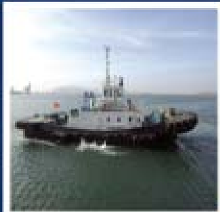
DALIAN PORT (PDA) COMPANY LIMITED

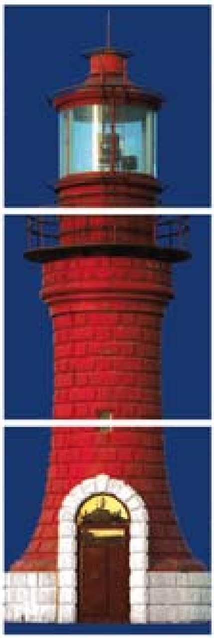
大連港股份有限公司

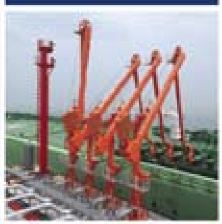
(A sino-foreign joint stock limited company incorporated in the People's Republic of China)

（於中華人民共和國註冊成立之外商投資股份有限公司）

(Stock Code 股份代號：2880)







Interim Report 中期報告

2007

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CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Sun Hong *(Chairman)*
Mr. Zhang Fengge
Mr. Jiang Luning
Ms. Su Chunhua

Non-executive Director
Mr. Lu Jianmin

Independent Non-executive Directors
Mr. Yang Zan
Mr. Zhang Xianzhi
Mr. Ng Ming Wah, Charles

Joint Company Secretaries

Ms. Ma Jinru
Mr. Lee Kin Yu, Arthur

Registered Office

Xingang Commercial Building
Dayao Bay
Dalian Free Trade Zone
PRC

Place of Business in PRC

Room 2401, Times Building
No.7, Gangwan Street
Zhongshan District
Dalian, Liaoning
PRC

Place of Business in Hong Kong

41st Floor, Edinburgh Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

Legal Counsel

as to Hong Kong Law
Morrison & Foerster
as to PRC law
Jingtian & Gongcheng, Beijing

Compliance adviser

Evolution Watterson Securities Limited

Auditors

International auditor
Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

PRC auditor
Deloitte Touche Tohmatsu CPA Ltd.

Stock code

2880

Hong Kong Share Registrar

Computershare Hong Kong Investor Service Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East,
Wanchai, Hong Kong

Principal Bankers

Bank of Communications
Industrial and Commercial Bank of China

MANAGEMENT DISCUSSION AND ANALYSIS

Summary

In the first half of 2007, China's economy kept steady and fast growth. China's GDP and foreign trade value increased by 11.5% and 23.3%, respectively, as compared with the same period in 2006. In the first half of 2007, the GDP of Heilongjiang Province, Jilin Province and Liaoning Province increased by 11.9%, 17.4% and 14.8%, respectively, with surges in foreign trade value of 24.4%, 29.9% and 29.7%, respectively, as compared with the same period in 2006. The average growth rate of the foreign trade value of the above three provinces in northeastern China was 28.8%.

Capitalising on this sound macro-economic environment, especially the sound economic development in the three provinces in northeastern China, the Group has achieved a satisfactory performance in its business. For the first half of 2007, the Group's oil/liquefied chemicals throughput and container throughput increased by 7.2% and 26.3%, respectively, as compared with the same period in 2006. The Group also achieved satisfactory results in the port value-added services business.

The business performance data of the Group referred to in this report such as throughput, are the aggregate of the subsidiaries, jointly controlled entities and associated companies of the Company regardless of the percentage of equity interests held by the members of the Group.

Overall analysis of results

The Group's condensed consolidated financial statements for the six-month ended 30 June 2007 are unaudited but have been reviewed by the Audit Committee of the Company and the Group's external auditors.

