DALIAN PORT (PDA) COMPANY LIMITED
大連港股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(於中華人民共和國註冊成立之股份有限公司)
(Stock Code 股份代號：2880)

2006
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Company Information

Board of Directors
Mr. Sun Hong *(Chairman)*
Mr. Jiang Luning
Ms. Su Chunhua
Mr. Lu Jianmin
Mr. Zhang Fengge
Mr. Yang Zan*
Mr. Zhang Xianzhi*
Mr. Ng Ming Wah, Charles*

* Independent non-executive director

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

Joint Company Secretaries
Ms. Ma Jinru
Mr. Lee Kin Yu, Arthur

Principal Banker
Industrial and Commercial Bank of China

Auditor
Deloitte Touche Tohmatsu

Legal Counsel
Morrison & Foerster

Stock Code
2880

Compliance Adviser
Evolution Watterson Securities Limited
(Formerly known as: Watterson Asia Limited)

Share Registrar
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Chairman's Statement

The successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 April 2006 was a milestone in the history of the Company, which has enabled the Company to have access to a sophisticated financing platform for rapid development in the international capital market. I am pleased to present our first interim report for the six months ended 30 June 2006, during which period the Company's performance has been steady and impressive.

In the first half of 2006, the Company has gained a steady growth in its operation, benefiting from the continued rapid growth of China's economy, the considerable good performance of the local economy in Northeastern China and the hard work of all the employees of the Group. The turnover of the Group increased by 17.7% to RMB725,106,000 as compared with the same period in 2005. The net profit attributable to equity shareholders was RMB375,193,000, representing an increase of 54.8% as compared to the same period in 2005. The earning per share was RMB0.16, representing an increase of 33.3% as compared with the same period in 2005.

In the first half of 2006, the turnover of the oil/liquefied chemicals segment of the Group was RMB293,796,000, representing an increase of 16.4% as compared to the same period in 2005. Faced with the complicated and changing market environment, the Group took various measures and efforts to enhance internal efficiency and strengthen customer relationship to increase the handling volume of the Group and lay a firm basis for future development. Through enhancing management measures and increasing operation efficiency, the service quality has significantly improved. The Group has established a complete market analysis system and key customer communication mechanism to satisfy the requirements of its customers through good cooperation and neatly defined working regulations.

In the first half of 2006, the turnover of the container terminal and relative logistics businesses of the Group was RMB310,250,000 representing an increase of 17.1% as compared with the same period in 2005. The total throughput of container was 1.412 million TEUs, representing an increase of 17.3% as compared to the same period in 2005. The increase in foreign trade container volume was steady and we have witnessed a strong increase in domestic container volume, and the Group maintained its leading position in the container market in Northeastern China. Pursuant to the Group's strategy of increasing volume through adding shipping lines, the Group attempted to attract more overseas shipping lines to call at the port in order to optimize the combination of different routes. Meanwhile, the Group strengthened its marketing to the shipping companies and actively pursued business development in the domestic market to maintain and expand its market share in both foreign and domestic trading container business. It is worth mentioning that the world's biggest container vessel, "China Shipping Los Angeles", commenced her maiden voyage from Dalian during the reporting period, which showed the perfect port condition and matured terminal management skills of Dalian port.

In the first half of 2006, benefiting from an increase of the overall operation of the port, the Group recorded good results in the port value-added service business. The income from the businesses of tugging, pilotage and tallying has substantially increased.

In light of the Company's remarkable results in the first half of 2006, the fast-growing economy of China and the policies in favor of the revitalization of the industrial base in Northeastern China and the establishment of a shipping center in Dalian to serve Northeastern Asia area, we expect satisfactory results and a good return to the shareholders in the second half of 2006 by leveraging on the favorable conditions of Dalian port, and its experienced operation and management skills and through hard work of all the directors, the management team and employees of the Company. I would like to take this opportunity to express my sincere thanks to all the friends of the Company who continuously support the Company.

Dalian Port (PDA) Company Limited
Chairman
Sun Hong

5 September 2006

Management Discussion and Analysis

Summary

In the first half of 2006, China's GDP increased by 10.9% and foreign trade value increased by 23.4% and Northeast China continues to experience strong economic development. The GDP in Heilongjiang Province, Jilin Province and Liaoning Province increased by 11.4%, 12.1% and 12.9% respectively and the foreign trade value increased by 13.4% in Northeast China. To take advantage of this macro economic environment, the Group continued to focus on developing its core business and achieving a satisfactory result during the reporting period.

Overall analysis of results

For the first half of 2006, the Company's profit attributable to equity holders amounted to RMB375,193,000, representing an increase of 54.8% over the same period last year and earnings per share amounted to RMB16 cents, representing an increase of 33.3% over the same period last year.

For the six months ended 30 June 2006, the Group's revenue amounted to RMB725,106,000, representing an increase of 17.7% over the same period last year. The revenue increase was attributable to the increase in container throughput as well as the increase in the rental income of container berths and new crude oil storage tanks.

The Group's cost of services, includes depreciation expenses, payroll-related expenses and fuel cost, which amounted to RMB328,739,000 for the first half of 2006, representing an increase of 15.3% over the same period last year. Such increases in the cost of services were mainly due to revenue increases. For the first half of 2006, gross profit reached RMB396,367,000, representing a gross profit margin of 54.7%, which was slightly higher than that in the same period in 2005.

For the first half of 2006, the Group's other income amounted to RMB135,747,000, of which RMB108,772,000 was derived from the interest income of the subscription monies for the Company's issue of new H shares.

Assets and liabilities

As of 30 June 2006, the Group's total assets and net assets amounted to approximately RMB10,293,648,000 and RMB5,204,979,000, respectively, and the net asset value per share was RMB1.78, representing an increase of 42.6% over that of 31 December 2005.

As of 30 June 2006, the Group's total liabilities amounted to RMB5,088,669,000 of which total outstanding bank loans accounted for RMB3,818,027,000.

Financial resources and liquidity

For the first half of 2006, the Group maintained a strong financial position benefiting from the stable cash inflow from its operating activities, the cash proceeds from the issue of new H shares and bank borrowings. The balance of cash and cash equivalents held by the Group as at 30 June 2006 amounted to RMB2,798,156,000.

Cash inflow from operation continued to be a major source of fund for the Group in the first half of 2006 during which the Group's net cash generated from operating activities amounted to RMB162,581,000.

The Company received net proceeds of RMB2,380,126,000 from the global offering of 840 million new H shares on 28 April 2006 and a further offering of 126 million new H shares upon the exercise of an over-allotment option on 3 May 2006.

The Group's capital expenditures amounted to RMB700,000,000 during the first half of 2006. Such capital expenditures were funded primarily by the proceeds of the global offering of new H shares, government grants and bank borrowings.

During the first half of 2006, the Group repaid bank loans of RMB1,221,000,000 and obtained new bank loans of RMB898,000,000. As of 30 June 2006, the Group had bank loans of RMB3,818,027,000 of which RMB3,458,581,000 were non-current liabilities and RMB359,446,000 were current liabilities. Gearing, measured by net debt to equity, decreased from 158% as of 31 December 2005 to 20% as of 30 June 2006.

Use of H share proceeds

The net proceeds from the global offering of 966 million new H shares of the Company after deducting related expenses amounted to approximately RMB2,380,126,000. As of 30 June 2006, the Group had utilized a total of approximately RMB792,000,000 of the net proceeds as follows:

* RMB171,000,000 for the construction of twelve crude oil storage tanks in Xingang;
* RMB133,000,000 for the construction of four new container berths at Dayao Bay;
* RMB88,000,000 for the purchase of eight tugboats; and
* RMB400,000,000 for the partial repayment of a long-term bank loan.

There has been no change in the proposed use of proceeds from the H share global offering as stated in the Company's prospectus dated 18 April 2006.

As of 30 June 2006, the remaining net proceeds of approximately RMB1,588,126,000 from the H share global offering were deposited as short-term deposits with licensed banks in the PRC.

