <u>526,378,915.07</u> |

The amounts capitalised on borrowing costs have been included in construction in progress.

12. Credit impairment losses

| Item | For the 12 months ended 31 December 2022 |
|---|---|
| Impairment losses on accounts receivable | -122,923,632.12 |
| Impairment losses on other receivables | -20,531,763.73 |
| Impairment losses on non-current assets due within 1 year | -12,455,000.00 |
| Impairment losses on long-term receivables | 940.75 |
| | <hr/> |
| Total | <u>-155,909,455.10</u> |

13. Other income

| Item | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 | Related to assets/income |
|---|---|---|-----------------------------|
| Relocation compensation | 25,330,148.46 | 25,903,836.39 | Related to assets |
| Transport junction passenger station project | 5,884,100.72 | 4,773,910.88 | Related to assets |
| Sea-railway combined transport subsidies | 1,364,522.76 | 2,829,452.91 | Related to assets |
| Production safety fund | 1,271,978.56 | 1,271,978.56 | Related to assets |
| Energy conservation and emission reduction special fund | 939,466.64 | 939,966.24 | Related to assets |
| Others related to assets | 714,696.61 | 638,844.69 | Related to assets |
| Equipment reconstruction subsidies | 8,800,884.64 | 8,676,663.82 | Related to assets |
| Operation subsidies | 58,072,591.13 | 65,273,786.29 | Related to income |
| Additional deduction of VAT | 50,676,884.09 | 36,432,736.10 | Related to income |
| Refund of commission for paying individual income tax | 836,945.20 | 1,428,968.11 | Related to income |
| Others related to income | 1,321,315.70 | 149,708.88 | Related to income |
| Stable position subsidies | 3,903,983.57 | 570,213.07 | Related to income |
| Container subsidies | 33,310.00 | 69,860.00 | Related to income |
| Total | <u>159,150,828.08</u> | <u>148,959,925.94</u> | |

14. Investment income

| Item | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|--|---|---|
| Income from long-term equity investments under equity method | 182,348,397.40 | 322,022,018.21 |
| Investment income from disposal of subsidiaries | – | 19,639,517.15 |
| Investment income from disposal of long-term equity investments | 64,191.66 | 15,589.45 |
| Investment income during the holding period of financial assets at fair value through profit or loss | – | – |
| Investment income during the holding period of financial assets held for trading | – | – |
| Dividend income from other investments on hand in equity instruments | 11,569,087.67 | 10,502,840.09 |
| Investment income from disposal of financial assets at fair value through profit or loss | – | – |
| Investment income from disposal of financial assets held for trading | – | 25,965,850.49 |
| Investment income from wealth management products and entrusted investments | – | – |
| Others | 2,494,310.28 | 2,976,052.80 |
| Total | <u>196,475,987.01</u> | <u>381,121,868.19</u> |

15. Income tax expenses

| Item | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|------------------------------|---|---|
| Current income tax expenses | 561,379,568.89 | 605,086,915.48 |
| Deferred income tax expenses | -99,663,123.20 | -28,845,128.67 |
| Total | <u>461,716,445.69</u> | <u>576,241,786.81</u> |

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

| Item | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|--|---|---|
| Total profit | <u>1,893,076,665.35</u> | <u>2,654,437,680.25</u> |
| Income tax calculated at applicable tax rates | 473,269,166.34 | 663,609,420.06 |
| Effect of different tax rates applicable to certain subsidiaries | -4,805,403.46 | -2,723,286.32 |
| Adjustments for current income tax of prior period | 3,342,338.54 | 4,511,783.93 |
| Income not subject to tax | -54,811,908.38 | -169,098,365.77 |
| Expenses not deductible | 17,692,383.54 | 6,703,683.00 |
| Utilisation of deductible losses in previous years | -14,952,788.62 | -8,767,420.69 |
| Effect of unrecognised deductible temporary differences and deductible losses | 42,708,236.57 | 83,048,640.42 |
| Others | <u>-725,578.84</u> | <u>-1,042,667.82</u> |
| Income tax expenses | <u>461,716,445.69</u> | <u>576,241,786.81</u> |

16. Earnings per share (“EPS”)

The basic EPS is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

| Item | For the 12 months ended 31 December 2022 | For the 12 months ended 31 December 2021 |
|--|---|---|
| Consolidated net profit attributable to ordinary shareholders of the parent company | 1,279,734,789.11 | 1,916,076,220.45 |
| Weighted average number of ordinary shares in issue of the Company | <u>23,987,065,816.00</u> | <u>22,850,702,180.17</u> |
| Basic earnings per share | <u>0.05</u> | <u>0.08</u> |

As at 31 December 2022 and 31 December 2021, there were no dilutive potential ordinary shares in issue.

17. Dividend

| | 2022 | 2021 |
|---|------------------------------|-----------------------|
| Proposed distribution of final dividend-RMB1.74 cents per share (tax included) (2021: RMB2.7 cents per share (tax included)) | <u>417,374,945.20</u> | <u>647,650,777.03</u> |

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 2023.

18. SEGMENT INFORMATION

Operating segments

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

- (1) Oil/liquefied chemicals terminal and related logistics services, which are responsible for loading and discharging, storage and transshipment of oil products and liquefied chemicals, port management services;
- (2) Container terminal and related logistics services, which are responsible for loading and discharging, storage and transshipment of containers, leasing of terminals and various container logistics services and sales of properties;
- (3) Bulk and general cargo terminal and related logistics services, which are responsible for loading and discharging of ore, general cargo and provision of related logistics services;
- (4) Bulk grain terminal and related logistics services, which are responsible for loading and discharging of grains and provision of related logistics services;
- (5) Passenger and roll-on/roll-off terminal and related logistics services, which are responsible for passenger transportation, general cargo roll-on and roll-off and provision of related logistics services;
- (6) Port value-added and ancillary services, which are responsible for tallying, tugging, transportation, power supply, information technology and construction services;
- (7) Automobile terminal and related logistics services, which are responsible for loading and discharging of automobile and provision of related logistics services.

Management monitors the results of each of the business units 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 of the Company 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 2022 is as follows:

