Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Dalian Port (PDA) Company Limited (the "Company") was established as a joint stock limited company in the PRC on 16 November 2005. On 28 April 2006, the Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

The Company's parent and ultimate holding company is PDA, which is a state-owned enterprise established on 30 April 2003, under the laws of the PRC. The address of the registered office and principal place of business of the Company are disclosed in the annual report.

Pursuant to a group reorganisation (the "Group Reorganisation") of the Group 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 on 16 November 2005, as set out in "Business – Reorganisation" in the prospectus issued by the Company, dated 18 April 2006. 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 by using the principles of merger accounting.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

The Group is engaged in oil/liquefied chemicals terminal and logistics services, container terminal and logistics services, and port value-added services.

2. APPLICATION OF NEW AND REVISED STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new IFRSs") 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 are either effective for annual reporting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new IFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

At the date of authorisation of these financial statements, the following new standards, amendments and interpretations were in issue but not yet effective:

IAS 1 (Amendment)	Capital Disclosures[1]
IFRS 7	Financial Instruments: Disclosures[1]
IFRS 8	Operating segments[2]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[3]
IFRIC 8	Scope of IFRS2[4]
IFRIC 9	Reassessment of Embedded Derivatives[5]
IFRIC 10	Interim Financial Reporting and Impairment[6]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[7]
IFRIC 12	Service Concession Arrangement[8]

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

2. APPLICATION OF NEW AND REVISED STANDARDS (Continued)

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 March 2006.
[4] Effective for annual periods beginning on or after 1 May 2006.
[5] Effective for annual periods beginning on or after 1 June 2006.
[6] Effective for annual periods beginning on or after 1 November 2006.
[7] Effective for annual periods beginning on or after 1 March 2007.
[8] Effective for annual periods beginning on or after 1 January 2008.

The Group has not early applied the above new standards, amendments and interpretations. The directors of the Company anticipate that the application of these standards, amendments and interpretations in future periods will have no material financial impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is provided to write off the cost, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method at the following rates per annum:

Buildings	2% to 4%
Terminal facilities	2% to 3%
Terminal equipment	5% to 10%
Vessels and motor vehicles	5% to 14%
Other equipment	9% to 20%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Construction in progress represent property, plant and equipment in the course of construction for production, rental or administrative purpose. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Prepaid lease payments

Payments for obtaining rights for using port facilities and land are accounted for as prepaid lease payments and are charged to the income statement on a straight-line basis over the relevant lease terms. Rights for using port facilities and land use rights which are to be charged to the income statement in the next twelve months or less are classified as current assets.

Gain or losses from derecognition of a prepaid lease payment (calculated as the difference between the net disposal proceeds and the carrying amount of the items) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties, which are properties held to earn rentals and/or for capital appreciation are measured at cost, including any directly attributable expenditure. Subsequently, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses at the balance sheet date.

Depreciation is charged so as to write off the cost over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Impairment of tangible and intangible assets with finite useful lives

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

When a Group entity transacts with a jointly controlled entity, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provided evidence of an impairment of the assets transferred, in which case, the full amount of losses is recognised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis where the purchase or sale of financial assets are under a contract whose terms require delivery of assets within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS) financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets held for trading are classified as FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

AFS financial assets

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Loans and receivables

Trade and other receivables, amounts due from jointly controlled entities, amounts due from associates, amounts due from related companies, amount due from a fellow subsidiary and advance to PDA that have fixed or determinable payments and are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amounts due from jointly controlled entities, amounts due from associates, amounts due from related companies, amount due from a fellow subsidiary and advance to PDA where the carrying amount is reduced through the use of an allowance account. When those amounts are uncollectible, they are written off against the allowance account. Subsequent recovery of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as other financial liabilities and are initially measured at fair value, net of transaction costs.

Other financial liabilities

Other financial liabilities, including borrowings, are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. When a development property is paid in advance of completion, profit is only recognised upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

When properties are sold under deferred terms with part of the sale proceeds being receivable after an interest-free period, that portion of the differences between the sale prices with and without such terms representing finance income are allocated to the profit and loss account on a basis that takes into account the effective yields on the amounts of the sale proceeds receivable over the interest-free period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Profit from sale of completed properties is recognised upon execution of the sale agreements.

Income from oil/liquefied chemicals terminal, and container terminal, and terminal logistics and port value-added services are recognised when the respective services are rendered.

Rental income from a financial asset is recognised on a straight line basis over the term of the relevant leases.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the fine pattern in which economic benefits for the leased asset are consumed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Renminbi ('RMB'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets and they are regarded as an adjustment to interest costs on foreign currency borrowings.

- exchange differences arising on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as 'other income'.

Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

(ii) Trade receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2006 RMB'000	2005 RMB'000
Oil/liquefied chemicals terminal and logistics services	**594,795**	486,932
Container terminal and logistics services	**690,499**	575,107
Port value-added services	**259,828**	207,337
	1,545,122	1,269,376

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is 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;
Port value-added services	–	Tallying, vessel navigation, tugging and information technology services.

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

INCOME STATEMENT

For The Year Ended 31 December 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	**594,795**	**690,499**	**259,828**	**–**	**1,545,122**
Inter-segment sales	**–**	**–**	**2,155**	**(2,155)**	**–**
Total revenue	**594,795**	**690,499**	**261,983**	**(2,155)**	**1,545,122**

Inter-segment sales are charged at prevailing market prices.

Result					
Segment result	**329,519**	**294,258**	**99,147**	**–**	**722,924**
Unallocated income					**144,472**
Unallocated expenses					**(44,750)**
Share of results of associates	**–**	**5,045**	**2,279**	**–**	**7,324**
Finance costs					**(129,973)**
Profit before tax					**699,997**
Income tax expense					**(54,835)**
Profit for the year					**645,162**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Consolidated RMB'000
OTHER INFORMATION				
Capital additions	662,987	794,472	142,787	1,600,246
Acquisition of prepaid lease payments	–	34,332	–	34,332
(Recovery of) allowance for doubtful debts, net	(180)	717	(112)	425
Depreciation and amortisation	92,816	89,638	20,427	202,881
Release of prepaid lease payments to income statement	–	9,910	–	9,910
Loss (gain) on disposal of property, plant and equipment	97	(7,975)	142	(7,736)
Gain on disposal of prepaid lease payments	–	8,515	–	8,515
Loss on disposal of intangible assets	–	1,128	–	1,128

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Consolidated RMB'000
BALANCE SHEET				
At 31 December 2006				
Assets				
Segment assets	3,442,694	4,112,187	442,867	7,997,748
Investments in associates	–	132,551	10,581	144,132
Unallocated assets				1,588,834
Consolidated total assets				9,730,714
Liabilities				
Segment liabilities	876,680	653,858	10,921	1,541,459
Unallocated liabilities				2,655,956
Consolidated total liabilities				4,197,415

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

INCOME STATEMENT

For the year ended 31 December 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	486,932	575,107	207,337	–	1,269,376
Inter-segment sales	–	29	5,940	(5,969)	–
Total revenue	486,932	575,136	213,277	(5,969)	1,269,376

Inter-segment sales are charged at prevailing market prices.