Commencing on 1 January 2007, the Group has changed its accounting policy for the results and assets and liabilities of its jointly controlled entities from the proportionate consolidation method to the equity method for consistency with the presentation of the Group's financial statements prepared under the new PRC accounting standards which became effective on 1 January 2007. The effects of this change in the accounting policy for jointly controlled entities have been quantified in Note 2 of the Notes to the condensed consolidated financial statements for the six months ended 30 June 2007. It should be noted that this change of accounting policy does not change the Group's financial results nor its cash flows.

The comparative figures of the six-month period ended 30 June 2006 have been restated in the Company's condensed consolidated financial statements for the six-month period ended 30 June 2007. This management discussion and analysis will be based on the restated figures of the first half of 2006.

For the first half of 2007, the Company's profit attributable to equity holders of the Company shareholders amounted to RMB314,930,000, representing a decrease of 16.1% as compared with the same period of last year. If the interest income of RMB108,772,000 derived from the subscription monies for the Company's issuance of H shares were deducted from the Group's other income for the first half of 2006, the Company's profit attributable to shareholders for the current period would have increased by 18.2% over the same period last year.

For the first half of 2007, the Company's basic earnings per share was RMB0.11, representing a decrease of 31.3% from RMB0.16 for the same period last year. Should the effect of the interest income described above be excluded, the Company's earnings per share for the first half of 2006 would be RMB0.11 which is the same as the basic earnings per share for the first half of 2007.

For the first half of 2007, the Group's revenue amounted to RBM695,183,000, representing an increase of 32.2% over the same period last year. The revenue increase was mainly attributable to the increase of rental income from crude oil storage tanks and container berths, the increase in the sales of land use rights, as well as the increase in freight and charter income from container vessels.

For the first half of 2007, the Group's cost of services amounted to RMB346,445,000, which increased by 32.0% over the same period last year. The increase in cost of services in the current period was in line with the revenue increase. For the first half of 2007, the Group's gross profit reached RMB348,738,000 representing an increase of 32.3% over the same period in 2006 and a gross margin of 50.2% which is the same as that of the first half of 2006.

For the first half of 2007, the Group's income tax expense amounted to RMB67,246,000, which was an increase of RMB65,706,000 over the same period last year. The substantial increase in the Group's income tax expense in the first half of 2007 was due to that the Company was fully exempted from PRC income tax in the first half of 2006 and entitled to a 50% exemption from PRC income tax in the first half of 2007.

Assets and liabilities

As of 30 June 2007, the Group's total assets and net assets amounted to RMB9,234,238,000 and RMB5,665,949,000, respectively, and the net asset value per share was RMB1.94, representing an increase of 2.6% over that of 31 December 2006.

As of 30 June 2007, the Group did not have any charges on its assets.

As of 30 June 2007, the Group's total liabilities amounted to RMB3,568,289,000 of which total outstanding bank loans accounted for RMB2,003,708,000.

Financial resources and liquidity

The Group maintained a stable and strong cash inflows from its operations for the first half of 2007. During the period the Group generated net cash of RMB297,368,000 from its operating activities.

As of 30 June 2007, the Group had a balance of cash and cash equivalents of RMB917,260,000 which represented a decrease of RMB495,374,000 as compared with that as at 31 December 2006. Such decrease was mainly due to the use of cash for partial repayment of bank loans during the six months ended 30 June 2007.

In the first half of 2007, the Group repaid bank loans of RMB526,000,000 and obtained new bank loans of RMB122,000,000. As of 30 June 2007, the Group had bank loans of RMB2,003,708,000 of which RMB1,801,092,000 was due after one year, and RMB202,616,000 was due within one year. Gearing, as measured by net debts to equity, increased from 18% as at 31 December 2006 to 19% as at 30 June 2007.

As of 30 June 2007, the Group had net current assets of RMB1,753,127,000 representing an increase of RMB764,745,000 which was mainly due to an increase of non-current assets held for sale during the first half of 2007. The Group's current ratio surged from 1.82 times as at 31 December 2006 to 2.82 times as at 30 June 2007.

During the first half of 2007, the Group entered into an interest rate swap contract with a financial institution with a principal amount of approximately USD52.9 million. This contract was classified as a derivative financial instrument and recognised in the balance sheet at its fair value as of 30 June 2007.