| Item | Oil/liquefied chemicals terminal and related logistics services | | Container terminal and related logistics services | | Bulk and general cargo terminal and related logistics services | | Bulk grain terminal and related logistics services | | Passenger and roll-off terminal and related logistics services | | Port value-added and ancillary services | | Automobile terminal and related logistics services | | Others | | Elimination | | Total | |
|---|---|------------|---|-----------|--|-----------|--|------------|--|------------|---|---------|--|---------|---------|---------|-------------|---------|---------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue from external customers | 1,647,157 | 3,736,691 | 4,405,513 | 673,240 | 149,639 | 1,165,346 | 59,704 | 143,448 | - | 11,980,738 | - | - | - | - | - | - | - | - | - | - |
| Inter-segment revenue | 1,127 | 1,599 | 166,628 | 2,608 | 110 | 784,555 | - | 279,719 | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost of sales | 1,097,773 | 2,687,122 | 3,181,443 | 537,787 | 161,669 | 1,014,279 | 50,306 | 153,491 | - | 8,883,870 | - | - | - | - | - | - | - | - | - | - |
| Taxes and surcharges | 21,337 | 21,334 | 46,331 | 3,001 | 3,275 | 5,661 | 2,556 | 23,356 | - | 126,851 | - | - | - | - | - | - | - | - | - | - |
| Administrative expenses | 45,846 | 177,757 | 102,262 | 38,627 | 30,336 | 149,187 | 14,336 | 268,665 | - | 827,016 | - | - | - | - | - | - | - | - | - | - |
| Research and development expenses | - | 4,281 | - | - | - | 1,382 | - | 24 | - | 5,687 | - | - | - | - | - | - | - | - | - | - |
| Financial expenses | 89,863 | 34,682 | 113,863 | 2,223 | -480 | 10,815 | -2,848 | 219,319 | - | 467,437 | - | - | - | - | - | - | - | - | - | - |
| Asset impairment losses | - | - | - | - | - | - | - | - | - | -11,659 | - | - | - | - | - | - | - | - | - | - |
| Credit impairment losses | -168,481 | -22,994 | 38,099 | 660 | -303 | 557 | -7 | - | - | -11,659 | - | - | - | - | - | - | - | - | - | - |
| Investment income | 97,682 | 102,212 | -14,507 | 7,111 | -27,290 | 15,496 | 15,890 | -118 | - | 196,476 | - | - | - | - | - | - | - | - | - | - |
| Including: Investment income from associates and joint ventures | 96,248 | 91,594 | -14,507 | 4,917 | -27,290 | 15,496 | 15,890 | - | - | 182,348 | - | - | - | - | - | - | - | - | - | - |
| Gains on disposals of assets | - | 3,642 | 152 | - | - | 35 | - | - | - | 5,051 | - | - | - | - | - | - | - | - | - | - |
| Other income | 31,258 | 70,565 | 4,680 | 964 | 7,517 | 3,948 | 1,657 | 38,563 | - | 159,152 | - | - | - | - | - | - | - | - | - | - |
| Operating profit | 352,797 | 964,940 | 990,038 | 100,337 | -65,237 | 4,058 | 1,235 | -485,180 | - | 1,862,988 | - | - | - | - | - | - | - | - | - | - |
| Non-operating income | 37 | 946 | 6,705 | 371 | 359 | 2,992 | - | 34,011 | - | 45,421 | - | - | - | - | - | - | - | - | - | - |
| Non-operating expenses | 8 | 697 | 9,571 | 17 | 8 | 1,226 | 16 | 3,789 | - | 15,332 | - | - | - | - | - | - | - | - | - | - |
| Total profit | 352,826 | 965,189 | 987,172 | 100,691 | -64,886 | 5,824 | 1,219 | -454,958 | - | 1,893,077 | - | - | - | - | - | - | - | - | - | - |
| Income tax | 65,358 | 222,876 | 297,019 | 20,431 | -5,051 | 1,067 | 292 | -140,275 | - | 461,717 | - | - | - | - | - | - | - | - | - | - |
| Net profit | 287,468 | 742,313 | 690,153 | 80,260 | -59,835 | 4,757 | 927 | -314,683 | - | 1,431,360 | - | - | - | - | - | - | - | - | - | - |
| Total assets | 10,368,913 | 12,209,474 | 18,904,960 | 2,718,379 | 1,446,573 | 3,433,403 | 863,824 | 11,069,014 | - | 57,609,391 | - | - | - | - | - | - | - | - | - | - |
| Total liabilities | 2,044,585 | 3,763,233 | 3,669,297 | 268,140 | 245,915 | 531,636 | 11,567 | 8,738,176 | - | 15,867,400 | - | - | - | - | - | - | - | - | - | - |
| Supplementary information | | | | | | | | | | | | | | | | | | | | |
| Depreciation and amortisation expenses | 352,638 | 518,944 | 754,972 | 140,980 | 52,777 | 276,847 | 13,728 | 188,781 | - | 2,299,667 | - | - | - | - | - | - | - | - | - | - |
| Long-term equity investments in associates and joint ventures | 1,551,768 | 995,018 | 127,777 | 270,364 | 297,128 | 221,673 | 309,711 | - | - | 3,773,439 | - | - | - | - | - | - | - | - | - | - |
| Capital expenditures (i) | 72,639 | 303,770 | 37,223 | 39,936 | 7,190 | 9,845 | 1,378 | 71,851 | - | 543,832 | - | - | - | - | - | - | - | - | - | - |

(i) Capital expenditures include the fixed assets, construction in progress, intangible assets, long-term prepaid expenses and capital expenditure of investment properties.

19. NON-ADJUSTMENT EVENTS AFTER THE BALANCE SHEET DATE

Profit distribution after the balance sheet date

In accordance with the resolution approved at the Board meeting of the Company dated on 30 March 2023, the profit distribution plan for 2022 will be made based on 23,987,065,816 shares and a cash dividend of RMB0.174 (tax inclusive) per 10 shares is proposed to be distributed to all shareholders. Total amount of dividend to be distributed will be RMB417,374,945,20. The resolution is pending for approval at the general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

In 2022, the economic downward pressure increased due to multiple factors, including the Russia-Ukraine conflict and high bulk commodity prices. Meanwhile, the economy of Northeast China remains undiversified as it relies heavily on the energy and raw material industries with a nascent stage of development in modern manufacturing and service sectors. The revitalisation of Northeast China is still a long-term, arduous and complex task. Against such a backdrop, the Group accelerated the implementation of reform and integration to ensure steady and orderly production and operation.

The Group is the most convenient maritime gateway to the Pacific Ocean and facing the world in Northeast Asia. It is equipped with a comprehensive transportation network and is one of the major sea-rail inter-modal transportation hub and maritime transit ports in China. During the year, the Group's core businesses and business models include: oil/liquefied chemicals terminal and related logistics services (Oil Segment), container terminal and related logistics services (Container Segment), automobile terminal and related logistics services (Automobile 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).

ANALYSIS OF THE INDUSTRY IN WHICH THE GROUP OPERATED DURING THE REPORTING PERIOD

In terms of shipping, with the alliance of shipping companies and the upsizing of vessels, the industrial influence of shipping companies has been further enhanced; in terms of ports, the growth rate of throughput at coastal ports across the country has significantly slowed down, decreasing from 5.2% in 2021 to 1.6% in 2022; the growth rate of container throughput decreased from 6.4% to 4.6%.

OVERALL RESULTS REVIEW

In 2022, the Group's net profit attributable to shareholders of the parent company amounted to RMB1,279,734,789.11, representing a decrease of RMB636,341,431.34 or 33.2% as compared with RMB1,916,076,220.45 in 2021.

In 2022, the decrease in the business volume of the Group's efficient cargoes such as bulk and general cargoes, oil products, and tugboats and the continuous rise in energy prices were the main factors resulting in the decrease in profit. However, the growth in the volume of bulk grain, lower interest on newly issued bonds to save financial expenses, and the year-on-year decrease in asset impairment losses and non-operating expenses reduced the decline of profit. On a consolidated basis, the Group's net profit attributable to the parent company reported a year-on-year decrease of 33.2%.

In 2022, the Group's basic earnings per share amounted to RMB5.34 cents, representing a decrease of RMB3.05 cents or 36.4% year-on-year as compared with RMB8.39 cents in 2021.