Result					
Segment result	262,514	238,582	71,272	–	572,368
Unallocated income					3,384
Share of results of associates	–	(1,151)	800	–	(351)
Finance costs					(99,713)
Profit before tax					475,688
Income tax expense					(42,700)
Profit for the year					432,988

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Consolidated RMB'000
OTHER INFORMATION				
Capital additions	822,770	690,159	64,766	1,577,695
Acquisition of prepaid lease payments	–	179,704	–	179,704
(Recovery of) allowance for bad and doubtful debts, net	(923)	303	494	(126)
Depreciation and amortisation	105,952	24,442	19,120	149,514
Release of prepaid lease payments to income statement	–	6,205	–	6,205
Loss on disposal of property, plant and equipment	105	447	4	556
Loss on disposal of intangible assets	–	28	–	28

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Consolidated RMB'000
BALANCE SHEET				
At 31 December 2005				
Assets				
Segment assets	2,730,752	3,521,450	206,560	6,458,762
Investments in associates	–	123,370	9,303	132,673
Unallocated assets				447,816
Consolidated total assets				7,039,251
Liabilities				
Segment liabilities	111,913	242,745	70,938	425,596
Unallocated liabilities				4,169,773
Consolidated total liabilities				4,595,369

Geographical segments

All the Group's operations are located in the PRC. Accordingly, no geographical segment analysis of segment result, assets and cost incurred to acquire segment assets are presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

7. OTHER INCOME

	2006 RMB'000	2005 RMB'000
Net rental income, other than leasing income from terminal facilities	**10,756**	6,969
Subsidy income (Note a)	**1,432**	15,683
Service income	**3,706**	6,022
Bank interest income (Note b)	**142,591**	2,740
Finance lease interest income	**1,881**	644
Net gain on disposal of property, plant and equipment	**7,736**	–
Gain on disposal of prepaid lease payments	**8,515**	–
Gain on disposal of financial assets held for trading	**2,125**	–
Gain on partial disposal of an associate	–	3,302
Discount on acquisition of additional interests in subsidiaries	–	752
Gain on dissolution of a subsidiary	–	1,565
Others	**5,483**	3,731
	184,225	41,408

Notes:

(a) Subsidy income in 2005 included an amount of approximately RMB11 million 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.

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.

8. FINANCE COSTS

	2006 RMB'000	2005 RMB'000
Interest on bank borrowings	**187,266**	48,277
Interest on loans from PDA	**–**	110,810
Imputed interest expense on amounts due to shareholders of jointly controlled entities	**–**	496
Total borrowing costs	**187,266**	159,583
Less: amount capitalised in the cost of property, plant and equipment	**(57,293)**	(59,870)
	129,973	99,713

The weighted average capitalisation rate is 5.6% per annum calculated on the general borrowing pool (2005: 5.3% per annum).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

9. INCOME TAX EXPENSE

	2006	2005
	RMB'000	RMB'000
The charge comprises:		
Current tax:		
Charge for the year	**52,877**	42,587
Underprovision in prior year	**2,818**	–
	55,695	42,587
Deferred tax	**(860)**	113
	54,835	42,700

Pursuant to the documents issued by 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 the year ended 31 December 2006 (2005: 33%) and followed by a 50% reduction for the next 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 year ended 31 December 2006 and 2005.

Pursuant to the relevant laws and regulations in the PRC, Odfjell Terminals (Dalian) Ltd. ("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 year ended 31 December 2006.

Except for the above-mentioned entities, the tax charges for the year ended 31 December 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

9. INCOME TAX EXPENSE *(Continued)*

The tax charge for the year can be reconciled to the profit before tax as follows:

	2006 **RMB'000**	2005 RMB'000
Profit before tax	**699,997**	475,688
Tax at PRC income tax rate of 33%	**230,999**	156,977
Tax effect of expenses not deductible for tax purposes	**9,544**	2,762
Tax effect of income not taxable for tax purposes	**(41,612)**	(1,615)
Tax effect of tax losses not recognised	**495**	1,899
Utilisation of tax losses previously not recognised	**(1,374)**	(53)
Effect of tax deduction granted to DCT	**(4,530)**	(5,384)
Tax effect on share of results of associates	**(2,417)**	116
Tax effect of different tax rates of jointly controlled entities	**(19,305)**	(17,191)
Effect of tax exemptions granted	**(119,783)**	–
Tax effect in respect of business divisions (Note)	**–**	(94,811)
Underprovision in prior year	**2,818**	–
Tax charge for the year	**54,835**	42,700

Details of movements in deferred tax have been set out in note 22.

Note: For the year ended 31 December 2005, the profits of certain business divisions of the Group were not assessed individually for PRC income tax purpose but were combined with assessable profits/losses of other business divisions of PDA. The combined assessable profits/losses were then included in the income tax assessment of PDA on a combined basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

10. PROFIT FOR THE YEAR

	2006	2005
	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration (Note 11):		
– Salaries, wages and other benefits	**148,643**	135,106
– Retirement benefits scheme contributions	**22,935**	17,136
Total staff costs	**171,578**	152,242
Allowance for (recovery of) doubtful debts, net	**425**	(126)
Amortisation of intangible assets	**3,634**	1,856
Auditor's remuneration	**3,820**	403
Depreciation of property, plant and equipment and investment properties	**199,247**	147,658
Foreign exchange loss (gain), net	**17,191**	(2,251)
(Gain) loss on disposal of property, plant and equipment	**(7,736)**	556
Gain on disposal of prepaid lease payments	**(8,515)**	–
Loss on disposal of investment properties	**707**	–
Loss on disposal of intangible assets	**1,128**	28
Release of prepaid lease payments to income statement	**9,910**	6,205

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments paid or payable to the 8 (2005: 8) directors are as follows:

	2006	2005
	RMB'000	RMB'000
Fees	**–**	–
Salaries and other allowances	**1,383**	474
Retirement benefits scheme contributions	**23**	18
	1,406	492

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

Details of emoluments of individual directors are set out as follows:

	2006 **RMB'000**	2005 RMB'000
Salaries and other allowances:		
Executive Directors		
Sun Hong	**500**	40
Jiang Luning	**326**	311
Su Chunhua	**276**	22
Non-executive Directors		
Lu Jianmin	**–**	–
Zhang Fengge	**–**	10
Independent Non-executive Directors		
Yang Zan	**60**	35
Zhang Xianzhi	**60**	35
Ng Ming Wah, Charles	**161**	21
	1,383	474

	2006 **RMB'000**	2005 RMB'000
Retirement benefits scheme contributions:		
Executive Directors		
Sun Hong	**–**	–
Jiang Luning	**12**	16
Su Chunhua	**11**	2
Non-executive Directors		
Lu Jianmin	**–**	–
Zhang Fengge	**–**	–
Independent Non-executive Directors		
Yang Zan	**–**	–
Zhang Xianzhi	**–**	–
Ng Ming Wah, Charles	**–**	–
	23	18

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

Details of emoluments paid by the Group to the supervisors are as follows:

	2006 RMB'000	2005 RMB'000
Other allowances	–	58

No directors waived any emoluments in the years ended 31 December 2006 and 2005.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, there was one (2005: one) director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2005: four) individuals were as follows:

	2006 RMB'000	2005 RMB'000
Salaries and other allowances	2,753	1,056
Retirement benefits schemes contributions	34	60
	2,787	1,116

Their emoluments were within the following bands:

	Number of employees	
	2006	2005
HK$nil to HK$1,000,000	3	4
HK$1,500,001 to HK$2,000,000	1	–

12. DIVIDENDS

A final dividend of RMB6 cents (2005: nil) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2006 is based on the profit attributable to the equity holders of the Company and the weighted average number of 2,614,625,000 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 year ended 31 December 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.