Operations Review

The Group has been engaged in the following three business segments: (i) the provision of oil/ liquefied chemicals terminal and related logistics services; (ii) the provision of container terminal and related logistics services; and (iii) the provision of port value-added services. The performance of the three business segments in the first half of 2006 is as follows:

Oil/liquefied chemicals terminal and related logistics services

The following table sets out the oil/liquefied chemicals throughput handled by the Group in the first half of 2006 as compared with the same period in 2005:

	For the six months ended 30 June 2006 ('000 tonnes)	For the six months ended 30 June 2005 ('000 tonnes)	Increase (+)/ decrease (–)
Crude oil	**10,213**	10,359	–1.4%
Refined oil	**5,547**	6,971	–20.4%
Liquefied chemicals	**442**	239	+84.9%
Total	**16,202**	17,569	–7.8%

In the first half of 2006, in terms of oil/liquefied chemicals products, the Group handled a total of 16.202 million tonnes throughput, representing a decrease of 7.8% as compared with the same period in 2005.

The throughput of crude oil slightly decreased as compared with the same period in 2005 due to: (1) the processing volume for PetroChina, the Group's major customers remained substantially unchanged as compared with the same period in 2005; (2) the decreased amount of crude oil extracted in the Northeast China oil fields and shipped for domestic consumption and the increased amount of crude oil imported from Russia via land transportation; and (3) the Group managed to enhance transshipment business so that the total crude oil throughput substantially remained unchanged as compared with the same period in 2005.

The Group's refined oil throughput decreased by 20.4% as compared with the same period in 2005, which was mainly due to: (1) the increase of local consumption of refined oil as a result of the development of the economy in Northeast China; (2) the decrease in volume of refined oil transported by railway carriage tankers to the terminal for transshipment via vessels owing to change in transportation mode by PetroChina Northeast Marketing Co., Ltd., the Group's major refined oil customer; and (3) the increase in output of liquefied chemicals in Northeast China which also had an unfavorable effect on the output and throughput of refined oil.

Benefiting from an increasing demand for liquefied chemicals, the liquefied chemicals business recorded an increase of 84.9% as compared with the same period in 2005.

For the first half of 2006, the revenue from oil/liquefied chemicals terminal and logistics services amounted to RMB293,796,000 which accounted for 40.5% (41% for the same period in 2005) of the Group's total revenue and represented an increase of 16.4% (being RMB41,495,000) as compared with the same period in 2005. This increase was mainly driven by the growth in the rental income of new crude oil storage tanks and an increase in the throughput of liquefied chemicals. For the first half of 2006, the gross profit from oil/liquefied chemicals terminal and logistics services amounted to RMB177,365,000 which accounted for 44.7% (46.2% for the same period in 2005) of the Group's total gross profit and represented a gross margin of 60.4% (60.6% for the same period in 2005).

Faced with difficult market situations, the management focused on expansion of oil businesses and further enhancement of internal management and operational efficiency and implemented the following major measures:

- Strengthening the solicitation for the cargo handling business. In the first half of 2006, the volume of crude oil imported through the Company's port facilities represented 90% (82% in the same period in 2005) of the total amount of crude oil imported through all ports in Liaoning Province. In terms of oil/liquefied chemicals throughput, the Group maintained its market share with approximately 75% and 54.5% of the total throughput of the ports in Dalian and Northeast China respectively.

- Actively seeking business expansion as a result of which the Group's business structure for oil/liquefied chemicals business has changed significantly. In the first half of 2006, the Group continued to focus on the loading and discharging business and expanded its storage and transshipment business. The storage business represented a higher proportion in the Company's oil business. The throughput of crude oil transshipment increased by 3.4% as compared with the same period in 2005.

In the first half of 2006, the Group commenced the following major construction projects in relation to its oil/liquefied chemicals terminal and logistics business:

- The construction of berths and storage tanks to be used for the refined oil and liquefied chemicals terminal business, which will be relocated from Siergou to Xingang, had been carried out as scheduled. It is expected that the relocation will be completed by the end of 2006.

- The construction of the twelve crude oil storage tanks using part of the proceeds from the H share global offering had been carried out as scheduled. It is expected that six tanks will be put into use in October 2006 and the other six tanks will be put into use by the end of 2007.

Container terminal and related logistics services

The following table sets out the container throughput handled by the Group in the first half of 2006 as compared with the same period in 2005:

	For the six months ended 30 June 2006 (TEUs)	For the six months ended 30 June 2005 (TEUs)	increase(+)/ decrease(–)
Foreign Trade	**1,265,615**	1,106,502	+14.4%
Domestic Trade	**146,725**	98,013	+49.7%
Total	**1,412,340**	1,204,515	+17.3%

In the first half of 2006, the Group handled a total of 1,412,340 TEUs container throughput, representing an increase of 17.3% as compared with the same period in 2005. Benefiting from the growth in both of the national economy of China and the local regional economy, the Group recorded a significant increase in domestic trade container business and a stable increase in foreign trade container business. In the first half of 2006, the local regional economy in Northeast China experienced considerable growth, especially in the areas including domestic trade, fixed assets investment, overall consumption, which resulted in a rapid growth in the domestic trade container business. In the first half of 2006, the growth rate in foreign trade (in particular, exports) slowed down, resulting in a lower growth rate in foreign trade container business. As compared with other major container ports in China, the Group achieved satisfactory results in the container business in the first half of 2006.

For the first half of 2006, the revenue from container terminal and logistics services amounted to RMB310,250,000 which accounted for 42.8% (43% for the same period in 2005) of the Group's total revenue and represented an increase of 17.1% (being RMB45,239,000) as compared with the same period in 2005. Of the increased revenue, the revenue from container loading and discharging accounted for RMB39,876,000, representing an increase of 26.6% as compared with the same period in 2005, and the revenue from container logistics services accounted for RMB5,363,000, representing an increase of 4.7% as compared with the same period in 2005.

For the first half of 2006, the gross profit from container terminal and logistics services amounted to RMB157,999,000, which accounted for 39.9% (38.2% for the same period in 2005) of the Group's total gross profit and represented a gross margin of 50.9% (47.7% for the same period in 2005). This increase in gross margin was mainly caused by an increase in the rental income of container berths.

The management has taken the following measures to develop the Group's container business and expand its market share:

– Strengthening customer relationship, continuing to improve service standards and to accelerate cooperation with customers on port operations and business development.

In the first half of 2006, the Group had a 97% market share in the container business of Dalian port. The volume of containers handled by the Group in foreign trade accounted for 95% of the total volume of foreign trade container operations in Northeast China. The Group's market share increased slightly as compared with the same period in 2005.

– Further developing the transshipment business.

A total of 111,000 TEUs transshipment containers were handled by the Group in the first half of 2006, representing an increase of 17.6% as compared with the same period in 2005.

– Increasing the inter-modal transportation business.

The volume of sea-to-rail inter-modal transportation increased steadily by 7.3% as compared with the same period in 2005. In terms of sea-to-rail inter-modal transportation, the Group continues to maintain its leading position in China.

– Continuing to improve operational efficiency.

China Shipping's "New Los Angeles", the world's largest container vessel (with a handling capacity of 9,580 TEUs), commenced her maiden voyage from Dalian port, which underscores Dalian port's superior geographical conditions and mature port operations.

In the first half of 2006, the Group carried out the following major acquisition and construction projects in relation to container terminal and related logistics business:

– The construction of four new berths, namely No. 13 to No. 16 berths were carried out as scheduled. It is expected that No. 13 and No. 14 berths will be put into use by the end of 2006. No. 15 and No. 16 berths will be constructed and put into use according to an appropriate timetable in line with the growth in throughput.

– Dalian Port Container Co., Ltd. ("DPC"), the Company's subsidiary, acquired a 15% equity interest in Jinzhou New Age Container Terminal Co., Ltd. by making a capital contribution of RMB52,843,634 in the first half of this year. DPC has participated in the daily management of Jinzhou New Age Container Terminal Co., Ltd. since such capital contribution.

Port value-added services

In the first half of 2006, the Group recorded an increase performance in the port value-added services.