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

| Item | 2022 (RMB) | 2021 (RMB) | Changes (%) |
|---|--------------------------|-------------------|-------------------------------|
| Net profit attributable to shareholders of the parent company | 1,279,734,789.11 | 1,916,076,220.45 | -33.2 |
| Including: | | | |
| Revenue | 11,980,738,429.67 | 12,347,554,608.01 | -3.0 |
| Cost of sales | 8,883,869,879.05 | 8,518,330,456.05 | 4.3 |
| Gross profit | 3,096,868,550.62 | 3,829,224,151.96 | -19.1 |
| Gross profit margin | 25.8% | 31.0% | Down by 5.2 percentage points |
| Administrative expenses | 827,015,548.80 | 799,342,392.20 | 3.5 |
| Research and development expenses | 5,687,178.85 | 9,306,646.62 | -38.9 |
| Financial expenses | 467,437,207.25 | 526,378,915.07 | -11.2 |
| Asset impairment losses | 11,658,563.63 | 59,679,538.84 | -80.5 |
| Credit impairment losses | 155,909,455.10 | 114,702,724.03 | 35.9 |
| Other income | 159,150,828.08 | 148,959,925.94 | 6.8 |
| Investment income | 196,475,987.01 | 381,121,868.19 | -48.4 |
| Net non-operating income (<i>Note 1</i>) | 30,088,771.34 | -210,736,902.86 | 114.3 |
| Income tax expenses | 461,716,445.69 | 576,241,786.81 | -19.9 |

Note 1: Net non-operating income = Non-operating income – Non-operating expenses

In 2022, the Group's operating revenue decreased by RMB366,816,178.34 or 3.0% year-on-year, mainly due to the decline in the revenue from oil products business as a result of a large refining and chemical integration project in South China that has been put into production and the reduction in export quotas; and the decline in the revenue from bulk and general cargo business such as steels and ores as a result of the lower efficiency of steel enterprises affected by the international and domestic environment. However, the growth in the revenue from international container business and bulk grain businesses, as well as the growth in container logistics service business such as China-Europe train lines and shipping export agency offset the decline in operating revenue.

In 2022, the Group's cost of sales increased by RMB365,539,423.00 or 4.3% year-on-year, mainly due to the combined impacts of the increase in container logistics service fee as a result of an increase in container logistics revenue and the higher energy prices in line with market conditions.

In 2022, the Group's gross profit decreased by RMB732,355,601.34 or 19.1% year-on-year. Gross profit margin was 25.8%, representing a decrease of 5.2 percentage points. The decrease was mainly due to the decline in the volume of high margin business in bulk and general cargo, oil products, domestic container and tugboat, as well as the higher energy prices.

In 2022, the Group's administrative expenses increased by RMB27,673,156.60 or 3.5% year-on-year, mainly due to the combined effect of the year-on-year increase of labour costs and decrease of depreciation expenses and the effective control of expenses in 2022.

In 2022, the Group's research and development expenses decreased by RMB3,619,467.77 or 38.9% year-on-year, mainly due to the exclusion from consolidation of the information companies, being Dalian Portsoft Technology Co., Ltd., Dalian Portsoft Network Co., Ltd., Dalian Port Logistics Technology Co., Ltd. and Dalian Port Logistics Network Co., Ltd..

In 2022, the Group's finance costs decreased by RMB58,941,707.82 or 11.2% year-on-year, mainly due to the repayment of the matured bonds with higher interest rates in 2021 and the newly issued bonds with lower interest rates in 2022.

In 2022, the Group's asset impairment losses decreased by RMB48,020,975.21 or 80.5% year-on-year, mainly due to the decrease in asset impairment losses incurred by the subsidiaries in 2022.

In 2022, the Group's other income increased by RMB10,190,902.14 or 6.8% year-on-year, which was mainly due to the increase in additional deduction of VAT in 2022.

In 2022, the Group's investment income decreased by RMB184,645,881.18 or 48.4% year-on-year, mainly due to the combined effect of the decrease in the financial results of associates and joint ventures operating LNG and bulk and general cargo business and the gains from structural deposits in 2021.

In 2022, the Group's credit impairment losses increased by RMB41,206,731.07 or 35.9% year-on-year, mainly due to the outstanding warehousing fees receivable of the large customers of oil products business, which was partially offset by the collection of long outstanding balances from bulk and general cargo customers.

In 2022, the Group's net non-operating income increased by RMB240,825,674.20 or 114.3% year-on-year, mainly due to the estimated liabilities provided for certain subsidiaries' warehousing dispute proceedings in 2021.

In 2022, the Group's income tax expenses decreased by RMB114,525,341.12 or 19.9% year-on-year, mainly due to the decrease in taxable income caused by the changes in operating profit.

ASSETS AND LIABILITIES

As at 31 December 2022, the Group's total assets and net assets amounted to RMB57,609,391,070.26 and RMB41,741,991,092.64, respectively. The net asset value per share was RMB1.61, increased slightly compared with the net asset value of RMB1.58 per share as at 31 December 2021.

As at 31 December 2022, the Group's total liabilities amounted to RMB15,867,399,977.62, of which total outstanding borrowings amounted to RMB7,550,282,477.66 (this part of the borrowings carries a fixed interest rate). The gearing ratio was 27.5% (the total liabilities of RMB15,867,399,977.62/the total assets of RMB57,609,391,070.26), representing a decrease of 1.5 percentage points as compared with 29.0% as at 31 December 2021, which was mainly due to payment in 2022 for the acquisition of the assets of the Yingkou Port Group with its own funds as part of the consideration.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2022, the Group had a balance of cash and cash equivalents of RMB5,045,473,498.23, representing an increase of RMB611,988,074.93 as compared to that of 31 December 2021.

As at 31 December 2022, the Group's net cash inflows generated from operating activities amounted to RMB3,412,304,812.32, net cash outflows for investment activities amounted to RMB3,097,176,007.73, and net cash inflows generated from financing activities amounted to RMB286,463,801.64.

Benefiting from the Group's stable operating cash inflows, our ability to raise capital through multiple financing channels such as bond issuance and bank borrowings, and the Group's sound and prudent decision-making in assets and equity investment, the Group maintained its solid financial position and capital structure.

As at 31 December 2022, the Group's outstanding borrowings amounted to RMB7,550,282,477.66 (this part of the borrowings carries a fixed interest rate), in which RMB4,320,876,242.30 were borrowings repayable within one year, and RMB3,229,406,235.36 were borrowings repayable after one year.

The Group's net debt-equity ratio was 18.6% as at 31 December 2022, as compared with 11.5% as at 31 December 2021, mainly due to the increase in the debt scale in 2022 as a result of the issuance of corporate bonds. The Group ensured that there was no solvency risk and maintained a stable overall financial structure.

As of 31 December 2022, the Group's unutilised bank line of credit amounted to RMB12.55 billion.

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

The Group closely monitored its interest rate risk and exchange rate risk. As of 31 December 2022, the Group had 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 exchange rate risks.

CONTINGENCIES

Pending Litigations and Arbitrations

Pending litigation and arbitration concerning DCT Logistics Co., Ltd., a subsidiary of the Group.