No diluted earnings per share is presented as the Company did not have any dilutive potential shares for both years or at each of the balance sheet dates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Terminal facilities RMB'000	Terminal equipment RMB'000	Vessels and motor vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2005	204,645	2,293,922	509,330	420,749	80,330	1,539,721	5,048,697
Additions	28,456	20,070	12,503	3,557	23,527	1,409,209	1,497,322
Acquired on acquisition of a subsidiary (Note 39)	2,301	–	–	175	14	–	2,490
Acquired on acquisition of jointly controlled entities	10,060	39,915	22,810	408	672	–	73,865
Reclassifications	27,557	394,968	20,185	103,691	824	(547,225)	–
Disposals	(58,162)	(137,882)	(7,408)	(42,012)	(6,150)	–	(251,614)
Reclassify to investment properties (Note 16)	(16,283)	–	–	–	–	(622,617)	(638,900)
Transfer to non-current assets held for sale	(9,512)	(197,742)	(39,361)	(5,762)	(8,883)	–	(261,260)
At 31 December 2005 and 1 January 2006	189,062	2,413,251	518,059	480,806	90,334	1,779,088	5,470,600
Additions	10,371	4,307	27,314	7,712	4,287	1,499,314	1,553,305
Reclassifications	65,188	747,720	77,952	232,243	121,106	(1,244,209)	–
Transfer to intangible assets (Note 17)	–	–	–	–	–	(1,005)	(1,005)
Disposals	(2,558)	(20,168)	(28,835)	(341)	(3,363)	–	(55,265)
At 31 December 2006	**262,063**	**3,145,110**	**594,490**	**720,420**	**212,364**	**2,033,188**	**6,967,635**
ACCUMULATED DEPRECIATION							
At 1 January 2005	43,058	489,184	180,059	215,910	28,759	–	956,970
Provided for the year	6,076	74,862	25,667	22,129	10,163	–	138,897
Eliminated on disposals	(18,331)	(40,425)	(5,579)	(25,224)	(3,855)	–	(93,414)
Reclassify to investment properties (Note 16)	(559)	–	–	–	–	–	(559)
Eliminated on transfer to non-current asset held for sale	(31)	(131,535)	(14,991)	(4,179)	(5,500)	–	(156,236)
At 31 December 2005 and 1 January 2006	30,213	392,086	185,156	208,636	29,567	–	845,658
Provided for the year	7,342	102,396	39,110	26,476	14,334	–	189,658
Eliminated on disposals	(2,450)	(7,543)	(18,423)	(153)	(940)	–	(29,509)
At 31 December 2006	**35,105**	**486,939**	**205,843**	**234,959**	**42,961**	**–**	**1,005,807**
CARRYING AMOUNT							
At 31 December 2006	**226,958**	**2,658,171**	**388,647**	**485,461**	**169,403**	**2,033,188**	**5,961,828**
At 31 December 2005	158,849	2,021,165	332,903	272,170	60,767	1,779,088	4,624,942

A subsidiary of the Company has pledged all of its property, plant and equipment with an aggregate carrying amount of approximately RMB154,948,000 (2005: nil) to secure banking facilities granted to it.

All of the buildings are erected on land in the PRC held under medium-term leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

15. PREPAID LEASE PAYMENTS

	2006 **RMB'000**	2005 RMB'000
The Group's prepaid lease payments comprise:		
Rights for using port facilities	**80,824**	83,492
Medium-term leasehold land in the PRC	**300,501**	311,649
	381,325	395,141

Rights for using port facilities and land use rights are amortised on a straight-line basis over the lease terms from 15 to 50 years as stated in the relevant agreements and land use rights certificates, respectively.

Analysed as:

	2006 **RMB'000**	2005 RMB'000
Non-current assets	**370,969**	385,794
Current assets	**10,356**	9,347
	381,325	395,141

The Group has pledged prepaid lease payments with carrying amount of approximately RMB5,086,000 (2005: nil) to secure banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

16. INVESTMENT PROPERTIES

	Buildings RMB'000	Container terminals RMB'000	Total RMB'000
COST			
At 1 January 2005	77,295	266,906	344,201
Additions	1,868	–	1,868
Reclassify from property, plant and equipment (Note 14)	15,724	622,617	638,341
Transfer to non-current assets held for sale	(64,331)	–	(64,331)
At 31 December 2005 and 1 January 2006	30,556	889,523	920,079
Disposals	(6,145)	–	(6,145)
At 31 December 2006	24,411	889,523	913,934
ACCUMULATED DEPRECIATION			
At 1 January 2005	25,988	49,345	75,333
Charge for the year	2,726	6,035	8,761
Eliminated on transfer to non-current assets held for sale	(25,534)	–	(25,534)
At 31 December 2005 and 1 January 2006	3,180	55,380	58,560
Charge for the year	1,121	8,468	9,589
Eliminated on disposals	(4,273)	–	(4,273)
At 31 December 2006	28	63,848	63,876
CARRYING AMOUNT			
At 31 December 2006	**24,383**	**825,675**	**850,058**
At 31 December 2005	27,376	834,143	861,519

The fair value of the Group's investment properties were approximately RMB921,787,000 and RMB901,703,000 for the year ended 31 December 2006 and 2005, respectively.

The fair value of the Group's investment properties at 31 December 2006 have been determined by the directors of the Company by reference to the market value at 31 December 2006 and the opinion of independent qualified professional valuers.

The investment properties are depreciated on a straight-line basis ranging from 2% to 4%. The investment properties are erected on land held under medium-term leases in the PRC.

Leasehold land is included in investment properties as the allocation between the land and buildings elements cannot be made reliably.