Tugging

In the first half of 2006, the revenue of the tugging business amounted to RMB72,050,000, representing an increase of 17.1% as compared with the same period in 2005. The increase was attributable to the increase in the billing volume of the tugging business in Dalian port, the business expansion in nearby shipyards and the increase in revenue from long-term lease of tugboats.

Of the increase in total revenue, 32% was attributable to the growth in the billing volume of the tugging business and 68% was attributable to the increase in revenue from long-term lease of tugboats.

Pilotage

In the first half of 2006, the number of vessels to which the Group provided pilotage service decreased by 3.2% as compared with the same period in 2005. However, the net tonnage (billing unit) and revenue from pilotage service increased by 2% and 7.95%, respectively as compared with the same period in 2005. Due to the number of larger vessels calling at the port, the increase rate for the number of vessels which the Group provided pilotage service was lower than the increase rate of the net tonnage and revenue from the pilotage service provided by the Group.

Tallying

The Company's two jointly controlled entities, namely, Dalian Ocean Shipping Tally Co., Ltd. and China United Tally Co., Ltd. Dalian, are engaged in the tallying business in Dalian port. In the first half of 2006, the total tallying throughput handled by the two companies amounted to 11.5 million tonnes, representing an increase of 8.6% as compared with the same period in 2005. In the first half of 2006, the Group's total revenue from the tallying business amounted to RMB15,068,000.

For the first half of 2006, the revenue from port value-added services amounted to RMB121,060,000, which accounted for 16.7% (16% for same period in 2005) of the Group's total revenue and represented an increase of 22.9% (being RMB22,562,000) as compared with the same period in 2005. For the first half of 2006, gross profit from port value-added services amounted to RMB61,003,000, which accounted for 15.4% (15.6% for the same period in 2005) of the Group's total gross profit and represented a gross margin of 50.4% (52.2% for the same period in 2005).

In the first half of 2006, the Group made a major purchase in relation to port value-added services when it acquired:

– Eight tugboats by using proceeds from the H share global offering, of which four tugboats will be put into use by the end of this year and the other four tugboats will be put into use by the end of 2007.

Prospects for the second half of 2006

The Asia Development Bank has forecasted that the PRC economy will increase by 10.1% in 2006. It is expected that the GDP will continue to increase rapidly and that foreign trade will continue to increase steadily in the second half of 2006. On 6 June 2006, the State Council held the Third Plenary Meeting of its committee responsible for the revitalization of old industrial bases in Northeast China and put forward strategic proposals for 2006, including the proposals to continue to improve the industrial structure and technology, to strengthen the production of equipment and machinery and to enhance infrastructure construction in transportation and energy sectors. The implementation of the strategic proposals will enhance the stable development of the economy in Northeast China in the near future. Therefore, it is anticipated that foreign trade in Northeast China, especially in Liaoning Province, will increase. Furthermore, the increasing demand for energy as a result of the development of the domestic economy, the refineries' motivation for production encouraged by the link of China's refined oil price with that in the international market and further improvement of the multi-modal transportation system will enhance the Group's operations and performance. The management is confident that the Company will achieve satisfactory results for the whole year of 2006.

In light of the foregoing, the Group will focus its resources and efforts in the following projects:

- With respect to the oil/liquefied chemicals terminal and logistics business, the Group will continue to focus on the Northeastern China market and develop the regional transshipment and storage business. The Group will apply for qualification of bonded function for its storage business. With respect to the container terminal and logistics business, the Group will maintain its market share in the foreign trade container business and expand its domestic container business, transshipment business and inland logistics business.

- The Group will further control its cost by adopting a new heating system which uses coal instead of oil. As a result, the Group will be able to reduce its oil consumption. At the same time, the Group will also make efforts to reduce its consumption of electricity.

- The construction of four new berths in the second phase container terminal (from No. 13 to No. 16) and crude oil storage tanks in Xingang and purchase of tugboats using proceeds from the H share global offering will proceed as planned.

- The refined oil and liquefied chemical business will relocate to Xingang by the end of 2006. Along with business expansion, the business of domestic container terminal in Dagang area will gradually relocate to Dayaowan. It is expected that the relocation will be completed by the end of 2006, following which, the Group will be able to use its resources more efficiently and effectively.

– In line with the growth in the container business, the Group intends to apply for approvals for the construction of the extended facilities of the second phase container terminal. The terminal will be constructed and put into use according to an appropriate timetable in line with the growth in throughput. The Group intends to co-operate with well-known international and domestic shipping companies under this project.

– In order to improve the container sea-to-rail inter-modal transportation system, the Group intends to participate in the investment and construction of rail container terminals in Northeast China pursuant to the plan formulated by the PRC Ministry of Railway. In addition, the Group intends to expand co-operation with and increase investment in the Bohai Rim Ports.

– In the second half of 2006, the Company intends to establish a wholly-owned subsidiary in Hong Kong for capital operations in order to achieve synergy between port and shipping resources and to create more profit generating sources.

Corporate Governance Report

Introduction

The maintenance of a high standard of corporate governance is a top priority of Dalian Port (PDA) Company Limited (the "Company"). The board of directors of the Company (the "Board") believes that conducting business in a transparent and responsible manner serves the Company's long term interests and the shareholders can enhance their benefits from good corporate governance. The Company has been endeavoring to improve its corporate governance practices since its establishment, and has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices since the date of its listing on the Stock Exchange on 28 April 2006.

A. No Deviation from Code Provisions

This report describes the Company's corporate governance practices commencing from 1 January to 30 June 2006 ("the period"), with specific reference to the Corporate Governance Code. As far as the Corporate Governance Code is concerned, the Company has complied in all respects with the code provisions of the Corporate Governance Code, without any deviation from code provisions.

B. Board of Directors

The Company is headed by an effective board which assumes the responsibility for leadership and control of the Company and be responsible for promoting the development of the Company by directing and supervising the Company's affairs.

1. Board composition

The Board consists of three executive directors, two non-executive directors and three independent non-executive directors, who were elected at the inaugural meeting of shareholders on 9 November, 2005. The Directors as at the date of this report are as follows:

Executive directors

– Mr. Sun Hong *(Chairman)*
– Mr. Jiang Luning *(General Manager)*
– Ms. Su Chunhua (*Chief Accountant*)

Non-executive directors

– Mr. Lu Jianmin
– Mr. Zhang Fengge

Independent non-executive directors

– Mr. Yang Zan
– Mr. Zhang Xianzhi
– Mr. Ng Ming Wah, Charles

During the period, there was no financial, business, family or other material/relevant relationships among the members of the Board.

2. Operation of the Board

Pursuant to the Articles of Association of the Company, the Board should hold at least 4 regular board meetings each year, to be convened by the chairman. For a regular board meeting, a notice of at least 14 days should be given to all directors. For an interim board meeting, a notice of at least 5 days should be given to all the directors of the time, place and means by which the interim board meeting will be conducted.

The Board meeting shall be effectively held, provided that at least over half of directors will be present. The directors may attend the board meeting in person, or appoint other directors in writing as his proxy to present at the board meeting. The company secretary shall be responsible for making and keeping the minutes of board meetings and ensure that such minutes are open for inspection by any director.

During the period, the Board held three board meetings in total. The following were attendance rates of the directors at Board meetings during the period:

Member of the Board	Attendance/Total number of meetings	Attendance rate
Mr. Sun Hong (Chairman)	3/3	100%
Mr. Jiang Luning	3/3	100%
Ms. Su Chunhua	3/3	100%
Mr. Lu Jianmin	3/3	100%
Mr. Zhang Fengge	3/3	100%
Mr. Yang Zan	3/3	100%
Mr. Zhang Xianzhi	3/3	100%
Mr. Ng Ming Wah, Charles	3/3	100%

3. *Non-executive directors*

The Company has two non-executive directors who are richly experienced in port business and finance and financial management. Such experience, expertise and skills facilitate the process of formulating the Group's strategy.

Each of the non-executive director has entered into a service agreement with the Company pursuant to which each of them is appointed for service with the Company for a term of three years, and is renewable upon re-election.