From January 2020 to February 2021, Shunde (Dalian) Supply Chain Management Co., Ltd. (舜德(大連)供應鏈管理股份有限公司) (hereinafter referred to as “Shunde”), an independent third party of the Company, carried out business cooperation with certain companies including Qingdao Kaitou International Trade Co., Ltd. (青島開投國際貿易有限公司) (hereinafter referred to as “Qingdao Kaitou”), China Chengtong International Co., Ltd. (中國誠通國際貿易有限公司) (hereinafter referred to as “Chengtong”), Zhejiang Metals and Materials Co. (物產中大金屬集團有限公司) (hereinafter referred to as “Zhejiang Metals”), Fujian Rongjiang Import & Export Co., Ltd. (福建省榕江進出口有限公司) (hereinafter referred to as “Rongjiang”) and other companies (hereinafter referred to as “Import Agents” or “Warehousing Clients”) by entering into Import Agent Agreement or Agent Procurement Contract with such Import Agents, pursuant to which the Import Agents agreed to licence Shunde’s imported goods and open letters of credit in the name of the Import Agents for the payment of imported goods, and the risks and liabilities of related imported goods shall be borne by Shunde. Meanwhile, the Import Agents respectively signed a Customs Declaration Logistics Warehousing Agreement or Import Freight Forwarding Agreement with DCT Logistics Co., Ltd. (hereinafter referred to as “DCT Logistics”), a subsidiary of the Group, agreeing that DCT Logistics handles import goods customs declaration, goods warehousing and custody services for the Import Agents.

In actual business, the expenses incurred under the Customs Declaration Logistics Warehousing Agreement or Import Freight Forwarding Agreement shall be settled by Shunde in accordance with the agreed rates under the Packing and Unpacking (Packing up) Agreement it signed with DCT Logistics. Given that both the ultimate owner of the imported goods in these businesses and the relevant warehousing cost settler are Shunde, DCT Logistics released the relevant goods under the instructions of Shunde, the ultimate cargo owner. As Shunde failed to repay part of the import letter of credit payment to the Import Agents as scheduled, these Import Agents filed lawsuits against DCT Logistics in Dalian Maritime Court and other people’s courts, respectively, requesting DCT Logistics and Shunde return the relevant goods under the Customs Declaration Logistics Warehousing Agreement or the Import Freight Forwarding Agreement signed with DCT Logistics. In May 2021, DCT Logistics was approved by the Dalian Maritime Court to file a pre-litigation property preservation against Shunde. Subsequently, after thorough communication and negotiation with the parties to the litigation, one of the Warehousing Clients had settled with Shunde and withdrawn its lawsuit against Shunde and DCT Logistics, and this settlement did not involve any compensation obligation for DCT Logistics. The total claims of the other Warehousing Clients amounted to RMB1.06 billion.

On 24 November 2021, Ningbo Maritime Court issued a first instance judgement (Ningbo Maritime Court (2021) Zhe 72 Min Chu No. 1428) regarding the lawsuit case of Chengtong against DCT Logistics. The judgement ruled that DCT Logistics should pay RMB109.6946 million to Chengtong and the interest, based on the amount, to be calculated at prime rate for the corresponding period as announced by the National Interbank Funding Center from 23 March 2021 up to the date of actual payment. Other litigation claims from Chengtong were dismissed. On 9 December 2021, DCT Logistics appealed to the Higher People's Court of Zhejiang Province against the first instance judgment regarding the case of Chengtong. On 1 April 2022, the Higher People's Court of Zhejiang Province issued a civil ruling ((2022) Zhe Min Zhong No. 21), rejecting all of the claims of DCT Logistics. On 19 October 2022, DCT Logistics filed an application for retrial with the Higher People's Court of Zhejiang Province. On 6 March 2023, the Higher People's Court of Zhejiang Province issued a civil ruling ((2022) Zhe Min Shen No. 6364), rejecting the retrial application. On 12 October 2022, Dalian Jifa Port Logistics Co., Ltd. received the assistance execution notice ((2022) Zhe 72 Zhi No.286) issued by the Ningbo Maritime Court, requiring to deposit the lease payment payable to DCT Logistics into the account designated by Ningbo Maritime Court. On 18 January 2023, Dalian Jifa Port Logistics Co., Ltd. paid RMB4.14 million to the account designated by Ningbo Maritime Court.

On 30 December 2021, Ningbo Maritime Court issued a first instance judgement (Ningbo Maritime Court (2021) Zhe 72 Min Chu No. 1205) regarding the lawsuit case of Zhejiang Metals against DCT Logistics. The judgement ruled that DCT Logistics should pay RMB10.2634 million to Zhejiang Metals and the interest, based on the amount, to be calculated at benchmark borrowing rate as announced by the National Interbank Funding Center from 1 September 2021 up to the date of actual payment. Other litigation claims from Zhejiang Metals were dismissed. On 28 February 2022, DCT Logistics appealed to the Higher People's Court of Zhejiang Province against the first instance judgment regarding the case of Zhejiang Metals. On 11 April 2022, the Higher People's Court of Zhejiang Province issued a civil ruling ((2022) Zhe Min Zhong No. 129), rejecting all of the claims of DCT Logistics. On 19 October 2022, DCT Logistics filed an application for retrial with the Higher People's Court of Zhejiang Province. On 6 March 2023, the Higher People's Court of Zhejiang Province issued a civil ruling ((2022) Zhe Min Shen No. 6365), rejecting the retrial application. On 25 May 2022, Ningbo Maritime Court has deducted RMB8.8393 million from the bank deposits of DCT Logistics according to the judgments and rulings in force.

On 31 December 2021, Dalian Maritime Court issued a first instance judgement (Dalian Maritime Court (2021) Liao 72 Min Chu No. 352) regarding the lawsuit case of Qingdao Kaitou against DCT Logistics. The judgement ruled that DCT Logistics should pay RMB299.3826 million to Qingdao Kaitou and the interest, based on the amount, to be calculated at prime rate for the corresponding period as announced by the National Interbank Funding Center from 27 March 2021 up to the date of actual payment. Other litigation claims from Qingdao Kaitou were dismissed. On 28 February 2022, DCT Logistics appealed to the Higher People's Court of Liaoning Province against the first instance judgment regarding the case of Qingdao Kaitou. On 16 August 2022, the Higher People's Court of Liaoning Province issued a civil ruling ((2022) Liao Min Zhong No. 715) as follows: 1) the civil judgment of Dalian Maritime Court (2021) Liao 72 Min Chu No. 352 was revoked; 2) the case was referred back to Dalian Maritime Court for retrial. As of the date of approval of the financial statements for issue, Dalian Maritime Court has not yet made the first instance judgment.

On 27 January 2022, Dalian Maritime Court issued a first instance judgement (Dalian Maritime Court (2021) Liao 72 Min Chu No. 372) regarding the lawsuit case of Rongjiang against DCT Logistics. The judgement ruled that DCT Logistics should compensate Rongjiang for the loss of goods of RMB336.0810 million and the interest, based on the amount, to be calculated at prime rate as announced by the National Interbank Funding Center from 7 April 2021 up to the date of actual payment, and DCT Logistics should compensate Rongjiang for liability insurance fees of preservation of RMB254,800. Other litigation claims from Rongjiang were dismissed. On 1 March 2022, DCT Logistics appealed to the Higher People's Court of Liaoning Province against the first instance judgment regarding the case of Rongjiang. On 4 August 2022, the Higher People's Court of Liaoning Province issued a civil ruling ((2022) Liao Min Zhong No. 642) as follows: 1) the civil judgment of Dalian Maritime Court (2021) Liao 72 Min Chu No. 372 was revoked; 2) the case was referred back to Dalian Maritime Court for retrial. As of the date of approval of the financial statements for issue, Dalian Maritime Court has not yet made the first instance judgment.