The property rental from its investment properties amounted to approximately RMB85,363,000 and RMB18,454,000 for the year ended 31 December 2006 and 2005, respectively. Direct operating expense which were included in cost of services amounted to approximately RMB5,210,000 and RMB9,748,000 for the year ended 31 December 2006 and 2005, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

17. INTANGIBLE ASSETS

	Priority right for using the rail transportation RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
COST				
At 1 January 2005	–	10,058	621	10,679
Additions	–	2,015	49	2,064
Acquired on acquisition of jointly controlled entities	–	86	–	86
Disposals	–	(1,364)	(137)	(1,501)
At 31 December 2005 and 1 January 2006	–	10,795	533	11,328
Additions	46,660	274	7	46,941
Transfer from property, plant and equipment (Note 14)	–	1,005	–	1,005
Disposals	–	(1,130)	–	(1,130)
At 31 December 2006	46,660	10,944	540	58,144
ACCUMULATED AMORTISATION				
At 1 January 2005	–	1,493	186	1,679
Charge for the year	–	1,842	14	1,856
Eliminated on disposals	–	(108)	(117)	(225)
At 31 December 2005 and 1 January 2006	–	3,227	83	3,310
Charge for the year	1,458	2,117	59	3,634
At 31 December 2006	**1,458**	**5,344**	**142**	**6,944**
CARRYING AMOUNT				
At 31 December 2006	**45,202**	**5,600**	**398**	**51,200**
At 31 December 2005	–	7,568	450	8,018

According to the relevant agreement, the Group has the priority rights to use the rail transportation as provided by a third party, which is amortised on a straight-line basis of 15 years.

The computer software and other intangible assets included above have finite useful lives, over which the assets are amortised on a straight-line basis. The amortisation period for computer software is 5 years while the remaining intangible assets are 50 years.

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18. JOINTLY CONTROLLED ENTITIES

The summarised financial information related to the Group's interests in respect of the jointly controlled entities which are accounted for using proportionate consolidation with line-by-line reporting format is set out below:

	2006 RMB'000	2005 RMB'000
Income	**500,722**	398,576
Expenses	**310,553**	241,661
Current assets	**175,126**	175,195
Non-current assets	**1,352,550**	1,227,982
Current liabilities	**448,419**	414,426
Non-current liabilities	**181,832**	121,102

Particulars of the Group's jointly controlled entities are set out in note 49.

19. INVESTMENTS IN ASSOCIATES

	2006 RMB'000	2005 RMB'000
Cost of investments in associates	**155,366**	140,921
Share of post-acquisition results, net of dividends received	**(11,234)**	(8,248)
	144,132	132,673

Included in the cost of investments in associates is goodwill of approximate RMB2,181,000 (2005: RMB2,181,000) arising on acquisitions of associates in prior years.

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For the year ended 31 December 2006

19. INVESTMENTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2006 RMB'000	2005 RMB'000
Revenue	**409,023**	280,142
Profit (loss) for the year	**19,769**	(998)
Group's share of profits (losses) of associates for the year	**7,324**	(351)
Total assets	**888,361**	705,529
Total liabilities	**497,429**	344,797
Net assets	**390,932**	360,732
Group's share of net assets of associates	**141,951**	130,492

Particulars of the Group's associates are set out in note 50.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2006 RMB'000	2005 RMB'000
Unlisted equity securities, at cost	**54,076**	1,233

Available-for-sale investments represent investments in unlisted equity securities in the PRC that offer the Group the opportunity for return through dividend income. As the investments did not have a quoted market price in an active market and the range of reasonable fair value estimate is so significant, the directors of the Company are of the opinion that their fair values cannot be reliably measured.

Included in the above amount is an investment of a 45% equity interest in Dalian PG & JF Logistics Co., Ltd. ("Dalian Baogong") of RMB1,233,000 (2005: RMB1,233,000). Pursuant to an agreement dated 19 March 2004 entered into between the shareholders of Dalian Baogong, the Group has surrendered its rights to participate in the daily financial and operating policy of Dalian Baogong since 1 March 2004. In addition, the Group is not entitled to any share of profit and loss of Dalian Baogong during the period from 1 March 2004 to 28 February 2009. At the date of expiry of the above period, the Group is guaranteed to receive the cost of investment in Dalian Baogong. In the opinion of the directors, the Group cannot exercise any significant influence on Dalian Baogong and hence classify Dalian Baogong as available-for-sale investments for both years.

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21. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts receivable under finance leases:				
Within one year	–	1,618	–	1,618
In the second to fifth years inclusive	–	12,399	–	9,376
	–	14,017	–	10,994
Less: unsecured finance income	–	(3,023)	**N/A**	N/A
Present value of minimum lease payments receivable	–	10,994	–	10,994
Analysed as:				
Non-current			–	9,376
Current			–	1,618
			–	10,994

The Group entered into finance leasing arrangements for certain of its terminal equipment, which were denominated in RMB. The terms of the finance leases ranged from 11 to 15 years.

The interest rates inherent in the leases were fixed at the contract dates for all leases. The average effective interest rate contracted was approximately 6.3% for the year ended 31 December 2005.

The fair value of the Group's finance lease receivables as at 31 December 2005 approximated to its carrying amount.

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22. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised by the Group and movements thereon during the current and prior years:

	Allowance for doubtful debts RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At 1 January 2005	777	–	777
Charge to income statement for the year	(113)	–	(113)
Credit to equity (included in net distributions from PDA as shown in the consolidated statement of changes in equity)	–	78,463	78,463
At 31 December 2005 and 1 January 2006	664	78,463	79,127
Credit to income statement for the year	860	–	860
At 31 December 2006	**1,524**	**78,463**	**79,987**

The Group has unused tax losses of approximately RMB4.2 million and RMB6.9 million as 31 December 2006 and 2005, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of tax losses due to unpredictability of future profit streams.

The expiry dates of these tax losses are as follows:

	2006 RMB'000	2005 RMB'000
With expiry in:		
2008	**26**	411
2009	**733**	733
2010	**1,325**	5,757
2011	**2,153**	–
	4,237	6,901

Notes to the Consolidated Financial Statements

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23. PROPERTIES HELD FOR SALE

Properties held for sale represent the development cost of land and infrastructure and construction cost of warehousing facilities in the bonded logistics park located adjacent to the Group's container terminals which are available for sale.

24. RIGHTS TO RECEIVE GOVERNMENT GRANTS

The right to receive government grants represent the Group's entitlement of the subsidy income from Finance Bureau of Dalian Municipal (大連市財政局) with respect to the relocation of Odfiell Terminals (Dalian) Ltd. ("OTD").

25. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit periods from 30 – 60 days to its trade customers. The following is an aged analysis of trade receivable as at the balance sheet date:

	2006 **RMB'000**	2005 RMB'000
Trade receivables		
0 – 90 days	**80,697**	67,649
91 – 180 days	**2,227**	1,880
181 – 360 days	**574**	–
	83,498	69,529
Other receivables, net of allowances	**186,209**	64,774
	269,707	134,303

The directors consider that the carrying amount of the Group's trade and other receivables approximate to the fair value.