4. *Independent non-executive directors*

The Company has three independent non-executive directors. They are highly experienced professionals with extensive expertise in areas such as accounting, finance, enterprise administration and logistics management. Their skills and experience will contribute to the efficient operation of the Board and the development of the Company, ensuring that matters are fully considered and that the Board can make decision highly independently.

Upon specific enquires to all the independent non-executive directors, all the Independent non-executive directors have confirmed their respective independence during the period pursuant to Rule 3.13 of the Listing Rules.

The Board believes that the balance between executive and non-executive directors is reasonable and adequate to provide checks and balances that safeguard the interests of shareholders and the Company as a whole.

5. *The power exercised by the Board and the management*

The authorities and responsibilities of the Board and the management have been clearly defined in the articles of association of the Company, which aims to provide adequate check-and-balance mechanism for internal control and good corporate governance.

The Board is responsible for deciding on the Company's business and investment plans, drawing up the Company's basic management system and deciding on the establishment of the internal management structure, determining other material business and administrative and monitoring the performance of the senior management.

The management, under the leadership of Mr. Jiang Luning, the general manager (who is also an executive director), is responsible for implementing the resolutions approved by the Board, including the Company's annual business and investment plan, and organizing the Company's day-to-day operation and management.

To ensure the efficient operation of the Company, the management is required to submit regular reports on the Company's operations to the Board, and the Board shall review and approve such reports, which are used in assessing and monitoring the performance of the management. Directors have access to the management to request for explanations or discussions on the Company's operations or business issues.

6. Separation of chairman and general manager

The posts of Chairman and general manager are separate and are held by different persons to ensure their independence, accountability and responsibility. The Chairman, Mr. Sun Hong, plays a critical role in setting the strategy of the development of the Company, and is responsible for ensuring that the Board is functioning properly and with good corporate governance practices and procedures, whilst Mr. Jiang Luning, who acts as general manager, is responsible for the day-to-day management of the Company's business, including organizing implementation of strategies set by the Board, making daily decision and coordinating overall business operations.

7. Nomination, appointment and removal of directors

The Board has established a formal and transparent procedure for the appointment of new directors to the Board. Appointments shall be considered by the Nomination and Remuneration Committee first. The recommendations of the Committee are then put to the Board for consideration. At last, all newly appointed directors are subject to election by shareholders at the shareholder's general meeting.

The Nomination and Remuneration Committee was established in November of 2006, which consists of three members who are Mr. Yang Zan, Mr. Ng Ming Wah, Charles and Mr. Lu Jianmin, and is chaired by Mr. Yang Zan.

The primary duties of the Nomination and Remuneration Committee are clearly defined in its working rules, including but not limited to reviewing the structure, size and composition of the Board on a regular basis; identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, reviewing and approving performance-based remuneration by reference to the Company's goals and objectives resolved by the Board; making recommendations to the Board on the matters relating to the appointment or re-appointment of directors; and on the Company's policy and structure for all remuneration of directors and senior management.

During the reporting period, the Nomination and Remuneration Committee held one meeting, with an overall average attendance rate of 100%.

Member of the Nomination and Remuneration Committee	Attendance/Total number of meetings	Attendance rate
Mr. Lu Jianmin	1/1	100%
Mr. Yang Zan	1/1	100%
Mr. Ng Ming Wah, Charles	1/1	100%

8. *Audit Committee*

To ensure that the financial reporting and internal control principles are properly applied and an appropriate relationship with the Company's auditor is maintained, an Audit Committee has been established by the Board.

The Audit Committee's terms of reference have been clearly defined in its working rules, including but not limited to reviewing the accounting policies, financial position and financial reporting procedures of the Company, communicating with external audit firms, assessing the performance of internal financial and audit personnel, and the internal control of the Company.

To date, the Audit Committee consists of three members who are Mr. Zhang Xianzhi, Mr. Ng Ming Wah, Charles and Mr. Zhang Fengge. Currently, Mr. Zhang Xianzhi serves as the Chairman and Mr. Ng Ming Wah, Charles is the vice-chairman.

During the period, the Audit Committee held one meeting, with an overall average attendance rate of 100%.

Member of the Audit Committee	Attendance/Total number of meetings	Attendance rate
Mr. Zhang Xianzhi	1/1	100%
Mr. Ng Ming Wah, Charles	1/1	100%
Mr. Zhang Fengge	1/1	100%

9. *Directors' securities transactions*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules (the "Model Code") as the Company's code of conduct and rules governing dealings by its directors in the securities of the Company. In response to the enquiry on all directors of the Company, the directors confirmed that they have complied with the required standards set out in the Model Code during the period.

C. Auditor's Remuneration

Deloitte Touche Tohmatsu has been appointed as the Company's external auditors by the Board.

A remuneration of HK$300,000 was charged by Deloitte Touche Tohmatsu for the provision of services during the period.

D. Share Interests of Senior Management

During the period, none of the senior management held share interests of the Company.

E. Internal Controls

The Company has set up certain systems of internal control to manage the matters of connected transactions, internal audit, disclosure and other relevant matters. The Board has reviewed the effectiveness of the system of internal control, and considers the systems effective, and will continue to consummate the internal control systems to promote the governance of the Company.

1. Internal audit

The Board has established an Audit Committee as part of the internal control systems of the Company. Details of the Audit Committee are set out in Part B. 8.

The Company has also an internal auditor function, and accordingly appointed a qualified personnel as the internal auditor to improve the internal control of the Company. The role of the internal auditor is to assist the Audit Committee to ensure that the Company maintains a sound system of internal controls by reviewing all aspects of the Group's activities and internal controls, conducting comprehensive audits of the practices and procedures of the Company and its subsidiaries on a regular basis. To date, internal auditor has conducted an internal audit of the Company and its subsidiaries for the financial year 2005.

2. Other internal control procedures

The Company has set out and is implementing certain internal control procedures to ensure the compliance with the connected transaction requirements under the Listing Rules.

The Company has established the financial management regime and other related policies to clarify the rules of financial management and reduce the risks of the Company's during operation.

The Board has established a Financial Management Committee to improve the effectiveness of the financial management of the Company.

Moreover, the Company is preparing to formulate the supervisory regimes related to disclosure management system, which intends to rule the responsibilities and internal control procedures of the disclosure on significant matters and price sensitive information.

F. Management Functions

The authorities and responsibilities of the Board and the management have been respectively and clearly defined under the articles of association of the Company. Such division of the duties of the Board and the management will ensure the normative and effective operation of the Company. *Please refer to section B. 5 of this report for more details.*

G. Shareholder's Rights

The ordinary shareholders of the Company shall enjoy their rights, such as to obtain information and documents of the Company in accordance with the provisions of the Articles of Association. And the secretary of the Board shall be appointed by the Board whose primary responsibilities include to ensure that the Company has completed organizational documents and records and to ensure that persons who have the right to obtain the Company's relevant records and documents can promptly obtain these records and documents.

So, the shareholders of the Company are encouraged to contact the secretary of the Board whenever they have such demands.

When the Company convenes a shareholders' annual general meeting, shareholders holding 5% or more of the total voting Shares of the Company shall have the right to propose new proposals in writing, and the Company shall place on the agenda matters fallen with the terms of reference of the shareholders' general meeting in the proposal.

The Articles of Association of the Company has stated all the rights of the shareholders of the Company, including the rights which have been mentioned above. The Company has complied with all the provisions of the relevant laws, regulations and listing rules, ensuring the rights of the shareholders are fully exercised.

H. Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

Shareholders' general meetings comprise annual general meetings and extraordinary general meetings. Shareholders' general meeting shall be convened by the Board.

During the period, a shareholders' general meeting was held on 8 February 2006, which discussed and made resolutions as follows:

a. Election of one more supervisor of staff representative of the Company; and

b. Amendment to the articles of association according to the Company Law of PRC which became effective on 1st January 2006 and required by CSRC;

  – To consolidate the appellation of the authority in charge of securities as "the securities governing the authority of the State Council";

  – To amend the certain terms on supervisory committee as "the supervisory committee shall consists of two representatives of shareholders, two independent supervisors (means the supervisors who is independent from the Company and holds no post in the Company) and two staff representatives of the Company."