On 30 December 2022, Dalian Maritime Court issued a first instance judgement (Dalian Maritime Court (2022) Liao 72 Min Chu No. 1041) regarding the lawsuit case of Xinwen Mining Group Material Supply and Marketing Co., Ltd. (新汶礦業集團物資供銷有限責任公司) (hereinafter referred to as "Xinwen Mining") against DCT Logistics. The judgement ruled that DCT Logistics should pay RMB12.5291 million and RMB2.5895 million for the loss of goods and other losses respectively to Xinwen Mining, and the interest, based on RMB12.5291 million and RMB2.5895 million, to be calculated at prime rate as announced by the National Interbank Funding Center from 6 May 2021 and 7 June 2021 respectively up to the date of actual payments, and DCT Logistics should pay RMB45,000 to Xinwen Mining for liability insurance fees of preservation. Other litigation claims from Xinwen Mining were dismissed.

In May 2022, Chongqing Yu Feng Imp. & Exp. Co., Ltd. (重慶渝豐進出口有限公司) (hereinafter referred to as "Chongqing Yu Feng") filed a lawsuit with Wuhan Maritime Court against DCT Logistics, demanding DCT Logistics to compensate for a loss of RMB120.2513 million and the loss of interest on that capital amount. On 6 September 2022, Wuhan Maritime Court issued a first instance judgement (Wuhan Maritime Court (2021) E 72 Min Chu No. 820) regarding the lawsuit case of Chongqing Yu Feng against DCT Logistics. The judgement ruled that DCT Logistics should pay to Chongqing Yu Feng RMB120.2513 million and the loss of interest, based on that amount, to be calculated at prime rate as announced by the National Interbank Funding Center from 20 March 2021 up to the date of actual performance of the effective judgement. Other litigation claims from Chongqing Yu Feng were dismissed.

In respect of the lawsuits mentioned above, having considered the evidence that the Group has already obtained and the professional opinions of legal advisors, the management of the Group believes that the Warehousing Clients are Shunde's import business agents, and since the goods involved in the case are actually owned by Shunde, the release by DCT Logistics of the goods to Shunde, the owner of the goods, did not infringe the rights of the Warehousing Clients. Shunde's failure of repayment of advances provided by the Warehousing Clients to Shunde is irrelevant to the release of goods by DCT Logistics. For the first instance judgement issued by some courts, DCT Logistics had filed corresponding appeals. As at the approval date of the financial statements, no first instance judgment of the other appeal cases against DCT Logistics has been made yet. The other Import Agents including Chengtong are in the process of negotiating a settlement plan with Shunde, including applying for withdrawal of their cases after signing the settlement agreement.

Having fully considered the amount of claims involved by DCT Logistics, the judgement issued by the court and the opinions of internal and external legal advisors, and taking into account that DCT Logistics is a limited company, and the Company and its other subsidiaries do not have guarantee liability or joint and several liability over any such liability of DCT Logistics as of 31 December 2021, the Group had made provisions for estimated liabilities of RMB180 million which was equivalent to the recoverable amount of the book value of the net assets of DCT Logistics as of the same date. Due to the transfer of the bank deposits of DCT Logistics ordered by the court, the estimated liabilities for 2022 decreased by RMB8.8393 million. As of 31 December 2022, the Group had made provisions for estimated liabilities of RMB171 million in respect of those lawsuits.

Save for the above contingencies, as at 31 December 2022, the Group did not have other major guarantees and other contingencies required to be specified.

USE OF PROCEEDS

Use of Proceeds for A Shares

As considered and approved at the second extraordinary general meeting in 2020, the first A shareholders class meeting in 2020 and the first H shareholders class meeting in 2020 convened by the Company on 25 September 2020, and approved by the “Reply on Approval of Dalian Port (PDA) Company Limited’s Merger with Yingkou Port Liability Co., Ltd. by Absorption and Fundraising (Zheng Jian Xu Ke [2020] No. 3690) of the China Securities Regulatory Commission on 31 December 2020, the relevant proceeds raised shall not exceed RMB2.1 billion, which was designated to supplement liquidity, repay debt, and pay the intermediary fees of this transaction. After deducting the issuance and underwriting fees, the actual net proceeds received by the Company on 20 October 2021 was RMB2,082,149,999.02. Ernst & Young Hua Ming LLP has verified and issued the capital verification report Ernst & Young Hua Ming (2021) Yan Zi No. 60777447_E03. The Company has utilised the proceeds of RMB1,384,000,000.00 to supplement liquidity in 2021. As at 1 January 2022, the balance of the proceeds was RMB700,697,690.74 (including interest from bank deposits net of bank charges of RMB2,547,691.72 accumulatively received in 2021). The Company has utilised the proceeds of RMB704,995,317.08 (including interest from bank deposits net of bank charges of RMB4,297,626.34 accumulatively received in 2022) fully to supplement liquidity in 2022. Ernst & Young Hua Ming LLP, China International Capital Corporation Limited, as the independent financial advisor, and China Merchants Securities Co., Ltd., as the financial advisor, have issued concluding opinions on the special verification report on the 2022 annual deposit and use of proceeds of the Company, stating that the use of proceeds by the Company was in line with the raising purposes. In 2022, the funds has been fully utilised. As of 31 December 2022, the balance of such funds was nil. The Company had utilised the proceeds in line with the raising purposes without any non-compliance in use of proceeds.

CAPITAL EXPENDITURE

As at 31 December 2022, the Group's capital expenditure amounted to RMB543,832,354.33, which was mainly funded by the surplus cash generated from operating activities and other external financing.

An analysis of the performance of each business segment of the Group in 2022 is as follows:

Oil Segment

The following table sets out the oil/liquefied chemicals terminal throughput completed by the Group in 2022 as compared with 2021:

| | 2022 (<i>'0,000 tonnes</i>) | 2021 (<i>'0,000 tonnes</i>) | Increase/ (decrease) |
|---------------------|----------------------------------|----------------------------------|-------------------------|
| Crude oil | 3,341.4 | 3,231.9 | 3.4% |
| Liquefied chemicals | 136.0 | 182.1 | (25.3%) |
| LNG | 270.5 | 576.0 | (53.0%) |
| Others | 1,544.9 | 1,571.9 | (1.7%) |
| Total | <u>5,292.8</u> | <u>5,561.9</u> | <u>(4.8%)</u> |

In 2022, the Group handled a total of 52.928 million tonnes of oil/liquefied chemicals throughput, representing a year-on-year decrease of 4.8%.

In 2022, the Group's crude oil throughput was 33.414 million tonnes, representing a year-on-year increase of 3.4%, of which imported crude oil throughput was 20.433 million tonnes, representing a year-on-year increase of 0.9%. In 2022, the Group's crude oil throughput recorded a slight increase, as it strived to secure resources from Panjin North Asphalt Fuel Limited Company (盤錦北方瀝青燃料有限公司), leading to a growth in crude oil import and crude oil transshipment businesses.

In 2022, the Group's liquefied chemicals throughput was 1.360 million tonnes, representing a year-on-year decrease of 25.3%. Such decrease was mainly due to sluggish market demand, and suspension of production by certain customers to conduct maintenance.

In 2022, the Group's LNG throughput was 2.705 million tonnes, representing a year-on-year decrease of 53.0%. As the international LNG prices maintained at a high level affected by the international situation, China's imported LNG recorded a decrease for the first time in recent years, which caused a decline in the Group's LNG throughput.

In 2022, the Group's other products throughput amounted to 15.449 million tonnes, representing a year-on-year decrease of 1.7%. The decrease in the Group's other products (mainly refined oil) throughput was mainly due to the sluggish demand for refined oil in the PRC in 2022, coupled with a decrease in refined oil shipped to South China given that the large refining and chemical integration projects in South China have successively been put into production.