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For the year ended 31 December 2006

26. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES

	2006 **RMB'000**	2005 RMB'000
Due from jointly controlled entities:		
Dalian China Oil Dock Management Co., Ltd. ("Dalian China Oil")	**–**	2,019
Dalian Yidu Jifa Cold Logistics Co., Ltd.	**254**	4,580
DCT	**777**	483
DCT Logistics Co., Ltd. ("DCTL")	**26**	127
Liaoning Con-Rail International Logistics Co., Ltd.	**514**	5
Dalian United International Shipping Agency	**25**	24
	1,596	7,238
Representing:		
0 – 90 days	**1,342**	7,237
91 – 180 days	**254**	–
Over 360 days	**–**	1
	1,596	7,238
Due to jointly controlled entities:		
Dalian China Oil	**8**	110
DCT	**323**	521
DCTL	**284**	320
	615	951
Representing:		
0 – 90 days	**615**	918
181 – 360 days	**–**	33
	615	951

The amounts represent the balances which have not been eliminated under proportionate consolidation.

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

The directors consider that the carrying amounts of amounts due from (to) jointly controlled entities approximate to their fair values.

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27. AMOUNTS DUE FROM (TO) ASSOCIATES

	2006 RMB'000	2005 RMB'000
Due from associates:		
Dalian Jiyi Logistics Co., Ltd. ("Dalian Jiyi")	**272**	101
Dalian Dagang China Shipping Container Terminal Co., Ltd. ("DDCT. CS")	**75**	72
Dalian Port Container Terminal Co., Ltd. ("DPCM")	**22,846**	8,872
Dalian Portnet Co., Limited ("DPN")	**33**	324
Dalian Shunda Logistic Services Corporation	**13**	–
	23,239	9,369
Representing:		
0 – 90 days	**22,408**	9,343
91 – 180 days	**780**	26
181 – 360 days	**48**	–
Over 360 days	**3**	–
	23,239	9,369
Due to associates:		
Dalian Jilong Logistics Co., Ltd.	**149**	100
Dalian Jiyi	**155**	1,011
Dalian Singamas International Container Co., Ltd.	**4,321**	4,481
DDCT. CS	**134**	482
DPCM	**68**	52
DPN	**362**	917
	5,189	7,043
Representing:		
0 – 90 days	**859**	1,926
91 – 180 days	**–**	603
181 – 360 days	**–**	2
Over 360 days	**4,330**	4,512
	5,189	7,043

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

The directors consider that the carrying amounts of amounts due from (to) associates approximate to their fair values.

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28. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2006 RMB'000	2005 RMB'000
Due from a jointly controlled entity of PDA		
Dalian Golden Name Commercial Tower Co., Ltd. ("Dalian Golden")	**80**	196
Representing:		
0 – 90 days	**–**	79
91 – 180 days	**–**	26
Over 360 days	**80**	91
	80	196
Due to associates of PDA:		
Dalian Port New Harbour Electric Power Co.	**2,123**	588
Dalian Port New Harbour Construction Engineering Co.	**13,472**	6,742
Due to jointly controlled entities of PDA:		
Dalian Port Harbour Superintendence Co.	**–**	1,004
Dalian Golden	**–**	36
Dalian Port Machinery and Electric Co., Ltd.	**5,808**	–
Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile")	**808**	–
大連港隆科技有限公司 (Dalian Gang Long Ke Ji Co., Ltd.)	**70**	–
大連港萬鵬基礎有限公司 (Dalian Port Wan Peng Ji Chu Co., Ltd.)	**4,270**	–
	26,551	8,370
Representing:		
0 – 90 days	**1,403**	8,370
91 – 180 days	**6,900**	–
181 – 360 days	**18,248**	–
	26,551	8,370

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

The directors consider that the carrying amounts of amounts due from (to) related companies approximate to their fair values.

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29. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES

	2006 RMB'000	2005 RMB'000
Due from a fellow subsidiary representing 0 – 90 days:		
Dalian Port Construction Engineering Company	**3**	3
Due to fellow subsidiaries:		
Dalian Port Machinery Co.	**110**	31
Dalian Port Harbour Engineering Co.	**43,624**	16,240
Dalian Port Communication Engineering Co., Ltd.	**5,048**	1,863
Dalian Ri Xing Property Co., Ltd.	**214**	218
Dalian Port Boiler Maintenance Centre	**24,244**	2,459
Dalian Port Labour Company	**–**	15
大連保税區永德信房地產開發建設有限公司 (Dalian Bao Shui Qu Yong De Xin Fang Di Chan Kai Fa Jian She Co., Ltd.)	**4,007**	–
Dalian Port Harbour Construction Superintendence and Consulting Company Limited	**253**	–
	77,500	20,826
Representing:		
0 – 90 days	**7,959**	17,566
91 – 180 days	**6,350**	–
181 – 360 days	**63,134**	3,152
Over 360 days	**57**	108
	77,500	20,826

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

The directors consider that the carrying amounts of amounts due from (to) fellow subsidiaries approximate to their fair values.

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30. ADVANCE TO (FROM) PDA

	2006 RMB'000	2005 RMB'000
Advance to PDA:		
Trade	**630**	883
Non-trade	**1,388**	16,449
	2,018	17,332
Representing:		
0 – 90 days	**630**	813
Over 360 days	**–**	70
	630	883
Advance from PDA:		
Trade	**104**	1,081
Non-trade	**16,434**	73,822
	16,538	74,903
Representing:		
0 – 90 days	**104**	1,075
91 – 180 days	**–**	6
	104	1,081

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

The directors consider that the carrying amounts of advance to (from) PDA approximate to their fair values.

31. NON-CURRENT ASSETS HELD FOR SALE

	2006 RMB'000	2005 RMB'000
Non-movable assets situated in Siergou	**160,146**	160,210

At the request of Finance Bureau of 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, Finance Bureau of Dalian Municipal 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 Finance Bureau of Dalian Municipal and therefore, no impairment loss was required for the non-current assets held for sale. In the opinion of the directors, the relocation will be completed in 2007. The non-current assets held for sale are included in the segment of oil/liquefied chemicals terminal and logistics services.

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32. TRADE AND OTHER PAYABLES

The average credit period taken for trade purchases and ongoing costs is 0 to 90 days. The following is an aged analysis of trade payables at the balance sheet dates:

	2006 **RMB'000**	2005 RMB'000
Trade payables		
0–90 days	**34,311**	18,429
91–180 days	**61,531**	44
181–360 days	**369**	338
Over 360 days	**37**	–
	96,248	18,811
Other payables	**484,688**	217,029
	580,936	235,840

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

33. AMOUNT DUE TO A SHAREHOLDER OF A JOINT CONTROLLED ENTITY

	2006 **RMB'000**	2005 RMB'000
Y. D. International Inc.	**–**	5,000

The amount due to a shareholder of a jointly controlled entity was unsecured, non-interest bearing and was repaid during the year. The amount was of non-trade nature.

The directors consider that the carrying amount of amount to a shareholder of a jointly controlled entity approximates to its fair value.

34. AMOUNT DUE TO A MINORITY SHAREHOLDER

	2006 **RMB'000**	2005 RMB'000
Pacific Bulk Maritime Holdings Limited	**22,618**	–

The amount due to a minority shareholder is unsecured, non-interest bearing and is repayable on demand. The amount is of non-trade nature.