The Company has set up an unhindered channels to ensure the communication between the shareholders and the Company.

Joint Company Secretaries:	Ms. Ma Jinru	(86-411-82837683)
	Mr. Lee Kin Yu, Arthur	(86-411-82798908)
Fax:	86-411-82798108	
Company website:	www.dlport.cn	

Independent Review Report

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF DALIAN PORT (PDA) COMPANY LIMITED
大連港股份有限公司
(incorporated in the People's Republic of China with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 23 to 44.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 (SAS 700) "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, the comparative condensed consolidated cash flow statement and the comparative condensed consolidated statement of changes in equity for the six months ended 30 June 2005 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 August 2006

Condensed Consolidated Income Statement

For the six months ended 30 June 2006

	Notes	Six months ended 30 June **2006** **RMB'000** **(unaudited)**	 2005 RMB'000 (unaudited)
Revenue	3	**725,106**	615,810
Cost of services		**(328,739)**	(285,149)
Gross profit		**396,367**	330,661
Other income	4	**135,747**	18,211
Selling and administrative expenses		**(80,521)**	(55,578)
Share of results of associates		**(3,569)**	4,970
Finance costs	5	**(59,690)**	(40,320)
Profit before tax		**388,334**	257,944
Income tax expense	6	**(7,363)**	(7,475)
Profit for the period	7	**380,971**	250,469
Attributable to:			
Equity holders of the Company		**375,193**	242,399
Minority interests		**5,778**	8,070
		380,971	250,469
Basic earnings per share (RMB)	9	**0.16**	0.12

Condensed Consolidated Balance Sheet

At 30 June 2006

	Notes	30 June 2006 RMB'000 (unaudited)	31 December 2005 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**6,046,602**	5,459,085
Investment properties		**26,715**	27,376
Intangible assets		**7,130**	8,018
Investments in associates		**124,853**	132,673
Prepaid lease payments		**380,739**	385,794
Available-for-sale investments	11	**54,077**	1,233
Finance lease receivables		**8,947**	9,376
Deferred tax assets		**79,127**	79,127
		6,728,190	6,102,682
CURRENT ASSETS			
Properties held for sale		**263,940**	207,439
Rights to receive government grants		**30,600**	30,600
Inventories – finished goods, at cost		**761**	1,219
Trade and other receivables	12	**238,661**	134,303
Prepaid lease payments		**9,675**	9,347
Finance lease receivables		**1,618**	1,618
Amounts due from jointly controlled entities	13	**2,915**	7,238
Amounts due from associates	13	**26,686**	9,369
Amounts due from related companies	13	**116**	199
Advance to immediate holding company	13	**82**	17,332
Bank balances and cash		**2,798,156**	357,695
		3,373,210	776,359
Non-current assets held for sale	14	**192,248**	160,210
		3,565,458	936,569

	Notes	30 June 2006 RMB'000 (unaudited)	31 December 2005 RMB'000
CURRENT LIABILITIES			
Trade and other payables	15	**361,821**	235,840
Amounts due to fellow subsidiaries	13	**565**	20,826
Amounts due to jointly controlled entities	13	**1,447**	951
Amounts due to associates	13	**9,223**	7,043
Amounts due to related companies	13	**45,013**	8,370
Advance from immediate holding company	13	**7,431**	74,903
Amounts due to shareholders of jointly controlled entities	13	**3,500**	5,000
Tax liabilities		**10,999**	28,221
Bank borrowings – due within one year	16	**359,446**	649,881
Government grants		**160,210**	–
		959,655	1,031,035
NET CURRENT ASSETS (LIABILITIES)		**2,605,803**	(94,466)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,333,993**	6,008,216
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	16	**3,458,581**	3,491,671
Government grants		**670,433**	72,663
		4,129,014	3,564,334
NET ASSETS		**5,204,979**	2,443,882
CAPITAL AND RESERVES			
Paid-in capital	17	**2,926,000**	1,960,000
Reserves		**2,172,458**	383,139
Equity attributable to equity holders of the Company		**5,098,458**	2,343,139
MINORITY INTERESTS		**106,521**	100,743
TOTAL EQUITY		**5,204,979**	2,443,882

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2006

	Attributable to equity holders of the Company												
	Paid-in capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000 (Note a)	Statutory public welfare fund RMB'000 (Note b)	Enterprise development fund RMB'000 (Note c)	Discretionary reserve fund RMB'000 (Note d)	Special reserve RMB'000 (Note e)	Other reserve RMB'000 (Note f)	Retained earnings/ Shareholders' equity RMB'000 (Note g)	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2005	558,822	–	–	32,228	16,118	7,513	761	15,666	(281,349)	1,539,127	1,888,886	88,850	1,977,736
Profit for the period	–	–	–	–	–	–	–	–	–	242,399	242,399	8,070	250,469
Bonus issue of shares (Note h)	143,200	–	–	–	–	–	–	–	–	(143,200)	–	–	–
Appropriations	–	–	–	18	–	12	–	–	–	(30)	–	–	–
Net distributions to PDA (Note i)	–	–	–	–	–	–	–	–	–	(167,919)	(167,919)	–	(167,919)
At 30 June 2005 and 1 July 2005	702,022	–	–	32,246	16,118	7,525	761	15,666	(281,349)	1,470,377	1,963,366	96,920	2,060,286
Profit for the period	–	–	–	–	–	–	–	–	–	177,256	177,256	5,263	182,519
Conversion of a joint stock company	1,208,978	–	866,025	–	–	–	–	–	(377,120)	(1,697,883)	–	–	–
Issue of shares	49,000	22,206	–	–	–	–	–	–	–	–	71,206	–	71,206
Distribution to equity holders of the Company (Note j)	–	–	–	–	–	–	–	–	–	(165,641)	(165,641)	–	(165,641)
Decrease arising from a change in shareholding of Dalian Port Jihuo Logistics Co., Ltd ("DPJH") (Note k)	–	–	–	–	–	–	–	–	–	–	–	(328)	(328)
Decrease arising from liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(1,538)	(1,538)
Contributions from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	426	426
Appropriations	–	–	–	11,232	5,249	740	–	–	–	(17,221)	–	–	–
Net contributions from PDA (Note i)	–	–	–	–	–	–	–	–	–	296,952	296,952	–	296,952
At 31 December 2005 and 1 January 2006	1,960,000	22,206	866,025	43,478	21,367	8,265	761	15,666	(658,469)	63,840	2,343,139	100,743	2,443,882
Profit for the period	–	–	–	–	–	–	–	–	–	375,193	375,193	5,778	380,971
Issue of new H shares	966,000	1,605,525	–	–	–	–	–	–	–	–	2,571,525	–	2,571,525
Expenses relating to issue of new H shares	–	(191,399)	–	–	–	–	–	–	–	–	(191,399)	–	(191,399)
Appropriations	–	–	–	615	–	–	308	–	–	(923)	–	–	–
At 30 June 2006	2,926,000	1,436,332	866,025	44,093	21,367	8,265	1,069	15,666	(658,469)	438,110	5,098,458	106,521	5,204,979

Notes:

(a) According to the Articles of Association, certain subsidiaries and jointly controlled entities are required to transfer 10% of the profit after tax (as determined under the People's Republic of China ("PRC") accounting standards) to the statutory surplus reserve fund until the fund balance reaches 50% of the registered capital. The transfer to this fund must be made before distributing dividends to shareholders. The fund can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries and jointly controlled entities.

(b) According to the Articles of Association, certain subsidiaries and jointly controlled entities are required to transfer 5% to 10% of the profit after tax (as determined under the PRC accounting standards) to the statutory public welfare fund. The transfer to this fund must be made before distributing dividends to shareholders. The fund can be used for the collective welfare of the employees of the subsidiaries and jointly controlled entities. The fund is not distributable to shareholders. There has been no utilisation of the fund during the six months ended 30 June 2005 and 2006.