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

| Item | 2022 (RMB) | 2021 (RMB) | Change (%) |
|-----------------------------------|-------------------------|-----------------------|----------------------------------|
| Revenue | 1,647,157,090.78 | 1,750,382,110.07 | -5.9 |
| Share of the Group's revenue | 13.7% | 14.2% | Down by 0.5 percentage point |
| Gross profit | 549,384,456.54 | 636,080,912.40 | -13.6 |
| Share of the Group's gross profit | 17.7% | 16.6% | Up by 1.1 percentage points |
| Gross profit margin | 33.4% | 36.3% | Down by 2.9 percentage points |

In 2022, the revenue from the Oil Segment decreased by RMB103.23 million or 5.9% year-on-year, mainly due to the decrease in revenue from loading and discharging and storage, which was caused by the decrease in the throughput of oil.

In 2022, the gross profit of the Oil Segment decreased year-on-year by RMB86.70 million or 13.6%, and the gross profit margin decreased year-on-year by 2.9 percentage points, mainly due to the decrease in revenue, which was caused by the decrease in the throughput of refined oil with high profit margin.

Container Segment

The following table sets out the throughput completed by the Group's container terminal in 2022 as compared with 2021:

| | 2022 ('0,000 TEUs) | 2021 ('0,000 TEUs) | Increase/ (decrease) |
|-----------|--------------------------------|--------------------------------|---------------------------------|
| Container | 939.8 | 881.4 | 6.6% |

In 2022, in terms of container throughput, the Group handled a total of 9.398 million TEUs, representing a year-on-year increase of 6.6%. The main reasons were as follows: First, the Group strived to develop the shipping route market, continuously improved its shipping route service network, and expanded 10 new container shipping routes throughout the year. Second, the Group actively optimised sea-rail combined transport network and built excellent public train products, leading to a year-on-year increase of 4.7% in the annual sea-rail combined transport volume. Third, the Group strengthened the construction of transshipment platform in branch lines of Bohai Rim region, and added 5 new vessels in 2022, leading to a year-on-year increase of 68% in transshipment volume. Fourth, the Group actively strived for the ad-hoc shipping call business, with a volume of ad-hoc shipping call of 126 vessels to supplement the port's direct shipping capacity. Fifth, by seizing the opportunity from launching new vessels of domestic trade shipping companies, the Group actively strived for ad-hoc shipping calls of new vessels, to improve the overall shipping capacity of the port. Sixth, the Group promoted the cooperation between the port and shipping companies, and carried out incremental businesses such as transshipment of domestic trade shipping companies, empty container allocation (distribution) business.

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

| Item | 2022 (RMB) | 2021 (RMB) | Change (%) |
|-----------------------------------|-------------------------|-----------------------|----------------------------------|
| Revenue | 3,736,691,038.48 | 3,713,546,969.32 | 0.6 |
| Share of the Group's revenue | 31.2% | 30.1% | Up by 1.1 percentage points |
| Gross profit | 1,049,569,564.92 | 1,187,064,043.35 | -11.6 |
| Share of the Group's gross profit | 33.9% | 31.0% | Up by 2.9 percentage points |
| Gross profit margin | 28.1% | 32.0% | Down by 3.9 percentage points |

In 2022, the revenue from the Container Segment increased by RMB23.14 million or 0.6% year-on-year, mainly due to the increase in revenue from container logistics services such as China-Europe Railway Lines and shipping export agency, and the increase in shipping revenue arising from increasing shipping volume of Bohai Rim branch lines. However, the decrease in domestic trade container resulted in the decline in revenue from loading and discharging.

In 2022, the gross profit of the Container Segment decreased year-on-year by RMB137.49 million or 11.6%, and the gross profit margin decreased by 3.9 percentage points year-on-year, mainly due to the combined effect of the decrease in the volume of domestic container business with high gross profit margin, and the increase in revenue from logistics services with low gross profit margin and the increase in energy costs.

Automobile Segment

The following table sets out the throughput completed by the Group's automobile terminal in 2022 compared with 2021:

| | | 2022 | 2021 | Increase/ (decrease) |
|--------------------|----------------|----------------|-------------|---------------------------------|
| Vehicles (units) | Foreign trade | 70,185 | 49,086 | 43.0% |
| | Domestic trade | 735,884 | 806,332 | (8.7%) |
| | Total | 806,069 | 855,418 | (5.8%) |
| Equipment (tonnes) | | 32,513 | 9,650 | 236.9% |

In 2022, the Group handled a total of 806,069 vehicles in automobile terminal, representing a year-on-year decrease of 5.8%. The decrease in domestic commercial vehicle trade was due to multiple factors, such as the suspension and reduction of production by some automotive enterprises and insufficient ro-ro transportation capacity of domestic trade, while the foreign trade of commercial vehicle recorded a significant increase, and the operation of liners and shipping routes for foreign trade remained stable. The Group actively promoted the diversified development of foreign commercial vehicle trade business, and launched American ro-ro foreign trade export route for commercial vehicles. This contributed to a significant year-on-year increase in both cross-border transportation and international transshipment businesses.

In 2022, Group maintained its 100% market share in ports in Northeast China in terms of operation volume for vehicles.

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

| Item | 2022 (RMB) | 2021 (RMB) | Change (%) |
|-----------------------------------|-----------------------------|-----------------------------|----------------------------------|
| Revenue | 59,704,223.95 | 59,379,630.11 | 0.5 |
| Share of the Group's revenue | 0.5% | 0.5% | Stable |
| Gross profit | 9,397,771.57 | 12,181,739.30 | -22.9 |
| Share of the Group's gross profit | 0.3% | 0.3% | Stable |
| Gross profit margin | 15.7% | 20.5% | Down by 4.8 percentage points |

In 2022, the revenue from the Automobile Segment increased year-on-year by RMB0.32 million or 0.5%, remaining relatively stable.

In 2022, the gross profit of the Automobile Segment decreased year-on-year by RMB2.78 million or 22.9%, and the gross profit margin decreased year-on-year by 4.8 percentage points, which was mainly due to the increase in operating expenses.

Bulk and General Cargo Segment

The following table sets out the throughput completed by the Group's Bulk and General Cargo Segment in 2022 as compared with 2021:

| | 2022 (<i>'0,000 tonnes</i>) | 2021 (<i>'0,000 tonnes</i>) | Increase/ (decrease) |
|----------|--|--|---------------------------------|
| Steel | 2,536.6 | 2,786.1 | (9.0%) |
| Iron ore | 6,789.8 | 6,848.5 | (0.9%) |
| Others | 7,678.4 | 7,394.3 | 3.8% |
| Total | <u>17,004.8</u> | <u>17,028.9</u> | (0.1%) |

In 2022, the throughput completed by the Group's bulk and general cargo segment amounted to 170.048 million tonnes, representing a year-on-year decrease of 0.1%.

In 2022, the throughput of the Group's steel segment amounted to 25.366 million tonnes, representing a year-on-year decrease of 9.0%. Such decrease was due to the complicated domestic and international economic situations, coupled with a tight situation in both supply and demand of steel industrial chain, as well as the continued Russia-Ukraine conflict.

