

## CHAIRMAN'S STATEMENT



**Sun Hong**  
Chairman

The listing of Dalian Port (PDA) Company Limited (the "Company") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 April 2006, exemplified a successful transition into the international capital market, as we became China's second as well as the first port operator in north-eastern China being listed on the Stock Exchange. This heralded an important milestone in the history of development of the Company. I am pleased to present the annual report of the Company and its subsidiaries (collectively, referred to as the "Group") for the year ended 31 December 2006, which is the first annual report of the Company subsequent to its listing on the Stock Exchange.

## Operating results and dividend

In 2006, benefited from the economy of China, in particular, the sustainable, steady and economic development of the three north-eastern provinces of China, and the concerted team effort of all colleagues, the Company achieved a healthy progression of its operating results. For the year ended 31 December 2006, the profit attributable to equity holders of the Company was RMB631,567,000, an increase of 50.5% over 2005. Earnings per share was RMB24 cents, an increase of 14.3% over 2005.

The Board recommended the payment of a final dividend of RMB6 cents per share for 2006, aggregating RMB175,560,000, representing a dividend payout ratio of 42.2%. The proposed dividend for the year is subject to approval at the forthcoming annual general meeting.

## Review

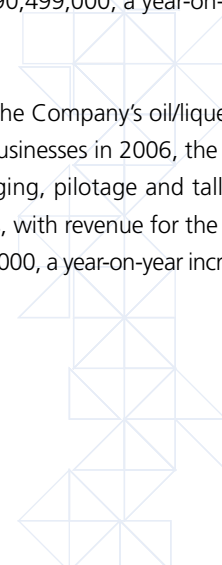
Dalian port is strategically located at the entrance of Bohai Bay. Being the largest oil and container terminal operator in north-eastern China in terms of throughput and/or capacity, the Group strives to provide its customers with premium quality and highly efficient services on oil/liquefied chemicals terminal, container terminal and related logistics areas, and port value-added services including tugging, pilotage, tallying and IT services. Sustainable and healthy expansion of the Group's principal businesses has laid down a solid foundation for the growth of the operating results of the Company in 2006.

In respect of the oil/liquefied chemicals terminal and related logistics business, in 2006, the Group made timely realignment of its marketing strategy by consolidating its existing customers and attracting new customers continuously in tackling such complicated and changing market environment. In addition, the Group also managed to relieve those adverse effects of market changes by strengthening its management and upgrading the quality and operating efficiency of its services. In 2006, revenue for the oil/liquefied chemicals business was RMB594,795,000, a year-on-year increase of 22.2%.

In 2006, 6 out of 12 crude oil storage tanks, which are funded by proceeds raised, became operational in November, and were commissioned as bonded crude oil storage tanks. As a result, substantial increases in crude oil storage capacity created favourable conditions for the Group to develop its storage business and drive its profit growth.

In respect of the container terminal and related logistics business, leveraging on such favourable opportunity of north-eastern China's sustainable growth in domestic and foreign trade, the Group adopted the strategy of "volume by routes", optimising Dalian Port's shipping routes portfolio, adding ocean-going trunk routes and enlarging transshipment capacity, to promote the growth in container throughput. The Group also consolidated its resources to improve the multi-modal transportation system and explored more inland cargo handling business. Aggregate container throughput of the Group for 2006 was approximately 3.146 million TEUs, representing a year-on-year increase of 21.1% over 2005, with the leading position of the Group in north-eastern China being maintained. Revenue for container terminal and related logistics business was RMB690,499,000, a year-on-year increase of 20.1% over 2005.

Coupled with the stable growth in the Company's oil/liquefied chemicals and containers terminal businesses in 2006, the port value-added services including tugging, pilotage and tallying achieved promising operating results, with revenue for the port value-added services at RMB259,828,000, a year-on-year increase of 25.3% over 2005.



## CHAIRMAN'S STATEMENT *(continued)*

### Prospects

In 2007, China's macroeconomic foundation will sustain its steady and buoyant growth. 2007 is also a crucial year for fully promoting construction of the traditional industrial base in north-eastern China where the three north-eastern provinces are the economic hinterland of Dalian port. It is expected that healthy and robust economic growth in those provinces will promote corresponding increases in volumes of foreign trade. Such economic environment will create sound opportunities for the Group's development.

In 2007, the Group will strive to maintain its dominant position in the oil and container terminal businesses. To implement the Group's strategic planning and satisfy the growing market demand, the Group will increase investment in port infrastructure, and continue to upgrade our operating efficiency and enhance service functions so as to provide customers with quality, effective, safe and environmental friendly terminal and logistics services. Furthermore, aggressive expansion will be sought to diversity our business, such as international transshipment, storage and multi-modal transportation, to reinforce the Group's ability to fend off market risks. To sustain profitability growing, the Group will enhance our corporate governance, optimize its resource allocation and improve the effectiveness of resource utilization. The Group will further seek and develop new joint-venture projects and strengthen the cooperation with strategic partners in order to make the Group to become a highly competitive international port operator of good investment values and to maximize shareholders' returns.

Looking forward, the Company has full confidence in pursuit of growth and striving for excellence. We also believe that the support and trust from shareholders coupled with the efforts from all employees would be the utmost driver in the development of the Company. I would like to take this opportunity to express my sincere gratitude to all shareholders' and the public's concern of and support to the Company and all our teammates' diligence and devotion to the Company.

**Dalian Port (PDA) Company Limited**

*Chairman*

**Sun Hong**

13 April 2007