(c) Pursuant to regulations in the PRC, certain subsidiaries are required to transfer 5% to 10% of the profit after tax (as determined under the PRC accounting standards) to the enterprise development fund. The fund can only be used for the enterprise development and is not available for distribution to shareholders.

(d) According to the Articles of Association, certain subsidiaries can transfer the profit after tax to the discretionary reserve fund on a discretionary basis.

(e) Special reserve has been accounted for in accordance with the accounting policies adopted for the measurement of the non-interest bearing advance from immediate holding company, Dalian Port Corporation Limited ("PDA"), and amounts due to shareholders of jointly controlled entities at fair value.

(f) Other reserve represents the reversal of the revaluation surplus arising from the capital contribution by PDA to Dalian Container Terminal Co., Ltd ("DCT") and the Group Reorganisation.

(g) The shareholders' equity prior to establishment of the Company mainly represents the then capital of the companies now comprising the Group and the net distributions to PDA.

(h) Pursuant to the meeting of Dalian Port Container Co., Ltd ("DPC") held on 24 January 2005, DPC issued 143,200,000 new shares of RMB1 each in DPC to the then existing shareholders of DPC by way of 5 bonus shares for every 10 existing shares then held. All shares issued rank passu with the then existing shares in all respects.

(i) Net distributions to/contributions from PDA mainly represent the transfer of funds and property, plant and equipment between PDA and business divisions during the Relevant Periods. The amounts form part of the shareholders' equity of the Group as they represent changes in net assets of the Group.

(j) Pursuant to the "Provisional Regulation relating to Corporate Reorganisation of Enterprises and Related Management of State-owned Capital and Financial Treatment", which was issued by the Ministry of Finance of the PRC and became effective on 27 August 2002, any increase in net assets as a result of profit realised for the period between the date of asset valuation to the date of the establishment of the joint stock limited company (the "Initial Profit Period") is required to be distributed to the state-owned equity holder. Accordingly, the Company has distributed to PDA the increase in net asset attributable to the net profits of the Group during the Initial Profit Period (as determined by the PRC accounting standards) which has been set off against the current account with PDA.

(k) Dalian Jifa International Freight Co., Ltd acquired 25% equity interest of DPJH on 13 December 2005. As a result, the amount represented the decrease in 25% minority interest in DPJH.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	**162,581**	238,476
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(564,064)**	(11,492)
Acquisition of available-for-sale investments	**(52,844)**	–
Interest received	**127,167**	1,148
Other investing cash flows	**4,761**	789
NET CASH USED IN INVESTING ACTIVITIES	**(484,980)**	(9,555)
FINANCING ACTIVITIES		
New bank loans raised	**897,748**	594,375
Repayment of bank loans	**(1,221,273)**	(573,226)
Government grants received	**757,979**	–
Net proceeds from issue of new H shares	**2,380,126**	–
Net distribution to PDA	**–**	(210,699)
Other financing cash flows	**(51,720)**	47,695
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**2,762,860**	(141,855)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,440,461**	87,066
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**357,695**	194,799
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**2,798,156**	281,865

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2006

1. Basis of Presentation

The Company was established in the PRC as a joint stock limited company on 16 November 2005 and it has been registered in Hong Kong as an overseas company under Part XI of the Hong Kong Companies Ordinance. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") with effect from 28 April 2006.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the SEHK, the Company became the holding company of the Group, as set out in "Business – Reorganisation" in the prospectus issued by the Company, dated 18 April 2006 (the "Prospectus"). The Group resulting from the Group Reorganisation is regarded as a restructure of enterprises under common control. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group.

The condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK.

2. Significant Accounting Policies

The condensed financial statements have been prepared under the historical cost basis.

The accounting policies adopted are consistent with those followed in the preparation of the Accountants' Report as set out in Appendix 1 to the Prospectus.

In the current period, the Group has adopted all of the new standards, amendments and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and either effective for accounting periods beginning on 1 December 2005 or 1 January 2006 for the preparation of the condensed financial statements. The adoption of the new standards, amendments and interpretations has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior year adjustment has been required.

At the date of this report, the following standard, amendment and interpretations were in issue but not yet effective:

IAS 1 (Amendment)	Capital Disclosures[1]
IFRS 7	Financial Instruments: Disclosures[1]
IFRIC 7	Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies"[2]
IFRIC 8	Scope of IFRS 2[3]
IFRIC 9	Reassessment of Embedded Derivatives[4]
IFRIC 10	Interim Financial Reporting and Impairment[5]

1 Effective for annual period beginning on or after 1 January 2007
2 Effective for annual period beginning on or after 1 March 2006
3 Effective for annual period beginning on or after 1 May 2006
4 Effective for annual period beginning on or after 1 June 2006
5 Effective for annual period beginning on or after 1 November 2006

The Group has not early applied these standards and interpretations. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the condensed financial statements of the Group.

3. Segment Information

Business segments

For management purposes, the Group is currently organised into three operating divisions – oil/liquefied chemicals terminal and logistics services, container terminal and logistics services and port value-added services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Oil/liquefied chemicals terminal and logistics services	–	Loading and discharging, storage and transhipment for oil products and liquefied chemicals;
Container terminal and logistics services	–	Loading and discharging of containers and various container logistics services; and
Port value-added services	–	Tallying, vessel navigation, tugging and information technology services.

Segment information about the Group's operations is presented below.

For the six months ended 30 June 2006

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	**293,796**	**310,250**	**121,060**	**–**	**725,106**
Inter-segment sales	**–**	**–**	**2,531**	**(2,531)**	**–**
Total revenue	**293,796**	**310,250**	**123,591**	**(2,531)**	**725,106**

Inter-segment sales are charged at prevailing market prices.

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Eliminations RMB'000	Consolidated RMB'000
Result					
Segment result	**167,267**	**127,385**	**49,357**	**–**	**344,009**
Unallocated income					**127,483**
Unallocated expenses					**(19,899)**
Share of results of associates	**–**	**(4,426)**	**857**	**–**	**(3,569)**
Finance costs					**(59,690)**
Profit before tax					**388,334**
Income tax expense					**(7,363)**
Profit for the period					**380,971**

For the six months ended 30 June 2005

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue					
External sales	252,301	265,011	98,498	–	615,810
Inter-segment sales	–	–	4,339	(4,339)	–
Total revenue	252,301	265,011	102,837	(4,339)	615,810

Inter-segment sales are charged at prevailing market prices.

Result					
Segment result	145,786	106,081	39,957	–	291,824
Unallocated income					1,470
Share of results of associates	–	4,970	–	–	4,970
Finance costs					(40,320)
Profit before tax					257,944
Income tax expense					(7,475)
Profit for the period					250,469

Geographical segments

All the Group's operations are located in the PRC.

4. Other Income

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Net rental income	**3,973**	1,799
Subsidy income (Note a)	**775**	12,296
Service income	**824**	1,915
Bank interest income (Note b)	**127,167**	1,148
Finance lease interest income	**316**	322
Others	**2,692**	731
	135,747	18,211

Notes:

(a) Subsidy income in 2005 included an amount of approximately RMB11 million received by DPC from the Finance Bureau of the Economic and Technology Development Zone of Dalian (大連經濟技術開發區財政局) for operations established in a newly developed zone. Pursuant to the notice from the bureau, the subsidy income was one-off and did not come along with any conditions prior to the release of the subsidy income.

(b) Bank interest income in 2006 included an amount of approximately RMB109 million (2005: nil) arising from the over-subscription of the Company's H shares under the global offering.

5. Finance Costs

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Interest on bank loans	**113,701**	19,867
Interest on loans from PDA	**–**	53,988
Imputed interest expense on advance from PDA and amounts due to shareholders of jointly controlled entities	**–**	496
Total borrowing costs	**113,701**	74,351
Less: Amount included in the cost of property, plant and equipment	**(54,011)**	(34,031)
	59,690	40,320

6. Income Tax Expense

	Six months ended 30 June	
	2006	2005
	RMB’000	RMB’000
The charge comprises:		
Current tax	**7,363**	7,459
Deferred tax	**–**	16
	7,363	7,475

Pursuant to the documents issued by The Dalian Bonded Zone Local Tax Bureau (大連保稅區地方稅務局文件2005年25號), the Company is exempted from PRC income tax for one year from the date of establishment and followed by a 50% reduction for the following year.