The directors consider that the carrying amount of amount due to a minority shareholder approximates to its fair value.

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35. BANK BORROWINGS

	2006 **RMB'000**	2005 RMB'000
Secured	**22,500**	–
Unsecured	**2,573,965**	4,141,552
	2,596,465	4,141,552

The above amounts are repayable as follows:

	2006 **RMB'000**	2005 RMB'000
On demand or within one year	**279,234**	649,881
In the second year	**489,832**	433,570
In the third year	**356,730**	385,749
In the fourth year	**315,071**	468,712
In the fifth year	**280,000**	382,340
After five years	**875,598**	1,821,300
	2,596,465	4,141,552
Less: Amount due for settlement within one year shown under current liabilities	**(279,234)**	(649,881)
Amount due for settlement after one year	**2,317,231**	3,491,671

The weighted average effective interest rates on the Group's borrowings are as follows:

	2006	2005
Fixed-rate borrowings	**6.0%**	5.5%
Floating-rate borrowings	**5.8%**	4.2%

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35. BANK BORROWINGS *(Continued)*

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2006 **RMB'000**	2005 RMB'000
United States dollars	**2,531**	9,027
Hong Kong dollars	**60,000**	–

Bank loans include approximately RMB2,371,833,000 (2005: RMB4,093,690,000) fixed-rate borrowings and expose the Group to the fair value interest rate risk. The remaining bank loans are floating-rate borrowings thus exposing the Group to cash flow interest rate risk.

The fair values of the above borrowings estimated by discounting their future cash flows at the prevailing market rates at the balance sheet dates for similar borrowings are as follows:

	2006 **RMB'000**	2005 RMB'000
Fixed-rate borrowings	**2,386,175**	4,387,454
Floating-rate borrowings	**224,632**	47,862
	2,610,807	4,435,316

Bank loans of approximately RMB19,767,000 and RMB243,670,000 as at 31 December 2006 and 2005, respectively, are guaranteed by PDA and a shareholder of a jointly controlled entity.

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36. GOVERNMENT GRANTS

	2006 RMB'000	2005 RMB'000
Development of software (Note 1)	**–**	200
Construction of vessels (Note 2)	**8,994**	9,476
Compensation of the relocation (Note 3)	**825,136**	62,987
	834,130	72,663
Less: Amount associated with non-current assets held for sale shown under current liabilities	**(160,146)**	–
Amount shown under non-current liabilities	**673,984**	72,663

Notes:

(1) Government grant of RMB200,000 received in 2005 in relation to the development of software has been recognised as other income in current year.

(2) In 2005, the Group received a government subsidy of RMB9,476,000 in relation to the construction of vessels. The amount has been treated as deferred income. The amount will be recognised to the income statement over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of RMB632,000 (2005: Nil).

(3) The amount received in respect of the compensation of the relocation of the Company and OTD and will be released upon the completion of relocation and the commencement of the operation.

37. PAID-IN CAPITAL

	Number of shares		**Registered,**
	Domestic shares	**H shares**	**issued and fully paid**
	'000	'000	RMB'000
At 1 January 2005	558,822	–	558,822
Bonus issue of shares	143,200	–	143,200
Conversion to a joint stock company and issue of shares	1,257,978	–	1,257,978
At 31 December 2005 and 1 January 2006	1,960,000	–	1,960,000
Conversion from domestic shares to H shares	(96,600)	96,600	–
Issue of new H shares	–	966,000	966,000
At 31 December 2006	**1,863,400**	**1,062,600**	**2,926,000**

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade receivables, trade payables, advance to (from) PDA, amount due from/to jointly controlled entities, associates, related companies, fellow subsidiaries and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Fair value interest rate risk

The Group's fair value interest rate risk primary relates to its fixed-rate borrowings.

The Group currently does not enter into interest rate swaps to hedge against its exposure to changes in fair values of the bank borrowings. However, management monitors the fair value interest rate risk and will consider hedging significant fixed-rate borrowings should the need arise.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to floating-rate borrowings (see Note 35) for details of these borrowings). It is the Group's policy to keep some of its borrowings at floating rate of interests as to reduce the fair value interest rate risk.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, amounts due from jointly controlled entities, associates, related companies, a fellow subsidiary and PDA and available-for-sales investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts represented in the balance sheet are net of allowance for doubtful receivables. In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date the ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group's current exposure to liquidity risk is minimal.

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39. ACQUISITION OF A SUBSIDIARY

On 30 December 2005, Dalian Port Jifa Logistics Co., Ltd. and DPJH, subsidiaries of the Company, acquired 75% and 25% equity interests, respectively, in Dalian ETDZ Jin Xin Petrochemistry Company Limited ("Jin Xin") from PDA for a cash consideration of approximately RMB5,259,000. This transaction was accounted for by the purchase method of accounting.

The net assets acquired in the transaction and the discount on acquisition arising are as follows:

	Carrying amount and fair value RMB'000
NET ASSETS ACQUIRED:	
Property, plant and equipment	2,490
Inventories	1,219
Trade and other receivables	30
Bank balances and cash	4,335
Trade and other payables	(637)
Tax liabilities	(2,089)
	5,348
Discount on acquisition	(89)
Total consideration, satisfied by cash	5,259
Net cash outflow arising on acquisition:	
Cash consideration paid	(5,259)
Cash and cash equivalents acquired	4,335
	(924)

In the opinion of the directors, the amounts of the revenue and the Group's profit before tax contributed by Jin Xin for the period between the date of acquisition and the balance sheet date were insignificant for the disclosure purposes.

If the acquisition had been completed on 1 January 2005, total group revenue for the year ended 31 December 2005 would have amounted to approximately RMB1,345,000,000 and profit for the year would have been amounted to approximately RMB434,000,000. The pro forma information is for illustrative purpose only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is its intended to be a projection of future results.

40. DISSOLUTION OF A SUBSIDIARY

On 27 September 2005, the Group dissolved its subsidiary, Dalian Harbour Wanda Container Transportation Co., Ltd. ("Dalian Harbour"). The net assets of Dalian Harbour at the date of dissolution were approximately RMB17,142,000 and the dissolution resulted in a gain of approximately RMB1,565,000. The net cash inflow arising from the dissolution of Dalian Harbour was approximately RMB1,195,000.