In 2022, the throughout of the Group's iron ore segment amounted to 67.898 million tonnes, representing a year-on-year decrease of 0.9%. Such decrease was mainly due to the continuous loss of steel enterprises, the production limit and production reduction of some steel mills, and the reduction of imported ore consumption.

In 2022, the throughput of the Group's other cargoes amounted to 76.784 million tonnes, representing a year-on-year increase of 3.8%. Such increase in 2022 was mainly due to the coal berth assets in Bayuquan Port Area that were newly incorporated into the Group at the end of 2021.

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

| Item | 2022 (RMB) | 2021 (RMB) | Change (%) |
|-----------------------------------|-------------------------|-----------------------|----------------------------------|
| Revenue | 4,405,513,199.37 | 4,738,187,745.37 | -7.0 |
| Share of the Group's revenue | 36.8% | 38.4% | Down by 1.6 percentage points |
| Gross profit | 1,224,070,091.85 | 1,541,896,702.03 | -20.6 |
| Share of the Group's gross profit | 39.5% | 40.3% | Down by 0.8 percentage point |
| Gross profit margin | 27.8% | 32.5% | Down by 4.7 percentage points |

In 2022, the revenue from the Bulk and General Cargo Segment decreased by RMB332.67 million or 7.0% year-on-year. This was mainly due to the combined impacts of decrease in revenue from loading and discharging and storage resulted from the decrease in the business volume of ore and steel in 2022, as well as the record of one-off revenue from overdue storage charges in 2021.

In 2022, the gross profit of the Bulk and General Cargo Segment decreased year-on-year by RMB317.83 million or 20.6%, and the gross profit margin decreased by 4.7 percentage points year-on-year, which was mainly due to the combined impacts of the decrease in revenue from ore and steel business with high gross profit margin and the discontinued revenue from overdue storage charges.

Bulk Grain Segment

The following table sets out the throughput handled by the Group's bulk grain terminal in 2022 as compared with 2021:

| | 2022 (<i>'0,000 tonnes</i>) | 2021 (<i>'0,000 tonnes</i>) | Increase/ (decrease) |
|---------|----------------------------------|----------------------------------|-------------------------|
| Corn | 737.2 | 487.4 | 51.3% |
| Soybean | 242.3 | 374.5 | (35.3%) |
| Others | 505.2 | 390.9 | 29.2% |
| Total | <u>1,484.7</u> | <u>1,252.8</u> | <u>18.5%</u> |

In 2022, the throughput of the Group's Bulk Grain Segment amounted to 14.847 million tonnes, representing a year-on-year increase of 18.5%.

In 2022, the Group's corn throughput was 7.372 million tonnes, representing a year-on-year increase of 51.3%. It was mainly due to the imports hampered by the Russia-Ukraine conflict and the recovery of the domestic grain market, coupled with the relative high price of substitutes for domestic trade in 2022, which resulted in a reduction in substitutes.

In 2022, the Group's soybean throughput was 2.423 million tonnes, representing a year-on-year decrease of 35.3%. Such decrease was mainly due to the tight supply caused by reduced soybean production in South America affected by drought in 2022, coupled with that factories reduced their production for the poor profits of edible oil production enterprises, which was caused by the high cost of raw materials, as a result of the significant increase in international grain prices due to the Russia-Ukraine conflict.

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

| Item | 2022 (<i>RMB</i>) | 2021 (<i>RMB</i>) | Change (%) |
|-----------------------------------|------------------------|------------------------|--------------------------------|
| Revenue | 673,239,656.09 | 538,940,606.27 | 24.9 |
| Share of the Group's revenue | 5.6% | 4.4% | Up by 1.2 percentage points |
| Gross profit | 135,452,829.63 | 75,810,602.34 | 78.7 |
| Share of the Group's gross profit | 4.4% | 2.0% | Up by 2.4 percentage points |
| Gross profit margin | 20.1% | 14.1% | Up by 6.0 percentage points |

In 2022, the revenue from the Bulk Grain Segment increased by RMB134.30 million or 24.9% year-on-year, mainly due to the increase in revenue from loading and discharging driven by the increase in the business volume of grains such as corn.

In 2022, the gross profit of the Bulk Grain Segment increased year-on-year by RMB59.64 million or 78.7%, and the gross profit margin increased by 6.0 percentage points year-on-year, mainly due to the increase in the business volume of domestic corn trade with high gross profit margin.

Passenger and Ro-Ro Segment

The following table sets out the passenger and roll-on, roll-off throughput handled by the Group in the 2022 as compared with 2021:

| | 2022 | 2021 | Increase/ (decrease) |
|---|-------|-------|-------------------------|
| Passengers ('0,000 persons) | 144.1 | 179.4 | (19.7%) |
| Vehicles ('0,000 units) (<i>Note 1</i>) | 80.1 | 78.2 | 2.4% |

Note1: 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 2022, the throughput of the Group's passengers segment was 1.441 million persons, representing a year-on-year decrease of 19.7%, while the throughput of the Group's vehicles segment was 0.801 million units, representing a year-on-year increase of 2.4%. With the launch of large passenger and ro-ro shipping capacity, and the resumption of "Dalian-Weihai" shipping routes, the ro-ro business gradually recovered.

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

| Item | 2022 (RMB) | 2021 (RMB) | Change (%) |
|-----------------------------------|----------------|----------------|----------------------------------|
| Revenue | 149,638,911.98 | 147,515,813.52 | 1.4 |
| Share of the Group's revenue | 1.2% | 1.2% | Stable |
| Gross profit | -12,029,667.01 | -6,933,457.39 | -73.5 |
| Share of the Group's gross profit | -0.4% | -0.2% | Down by 0.2 percentage point |
| Gross profit margin | -8.0% | -4.7% | Down by 3.3 percentage points |

In 2022, the revenue from the Passenger and Ro-Ro Segment increased by RMB2.12 million or 1.4% year-on-year, mainly due to the launch of large passenger and ro-ro shipping capacity. However, the reduction of shipping frequency of Lushun Port led to a decrease in revenue.

In 2022, the gross profit of the Passenger and Ro-Ro Segment decreased by RMB5.10 million or 73.5% year-on-year, and the gross profit margin decreased by 3.3 percentage points year-on-year, mainly due to the increase in operating expenses of Lushun Port.

Value-added Services Segment

Tugging

The Group completed a tugging volume of 60,700 times.

Tallying

The Group completed a tallying volume of 36.953 million tonnes.

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

| Item | 2022 (RMB) | 2021 (RMB) | Change (%) |
|-----------------------------------|-------------------------|------------------|-----------------------------------|
| Revenue | 1,165,346,505.11 | 1,223,145,789.09 | -4.7 |
| Share of the Group's revenue | 9.7% | 9.9% | Down by 0.2 percentage point |
| Gross profit | 151,066,151.56 | 339,861,758.35 | -55.6 |
| Share of the Group's gross profit | 4.9% | 8.9% | Down by 4.0 percentage points |
| Gross profit margin | 13.0% | 27.8% | Down by 14.8 percentage points |

In 2022, the revenue from the Value-added Services Segment decreased by RMB57.80 million or 4.7% year-on-year, mainly due to the decreasing tugging revenue caused by the decrease in oil and bulk and general cargoes vessels, as well as the decrease in revenue from telecommunications engineering projects.

In 2022, the gross profit of the Value-added Services Segment decreased by RMB188.80 million or 55.6% year-on-year, and the gross profit margin decreased by 14.8 percentage points year-on-year, mainly due to the combined impacts of the decrease in revenue as a result of decreasing tugging volume, as well as the depreciation of newly-acquired assets and the increases in energy prices.

ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING YEAR

In 2022, the Group focused on improving quality and efficiency as well as innovation and collaboration while extending the scope and functions of its services, as a result of which it has achieved stable growth in its production and its business operations remained highly competitive in the port industry.

1. Advantages in terms of logistics system

In 2022, the Group established its whole-process logistics system by taking full advantage of its strategic locations and berths and deepening its cooperation with major customers. The construction of its logistics systems such as the shipping route network, seal-rail inter-modal transport and branch line in Bohai Rim region was gradually completed.

2. Advantages in terms of value-added services

The Group attached significant importance to cultivating the value-added services for the port and shipping industries such as whole-process logistics, port information services, bonded warehousing and circulation and processing, and cooperated with railway authorities, shipping companies and the Port Customs to actively extend its port service chain, expand port functions and improve its value-added service capabilities.

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 terms of the international economic situation, major developed countries will be “in or close to recession”, while emerging economies will “recover gradually”, and growth is expected in emerging markets and developing economies in Asia. In terms of the domestic economic situation, the basic characteristics of China’s economy featuring great resilience, potential and vitality remain unchanged. The Central Economic Work Conference pointed out that with the positive effect of various policies, China’s economy is expected to generally recover in 2023. In terms of the economic situation in the hinterland, the CPC Central Committee and the State Council attach great importance to the revitalisation of Northeast China, and the policies that continue to promote the reforms in Northeast China will be successively introduced. As such, the bright outlook of the economic development in Northeast China will bring incremental growth to the port business.

The Group has vital business presence in the three provinces of Northeast China, eastern Inner Mongolia and the Bohai Rim region, with its cargo sources being oil products, containers, ro-ro commercial vehicles, iron ore, coal, steel, grain, bulk and general cargo as well as rolling transportation of passengers, demonstrating a comprehensive range of cargo types, and high risk resilience.

(II) Possible risk exposures

2023 will see more uncertainties in the development of the world economy. The international economy and trade will pose severe threats and domestic economic growth may slow down. Large port facilities in Bohai Rim will be further improved. Port integration in Hebei will be accelerated and the integration effect of Shandong ports will continue to be enhanced. While strengthening the internal synergy, the port groups in Bohai Rim will, through transshipment, and layout of sea-rail inter-modal transport, increase efforts in land-sea two-way securing of goods supply in hinterlands. As a result, port competition is intensifying in Bohai Rim region. The production and operation of ports will face challenges posed by imbalanced development, lack of a diversified industrial structure, and weak economic growth in Northeast China.

(III) The Company’s development strategy

In 2023, the Group will adhere to the working principle of “integrating strategies, expanding incremental growth, improving weak links, strengthening services, consolidating foundation and implementing decisions”, insist on the market-oriented and customer-centric approach, compete for the market, take the initiative to serve, and innovate to enhance the core competitiveness of the port. The Group will make effort to build an integrated service system of “hub + channel + network” and fully promote the construction of “world-class” strong ports.

In 2023, the Group’s major initiatives for market development in its business segments are set out as follows:

Oil Segment

The Group will pay close attention to the reorganisation, capacity enlargement and usage of pipelines by private refineries in Liaoning and Hebei. Meanwhile, it will contact customers in a timely manner, take a comprehensive view in storage tank resource and utilise comprehensive service capabilities of ports to secure crude oil transshipment business. Leveraging the opportunity from the increase in ship fuel production at refineries in the hinterland, the Group will fully utilise the capacity of the Group’s process facilities and seize the growth opportunity of the trend of using low-sulfur fuel oil by ships to drive the increase in throughput.

Container Segment

The Group will strengthen the construction of network system and traditional advantageous routes from Japan and South Korea, concentrate on Southeast Asian routes, grasp the development opportunities of emerging regional markets, focus on developing direct routes to market gaps, improve the service level of routes, and continuously enhance the status of port hubs. We will actively integrate into the national economic development strategy, strengthen the construction of the transshipment platform in Bohai Rim, make full use of the advantage of port resources, continuously optimise and improve the network layout of container routes in Bohai Rim to establish a “multi-linkage and focused support (多點聯通、重點餵給)” network system of container feeder lines. Leveraging the intelligent service management platform of multimodal transport, the Group will promote the transformation and upgrade of multimodal transport business and actively integrate into the construction of the Northeast Sea-Land Corridor (東北海陸大通道). Guided by customer demand, the Group will enhance coordination with upstream and downstream enterprises in the industry, improve the development of business including whole-process logistics and bulk-to-container logistics, and enhance customer stickiness to realise the goal of “benefit and develop together (同受益、共發展)”. We will actively strive for policy support, continuously optimise the business environment of ports, promote the development of key logistics projects and boost the high-quality development of container business while strengthening the construction of smart ports and enhancing digital empowerment.

Passengers and Ro-Ro Segment

The Group will make use of the opportunities from the introduction and operation of ro-ro shipping capacity in large passenger and cargo segment to actively secure ro-ro vehicle and passenger business, and strive to develop a golden waterway in Bohai Rim region. The Group will also accelerate the transformation of berths to satisfy the demand of large passengers and ro-ro shipping, and vigorously develop the ro-ro cargo ships as well as drop and pull transportation business.

Automobile Segment

Leveraging the liner routes for foreign trade and export, we will further explore business opportunities in exported goods. We will seize the opportunity from high-speed growth of commercial vehicle exports and strengthen cooperation with shipping companies and automobile manufacturers to open new routes for foreign trade. We will also actively explore international transshipment business and consolidate the construction of new sea-rail channel to secure the incremental cross-border transport of Japanese and Korean commercial vehicles and used cars.

Bulk and General Cargo Segment

The Group will continuously deepen the cooperation with strategic customers and strengthen the securing of competitive goods supply. Through the internal and external collaborative development, the Group will further improve the construction of liner shipping routes system for bulk and general cargo. We will build an integrated supply chain service brand for iron ore, formulate a sound supply chain value-added service system integrating “direct sales + processing + trading+ distribution”, actively strive for the qualification of “national strategic reserve facilities (國家戰略儲備庫)” for iron ore and carry out diversified value-added services for iron ore. Meanwhile, the Group will continue to work on transportation of grains from the north to the south and deeply explore national policy sources of grains.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, the Company complied with the code provisions set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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 have confirmed that they had complied with the provisions of the Code of Securities Dealings during the year ended 31 December 2022.

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

During the year ended 31 December 2022, no redemption of our Company’s listed securities had been made by the Company. Neither the Company nor any of its subsidiaries had 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 2022.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year.

FINAL DIVIDEND

The Board proposed to distribute a final dividend of RMB0.0174 per share for the year ended 31 December 2022 (PRC withholding tax included), aggregating to a total dividend of RMB417,374,945.20. 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 2023. 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 2022 annual report containing all information of the Company in this announcement of annual results for the year ended 31 December 2022 will be published on the Company's website at www.liaoganggf.cn and the website of the Stock Exchange at www.hkex.com.hk in due course.

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

Dalian City, Liaoning Province, the PRC
30 March 2023

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

Executive Directors: WANG Zhixian and WEI Minghui

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

Independent non-executive Directors: LIU Chunyan, LAW Man Tat and CHENG Chaoying

* *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 "Liaoning Port Co., Ltd."*

* *For identification purposes only*