DCT, one of the jointly controlled entities of the Group, is a sino-foreign joint venture. Pursuant to the relevant laws and regulations in the PRC, DCT was entitled to a 50% tax relief on PRC Foreign Enterprise Income Tax (“FEIT”) for the six months ended 30 June 2006 and 2005.

Odfjell Terminals (Dalian) Ltd. (“OTD”), another jointly controlled entities of the Group, is also a sino-foreign joint venture. Pursuant to the relevant laws and regulations in the PRC, OTD is exempted from FEIT for five years starting from its first profit-making year and followed by a 50% reduction for the following five years. It is the second profit-making year for OTD to be exempted from FEIT for the six months ended 30 June 2006.

Except for the above-mentioned entities, the tax charges for the period ended 30 June 2006 and 2005 represent income tax in the PRC which are calculated at the prevailing tax rate of 33% on the taxable income of the Group in the PRC.

7. Profit for the Period

	Six months ended 30 June	
	2006 **RMB'000**	2005 RMB'000
Profit for the period has been arrived at after charging:		
Staff cost, including directors' remuneration		
Salaries, wages and other benefits	**65,354**	55,835
Retirement benefits scheme contributions	**17,048**	13,106
Total staff costs	**82,402**	68,941
Allowance for bad and doubtful debts, net	**2,889**	1,596
Depreciation and amortisation	**86,375**	71,890
Loss on disposal of property, plant and equipment	**31**	974
Net foreign exchange loss	**11,661**	66
Release of prepaid lease payments to income statement	**4,727**	2,848
Share of tax of associates (including in share of results of associates)	**779**	1,791

8. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: nil).

9. Basic Earnings per Share

The calculation of the basic earnings per share for the six months ended 30 June 2006 is based on the profit attributable to the equity holders of the Company and the weighted average number of 2,298,088,000 shares in issue. The weighted average number of shares in issue is determined by adjusting 840,000,000 new H shares issued to the public and listed on the Main Board of the SEHK on 28 April 2006 and a further 126,000,000 new H shares issued as a result of the full exercise of Over-allotment Option on 3 May 2006.

The calculation of the basic earnings per share for the six months ended 30 June 2005 was based on the profit attributable to the equity holders of the Company and on the 1,960,000,000 shares issued and outstanding at the date of the establishment of the Company.

10. Movements In Property, Plant And Equipment

During the six months ended 30 June 2006, the Group spent approximately RMB700 million on the construction of container berths, crude oil storage tanks and tugboats.

There was no significant disposal of property, plant and equipment for the Group during the same period.

11. Available-for-sale Investments

On 28 February 2006, the Group acquired 15% unquoted equity interest in Jinzhou New Age Container Terminal Co., Ltd (錦州新時代集裝箱碼頭有限公司) at a consideration of approximately RMB53 million. The amount is measured at cost less impairment after initial recognition as the fair value cannot be reliably measured.

12. Trade and Other Receivables

The Group has a policy of allowing an average credit period from 30 to 60 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet dates:

	30 June 2006 RMB'000	31 December 2005 RMB'000
Trade receivables		
0 – 30 days	**91,458**	51,507
31 – 60 days	**11,853**	15,236
61 – 90 days	**4,270**	906
91 – 360 days	**5,796**	1,880
	113,377	69,529
Other receivables, net of allowances	**125,284**	64,774
	238,661	134,303

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

13. Amounts Due from/to Fellow Subsidiaries/Jointly Controlled Entities/Associates/Related Companies/Shareholders of Jointly Controlled Entities and Advance to/from Immediate Holding Company

The amounts are unsecured, non-interest bearing and repayable on demand.

The directors consider that the carrying amounts of amounts due from/to fellow subsidiaries/jointly controlled entities/associates/related companies/shareholders of jointly controlled entities and advance to/from immediate holding company approximate to their fair values.

The related companies are the jointly controlled entities and associates of PDA.

14. Non-current Assets Held for Sale

	30 June 2006 RMB'000	31 December 2005 RMB'000
Non-movable assets situated in Siergou (Note a)	**160,210**	160,210
Other property, plant and equipment (Note b)	**32,038**	–
	192,248	160,210

Notes:

(a) At the request of the Finance Bureau of the Dalian Municipal (大連市財政局), Siergou, a division of the Group, and OTD, which are engaged in the provision of loading and discharging services for refined oil and liquefied chemicals, respectively, have to be relocated. Under the relevant agreements, 大連市財政局 will compensate Siergou and OTD for those non-movable assets which have to be retained in their original locations. The net carrying amount of the assets will be compensated by 大連市財政局 and therefore, no impairment loss was required for the non-current assets held for sale.

(b) It represents property, plant and equipment to be disposed of to PDA, of which details have been disclosed in note 22.

15. Trade and Other Payables

The average credit period taken for trade purchases is 0 to 30 days. The following is an aged analysis of trade payables at the balance sheet dates:

	30 June 2006 RMB'000	31 December 2005 RMB'000
Trade payables		
0 – 30 days	**23,331**	16,680
31 – 60 days	**1,776**	1,058
61 – 90 days	**1,449**	691
Over 90 days	**1,240**	382
	27,796	18,811
Other payables	**334,025**	217,029
	361,821	235,840

The directors consider that the carrying amounts of trade and other payables approximate to their fair values.

16. Bank Borrowings

During the period, the Group repaid bank loans of approximately RMB1,221 million and obtained new bank loans of approximately RMB898 million. During the year ended 31 December 2005, the Group repaid bank loans of approximately RMB801 million and obtained new bank loans of approximately RMB4,107 million. Both of which the proceeds were mainly used to finance the acquisition of property, plant and equipment.

17. Paid-in Capital

	Number of shares		Registered, issued and fully paid
	Domestic shares	H shares	
	’000	’000	RMB’000
At 1 January 2005	558,822	–	558,822
Bonus issue of shares	143,200	–	143,200
At 30 June 2005 and 1 July 2005	702,022	–	702,022
Conversion of a joint stock company and issue of shares (Note)	1,161,378	96,600	1,257,978
At 31 December 2005 and 1 January 2006	1,863,400	96,600	1,960,000
Issue of new H shares	–	966,000	966,000
At 30 June 2006	**1,863,400**	**1,062,600**	**2,926,000**

Note: Pursuant to the approval from the Ministry of Finance of the PRC regarding the sale and conversion of the domestic shares, the total number of H shares issued was 1,062,600,000 shares, comprising 966,000,000 new H shares and 96,600,000 H shares converted from domestic shares.

18. Related Party Transactions

Trading transactions

The Group entered into the following transactions with related companies/parties:

	Service income received (Note b) Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
PDA	**684**	670
Subsidiaries and jointly controlled entities of PDA	**211**	159
Associates	**3,539**	7,873
Jointly controlled entities (Note a)	**6,288**	6,774

	Rental income received Six months ended 30 June	
	2006 **RMB'000**	2005 RMB'000
Subsidiaries and jointly controlled entities of PDA	**–**	22,614
Associates	**44,227**	9,286
Jointly controlled entities (Note a)	**34,571**	5,769

	Construction management services paid Six months ended 30 June	
	2006 **RMB'000**	2005 RMB'000
Jointly controlled entities of PDA	**3,015**	–

	Terminal facilities construction services paid Six months ended 30 June	
	2006 **RMB'000**	2005 RMB'000
PDA	**–**	484
Subsidiaries and jointly controlled entities of PDA	**577**	686

	Comprehensive services paid Six months ended 30 June	
	2006	2005
	RMB’000	RMB’000
PDA	**807**	5,014
Subsidiaries and jointly controlled entities of PDA	**7,150**	2,059

	Property leasing expenses paid Six months ended 30 June	
	2006	2005
	RMB’000	RMB’000
PDA	**1,541**	2,107
Subsidiaries and jointly controlled entities of PDA	**262**	80
Associates	**–**	979
Jointly controlled entities (Note a)	**678**	2,425

Notes:

(a) The amounts represent the amount of transactions entered between the Group and the jointly controlled entities.