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41. RELATED PARTY TRANSACTIONS

Trading transactions

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

	Service income received (Note b)	
	2006 RMB'000	2005 RMB'000
PDA	**2,232**	1,178
Subsidiaries and jointly controlled entities of PDA	**610**	929
Associates	**14,894**	14,676
Jointly controlled entities (Note a)	**26,531**	13,701

	Rental income received	
	2006 RMB'000	2005 RMB'000
PDA	**1,507**	13
Subsidiaries and jointly controlled entities of PDA	**–**	40,117
Associates	**96,617**	50,224
Jointly controlled entities (Note a)	**79,837**	17,228

	Construction management services paid	
	2006 RMB'000	2005 RMB'000
Jointly controlled entities of PDA	**–**	937

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41. RELATED PARTY TRANSACTIONS *(Continued)*

Trading transactions *(Continued)*

	Terminal facilities construction services paid	
	2006 **RMB'000**	2005 RMB'000
PDA	**–**	1,265
Subsidiaries and jointly controlled entities of PDA	**6,428**	5,701
Jointly controlled entities (Note a)	**150**	101

	Purchase of fuel	
	2006 **RMB'000**	2005 RMB'000
PDA	**25,309**	–

	Comprehensive services paid	
	2006 **RMB'000**	2005 RMB'000
PDA	**15,705**	29,747
Subsidiaries and jointly controlled entities of PDA	**7,705**	10,312
Associate	**246**	200
Jointly controlled entities (Note a)	**8,315**	1,141

	Maintenance services paid	
	2006 **RMB'000**	2005 RMB'000
Subsidiaries and jointly controlled entities of PDA	**100**	432

	Agency services paid	
	2006 **RMB'000**	2005 RMB'000
Subsidiaries and jointly controlled entities of PDA	**2,223**	2,059

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41. RELATED PARTY TRANSACTIONS *(Continued)*

Trading transactions *(Continued)*

	Property leasing expenses paid	
	2006	2005
	RMB'000	RMB'000
PDA	**7,186**	3,873
Subsidiaries and jointly controlled entities of PDA	**1,324**	178
Associates	**1,850**	1,479
Jointly controlled entities (Note a)	**11,531**	2,690

Notes:

(a) The amounts represent the gross 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, information technology and management services.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	2005
	RMB'000	RMB'000
Short-term benefits	**5,476**	3,193
Post-employment benefits	**116**	110
	5,592	3,303

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Other related party transactions

DPC, a subsidiary of the Company, disposed of certain property, plant and equipment amounting to approximately RMB11,365,000 (2005: Nil) to PDA.

The Group also entered into non-cash transactions with PDA which have been disclosed in Note 43.

Balances and other arrangements with related parties are set out in the consolidated balance sheet and in notes 26, 27, 28, 29, 30, 33, 34 and 35.

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42. MATERIAL TRANSACTIONS AND BALANCES WITH OTHER STATE-CONTROLLED ENTITIES

In the opinion of the directors, the Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (these enterprises other than PDA are hereinafter collectively referred to as "State-Controlled Entities"). During the year, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual 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 year and material balances therewith at the respective balance sheet dates as follows:

(a) Material transactions

	2006 **RMB'000**	2005 RMB'000
Nature of transactions		
Payment for:		
Port management fee	**–**	7,310
Rental of vessels	**–**	8,301
Purchase of raw materials and other services	**5,322**	1,300
Purchase of fuels	**82**	18,926
Provision of services	**629,410**	513,610
Acquisition of:		
Priority right for using the rail transportation	**46,660**	–
Property, plant and equipment	**–**	290
Construction-in-progress	**405,018**	54,014

(b) Material balances

	2006 **RMB'000**	2005 RMB'000
Trade and other receivables	**4,480**	23,115
Trade and other payables	**193,450**	3,778

In addition, the Group entered into various transactions, including borrowings and other general banking facilities, with certain banks and financial institutions which are Stated-Controlled Entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other Stated-Owned Enterprises are not significant to the Group's operations.

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43. MAJOR NON-CASH TRANSACTIONS

2006

During the year, the Group acquired property, plant and equipment amounting to approximately RMB315,692,000 which remained unsettled and the amount was included in the trade and other payables at 31 December 2006.

In addition, the Group transferred investment properties amounting to approximately RMB1,165,000 to PDA. The transaction was settled through the current account with PDA.

2005

PDA transferred property, plant and equipment amounting to approximately RMB1,119,904,000 to the Group. The transactions were settled through the current account with PDA or via capital contribution by PDA.

PDA transferred prepaid lease payments amounting to approximately RMB145,955,000 to the Group. The transactions were settled through the current account with PDA.

PDA transferred investments in associates and jointly controlled entities amounting to approximately RMB60,179,000 to the Group. The transactions were settled through the current account with PDA.

The Group transferred property, plant and equipment amounting to approximately RMB121,377,000 to PDA. The transactions were settled through the current account with PDA.

The Group acquired property, plant and equipment amounting to approximately RMB116,041,000 from PDA. The transactions were settled through the current account with PDA.

44. OPERATING LEASES

The Group as lessee

	2006 **RMB'000**	2005 RMB'000
Minimum lease payments under operating leases during the year	**22,127**	28,479

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2006 **RMB'000**	2005 RMB'000
Within one year	**4,212**	3,443
In the second to fifth year inclusive	**8,502**	10,037
After five years	**17,261**	20,535
	29,975	34,015

Leases are negotiated and rentals are fixed for terms from one to twenty years.

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44. OPERATING LEASES *(Continued)*

The Group as lessor

Rental income earned during the year was RMB143,452,000 (2005: RMB86,764,000). The Group rents out its plant and equipment and investment properties in PRC under operating leases and included in revenue and other income.

At the balance sheet date, the Group had commitments with tenants for the following minimum lease payments:

	2006 RMB'000	2005 RMB'000
Within one year	**117,901**	188,423
In the second to fifth year inclusive	**362,207**	660,094
After five years	**712,389**	883,739
	1,192,497	1,732,256

Leases are negotiated and rentals are fixed for terms from one to twenty years.

45. CAPITAL COMMITMENTS

	2006 RMB'000	2005 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**294,398**	496,212

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

	2006 RMB'000	2005 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– authorised but not contracted for	**20,502**	200,000
– contracted but not provided for	**10,081**	17,005

46. RETIREMENT BENEFITS SCHEMES

The Group's full-time employees are covered by a government-sponsored define contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan of a rate of 19% of employees' salaries, which are charged to operations as an expense when the contributions are due.

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47. POST BALANCE SHEET EVENT

In order to comply with the pilotage system restructuring plan promulgated by the Dalian Municipal Government, the wholly stated-owned pilot station has been established on 7 February 2007. The Company has been entrusted to manage the operations of the pilot station and will continue to hold the operation rights in respect of the pilotage business. The pilotage business was operated by the Company as part of its value-added services for the year ended 31 December 2006 and 2005.

On 16 March 2007, the Enterprise Income Tax Law (the "new EIT law") was passed at the Fifth Session of the Tenth National People's Congress of the PRC. The new EIT law will be effective as of 1 January 2008, and the "Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises" and "Provisional Regulations of the People's Republic of China on Enterprise Income Tax" both of which the Group was originally subjected to will be abrogated simultaneously. The Group has already commenced an assessment of the impact of the new EIT law but is not yet in a position to state the accurate impact on the Group's results of operations in the future.

The Group has entered into agreements on 30 March 2007 to acquire equity interests of the following companies:

(i) 40% equity interest in Dalian Automobile from PDA with the consideration of approximately RMB88,504,000.

(ii) 50% equity interest in Dalian Harbour ECL Logistics Co., Ltd. from PDA with the consideration of approximately RMB4,277,000.

(iii) 50% equity interest in Dalian Port Tongli Shipping Agency Co., Ltd. from PDA with the consideration of approximately RMB1,311,000.

(iv) 20% equity interest in Dalian Petrochina International Storage Co., Ltd. from PDA with the consideration of approximately RMB20,289,000.

It is impracticable to quantify the carrying amount and fair value of net assets acquired and goodwill arising from the above acquisition in view of short period of time between the dates of completion of the above acquisition and the issuance of the financial statements.

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48. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries indirectly held, unless otherwise stated, by the Company at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Group 2006	2005	Principal activities
# Dalian Port Container Co., Ltd.	PRC	RMB1,366,210,000	**90.99% (directly)**	89.50% (directly)	Provision of wide range of container terminal and logistics services as well as port investment
Dalian Port Jifa Logistics Co., Ltd.	PRC	RMB317,650,000	**85.00% (directly) 13.65%**	85.00% (directly) 13.43%	Provision of depot leasing business and a wide range of other container related logistics services
Dalian Jifa Shipping Agency Co., Ltd.	PRC	RMB500,000	**92.58%**	91.61%	Provision of port logistics and supporting services
Dalian Port Logistics Technology Co., Ltd.	PRC	RMB10,000,000	**91.75%**	90.39%	Development and sales of computer software
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	PRC	RMB35,000,000	**94.98%**	94.76%	Provision of port logistics and supporting services
* Dalian International Container Services Co., Ltd.	PRC	US$1,440,000	**72.59%**	72.43%	Provision of port logistics and supporting services
Dalian Port Jihuo Logistics Co., Ltd.	PRC	RMB2,000,000	**98.37%**	97.96%	Provision of port logistics and supporting services
Dalian International Logistics Park Development Co., Ltd. ("DPL")	PRC	RMB150,000,000	**88.78%**	88.58%	Operation of a bonded logistics park
Dalian Jifa International Freight Co., Ltd.	PRC	RMB5,000,000	**96.78%**	96.56%	Provision of port logistics and supporting services
Dalian TBT Consulting Co., Ltd.	PRC	RMB1,000,000	**63.42%**	63.27%	Development of software and ERP system

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48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Group 2006	2005	Principal activities
Dalian TechPort Service Co., Ltd.	PRC	RMB2,100,000	**86.73%**	85.48%	Development of software and ERP system
Dalian Jifa Port Engineering Co., Ltd.	PRC	RMB3,000,000	**93.29%**	92.18%	Provision of port logistics and supporting services
Dalian ETDZ Jin Xin Petrochemistry Company Limited	PRC	RMB5,000,000	**98.37%**	97.96%	Provision of agency services and trading of oil and other related products
Dalian Jifa Shipping Management Co., Ltd.	PRC	RMB80,000,000	**97.55%**	97.33%	Provision of trading, leasing and management of ships
Asia Pacific Ports Company Limited	HK	75,000,000 ordinary shares of HK$1 each	**100% (directly)**	–	Investment holding
Asia Pacific Carrier Ltd.	BVI	50,000 ordinary shares of US$1 each	**60%**	–	Investment holding
Pacific Huanghai Shipping Co., Ltd.	HK	10,000 ordinary shares of HK$1 each	**60%**	–	Provision of vessel and chartering services
Pacific Donghai Shipping Co., Ltd.	HK	10,000 ordinary shares of HK$1 each	**60%**	–	Provision of vessel and chartering services

* The subsidiaries are foreign investment enterprises.
# The subsidiaries are joint stock limited companies.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital subsisting at the end of the year or at anytime during the year.

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49. PARTICULARS OF THE JOINTLY CONTROLLED ENTITIES

Particulars of the jointly controlled entities indirectly held, unless otherwise stated, by the Company as at 31 December 2006 are as follows:

Name	Place of incorporation/ registration	Registered capital	Attributable equity interest to the Group 2006	2005	Principal activities
Dalian Container Terminal Co., Ltd.	PRC	RMB1,350,000,000	**46.40%**	45.65%	Provision of container terminal and logistics services
Dalian United International Shipping Agency	PRC	RMB2,000,000	**45.49%**	44.75%	Provision of port logistics and supporting services
Liaoning Con-Rail International Logistics Co., Ltd.	PRC	RMB15,000,000	**49.32%**	49.21%	Provision of port logistics and supporting services
DCT Logistics Co., Ltd.	PRC	RMB63,330,000	**63.85%**	63.31%	Provision of port logistics and supporting services
Dalian Yidu Jifa Cold Logistics Co., Ltd.	PRC	RMB40,000,000	**49.32%**	49.21%	Provision of port logistics and supporting services
China United Tally Co., Ltd. Dalian	PRC	RMB2,800,000	**50% (directly)**	50% (directly)	Provision of tallying services
Dalian China Oil Dock Management Co., Ltd.	PRC	RMB10,000,000	**49% (directly)**	49% (directly)	Provision of loading and discharging services for refined oil
Dalian Ocean Shipping Tally Co., Ltd.	PRC	RMB3,089,200	**49% (directly)**	49% (directly)	Provision of tallying services
Odfjell Terminals (Dalian) Ltd.	PRC	US$14,000,000	**50% (directly)**	50% (directly)	Provision of storage and loading and discharging services of liquefied chemicals

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50. PARTICULARS OF THE ASSOCIATES

Particulars of the associates at 31 December 2006 are as follows:

Name	Place of registration/ incorporation	Registered capital	Attributable equity interest to the Group 2006	2005	Principal activities
Dalian Dagang China Shipping Container Terminal Co., Ltd.	PRC	RMB30,000,000	**36.26%**	35.67%	Provision of container terminal and logistics services
Dalian Port Container Terminal Co., Ltd.	PRC	RMB240,000,000	**31.85%**	31.33%	Provision of container terminal and logistics services
Dalian Jiyi Logistics Co., Ltd.	PRC	RMB6,500,000	**39.46%**	39.37%	Provision of port logistics and supporting services
Dalian Singames International Container Co., Ltd.	PRC	US$2,000,000	**31.33%**	31.10%	Provision of port logistics and supporting services
Dalian Shunda Logistic Services Corporation	PRC	US$5,800,000	**49.32%**	49.22%	Provision of bonded goods warehousing, processing and consultation services
Dalian Jilong Logistics Co., Ltd.	PRC	RMB25,000,000	**29.59%**	29.53%	Provision of port logistics and supporting services
Dalian Portent Co., Limited	PRC	US$2,800,000	**35.91%**	35.83%	Provision of logistics data transmission, conversion and processing services
Dalian ETOZ Wan Da Customs Broker Co., Ltd.	PRC	RMB1,500,000	**34.20%**	34.12%	Provision of customs clearance service for import and export cargoes
大連中鐵聯合國際集裝箱有限公司	PRC	RMB50,000,000	**39.46%**	–	Provision of container terminal and logistics services

51. COMPARATIVE FIGURES

The investment properties with the carrying amount of RMB834,143,000 have been reclassified from property, plant and equipment at 31 December 2005 to conform with the current year's presentation.