(b) The amounts mainly represent income in relation to the provision of tugging, pilotage, provision of information technology and management services.

19. Material Transactions And Balances with Other State-owned Enterprises

In the opinion of the directors, the Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (these enterprises other than PDA are hereinafter collectively referred to as "State-Owned Enterprises"). During the period, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are stated-owned enterprises in its ordinary course of business.

In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a State-Owned Enterprise or not.

For the purpose of this report, the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the period and material balances therewith at the respective balance sheet dates as follows:

(a) Material transactions

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Nature of transactions		
Payment for:		
Port management fee	**–**	3,810
Purchase of raw materials and other services	**2,491**	416
Purchase of fuels	**11,396**	18
Interest expenses	**44,417**	5,201
Provision of services	**308,009**	272,538
Bank interest income	**2,641**	254
Acquisition of construction-in-progress	**137,445**	23,953

(b) *Material balances*

	30 June 2006 RMB'000	31 December 2005 RMB'000
Trade and other receivables	**42,954**	23,115
Trade and other payables	**131,219**	3,778
Bank balances	**361,685**	275,946
Bank borrowings	**3,603,144**	3,845,372

20. Capital Commitments

	30 June 2006 RMB'000	31 December 2005 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– authorised but not contracted for	**411**	–
– contracted but not provided for	**553,930**	496,212

The Group's share of capital commitments of its jointly controlled entities are as follows:

	30 June 2006 RMB'000	31 December 2005 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– authorised but not contracted for	**127,959**	200,000
– contracted but not provided for	**78,981**	17,005

21. Subsequent Events

Pursuant to the agreement signed on 31 July 2006 between Dalian Port Container Co., Ltd ("DPC"), a subsidiary of the Company, and PDA, DPC disposed of certain property, plant and equipment located in the Dagang area of Dalian City to PDA. The property, plant and equipment are expected to be disposed of in two phases on 31 July 2006 and 31 December 2006 and the total consideration is approximate RMB61,490,000.

Other Information

Directors', supervisors' and chief executives' interests

As at 30 June 2006, none of the directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) as recorded in the register required to be kept under Section 352 of the SFO; or (ii) as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Modal Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (which shall be deemed to apply to the Company's supervisors to the same extent as it applies to the Company's directors.)

Purchase, sale and redemption of shares

During the six months period ended 30 June 2006, the Company has not redeemed any of the listed shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares in the aforesaid period.

Interim dividends

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 June 2006.

Human resources

As at 30 June 2006, the Group had a total of 1,957 full-time employees. In the first half of this year, the total staff salary expense was RMB51,706,200. The Group undertakes the review of the employee remuneration policy annually with reference to the human resources market, economic situation, the Group's financial performance and staff's appraisal results.

The Group's staff remuneration includes basic annual salary and performance incentive. The performance incentive will be determined by staff's year-end appraisal result.

The Group pays attention to the staff training and cultivation, and encourages its staff to further their studies. The Group also provides pertinent internal and external training for staff in order to improve staff's professional skills.

Investor relations

The Company has been dedicated to the construction of investor relations, and disclosed in time the significant matters relating to the operation of the Company. Through bilateral communication with the Company, the investors are fully acquainted with the Company's point of view to the management, operating status and the intending strategies of development and investment. Simultaneously, the transparency of the Company's operation is improved and the high standard of corporate governance is maintained, which will contribute to enhancing the benefits of the shareholders.

To improve the communication with the investors, the Company has established a website of www.dlport.cn and set up a column for investors therein.

1. Communication with the investors

During the period, the Company has received lots of investors, analysts and media and made arrangement for their review of and visit to the Company, assisting the investors to know more about the operating status of the core business of the Company.

2. Significant amendments to the articles of association

On 27 June 2006, the Board held its third meeting of this year. There were two major amendments to the articles of association:

a. Some blank items of the articles of association were completed in accordance with the initial public offering of the Company, including issued capital, registered capital, structure of share capital, and several items required by CSRC and HKEx.

   The Board has received authorization from the shareholders' general meetings to deal with the matters above-mentioned. And the articles of association of the Company shall take effect after being registered.

b. The Directors will propose a resolution for approval by the Shareholders for the conversion of the Company into a foreign-invested joint stock limited company and the amendments to the Articles of Association. Details of the proposed amendments to the Articles of Association are set out in the notice convening the EGM.

3. Shareholdings and shareholders' information of the Company

Share capital (as at 30 June 2006)

Registered share capital	RMB2,926,000,000 divided into 2,926,000,000 shares of a par value of RMB1.00 each
Issued share capital	966,000,000 H Shares of a nominal value of RMB1.00 each

Types of shareholders (as at 30 June 2006)

Type of shareholders	**No. of shares held**	**Percentage of the issued share capital**
PDA and other Promoters (Domestic Shares to be held)	1,863,400,000	63.68
Other shareholders (H Shares to be held)	1,062,600,000	36.32
Total	2,926,000,000	100

Shareholdings of other shareholders with notifiable interests

As at 30 June 2006, the interests or short positions of the following persons (other than directors, supervisors or chief executives) in the shares or underlying shares of the Company were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	**Class of shares**	**Number of shares/ underlying shares held**	**Capacity**	**Percentage in the relevant class of share capital[1]**	**Percentage in total share capital[2]**
Dalian Port Corporation Limited	Domestic shares	1,816,815,000 (long position)	Beneficial owner	97.5%	62.09%
Nippon Yusen Kabushiki Kaisha	H shares	114,800,000 (long position)	Interest of controlled corporation	10.80%	3.92%
N.Y.K. Line (Hong Kong) Limited	H shares	114,800,000 (long position)	Beneficial owner	10.80%	3.92%
China Shipping (Group) Co., Ltd.	H shares	112,000,000 (long position)	Interest of controlled corporation	10.54%	3.83%
China Shipping (Hong Kong) Holdings Co, Limited	H shares	112,000,000 (long position)	Interest of controlled corporation	10.54%	3.83%

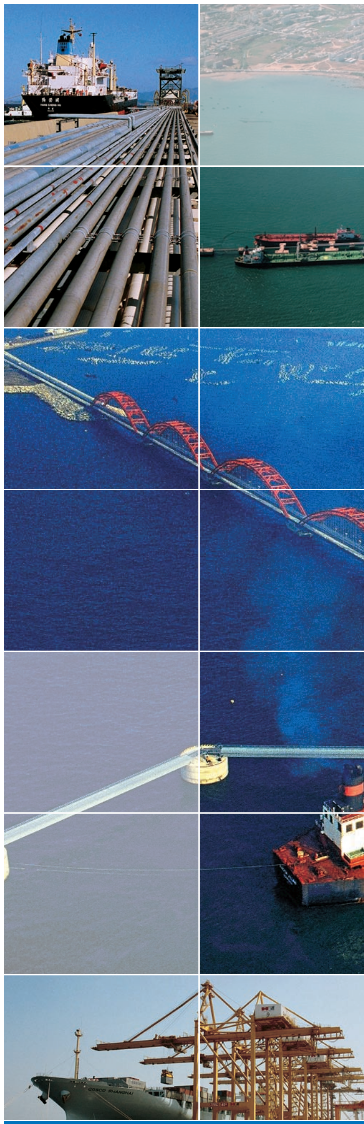
Name of Shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital[1]	Percentage in total share capital[2]
China Shipping Terminal Development (Hong Kong) Company Limited	H shares	112,000,000 (long position)	Beneficial owner	10.54%	3.83%
The Capital Group Companies, Inc.	H shares	94,916,000 (long position)	Beneficial owner	8.93%	3.24%
The National Social Security Fund Council of the PRC	H shares	96,600,000 (long position)	Beneficial owner	9.09%	3.30%

Notes:

1. The relevant class of share capital:

   Domestic shares – 1,863,400,000 shares, H shares – 1,062,600,000 shares.

2. Total share capital: 2,926,000,000 shares.



PDA
大連港股份