During the first half of 2007, the Group was not considered to have significant exposure to fluctuations in exchange rates and did not enter into any forex hedging contract.

Use of proceeds

Net proceeds of the global offering of 966 million H share for the Group, after deducting relevant expenses, amounted to approximately RMB2,385,343,000. As at 30 June 2007, the Group had utilised approximately RMB1,846,013,000 of the net proceeds, the remaining of the net proceeds was RMB539,330,000.

There has been no material change in the proposed use of proceeds from the H share global offering as stated in the Company's prospectus dated 18 April 2006. The details of the actual use of proceeds are as follows:

- RMB215,760,000 for the construction of four new container berths at Dayaowan;
- RMB384,030,000 for the construction of twelve crude oil storage tanks at Xingang;

- RMB210,880,000 for the purchase of eight tugboats;
- RMB850,000,000 for the repayment of a long-term bank loan; and
- RMB185,343,000 for general working capital.

It is expected that there will be no material change in the proposed use of the remaining proceeds.

Business review

The Group is principally engaged in the following four business segments: (i) the provision of oil/liquefied chemicals terminal and related logistics services ("Oil Segment"); (ii) the provision of container terminal and related logistics services ("Container Segment"); (iii) the provision of port value-added services ("Value-added Services Segment"); and (iv) the provision of automobile terminal and related logistics services ("Automobile Terminal Segment"). The automobile terminal business is newly acquired through acquisition of certain equity interests from the Company's controlling shareholder, 大連港集團有限公司 (Dalian Port Corporation Limited) in the first half of 2007 and it is conducted by a joint controlled entity of the Company.

We will analyse the performance of each business segment in the first half of 2007 in the following paragraphs.

Oil Segment

The following table sets out the oil/liquefied chemicals throughputs handled by the Group in the first half of 2007 ("1H07") and 2006 ("1H06") for comparison:

	1H07 ('000 tonnes)	1H06 ('000 tonnes)	Increase/ (Decrease)
Crude Oil	**11,664**	10,212	14.2%
Refined Oil	**5,074**	5,516	(8.0%)
Liquefied Chemicals	**635**	475	33.7%
Total	**17,373**	16,203	7.2%

In the first half of 2007, in terms of oil/liquefied chemical throughput, the Group handled a total of 17.373 million tonnes, a growth of 7.2% over the same period in 2006.

Crude oil throughput was 11.664 million tonnes (increase of 14.2% over the same period in 2006), among which 3.57 million tonnes (increase of 33% over the same period in 2006) was transshipment volume. In the first half of 2007, one of the Group's major customers, Dalian West Pacific Petro-chemical Co., Ltd. ("WEPEC"), stopped production for one and half months owing to its machine overhaul, which has caused WEPEC's decrease in the amount of imported crude oil. In spite of this unfavorable factor, the Group achieved a growth rate of 14.2% over the same period in 2006 in terms of crude oil throughput.

The Group's refined oil throughput amounted to 5.074 million tones, a decrease of 8% over the same period in 2006. The main reason for the decrease was WEPEC's decrease in refined oil throughput caused by its suspension of production. As compared with the same period in 2006, the refined oil throughput attributable to WEPEC decreased by 860,000 tonnes. However, the throughput of the refined oil transported from the hinterland of the Group to the terminal for transshipment via vessels increased by 20% over the same period of 2006.

The Group's liquefied chemicals throughput maintained sound growth. In terms of liquefied chemicals throughput, the Group handled a total of 635,000 tonnes in the first half of 2007, an increase of 33.7% over the same period in 2006.

In the first half of 2007, the volume of crude oil imported through the Group's terminals accounted for 100% (97.6% in the same period in 2006) of the total amount of crude oil imported in Liaoning Province and 95.0% (93.6% in the same period in 2006) of the total amount of crude oil imported in the three provinces in northeastern China. The total oil/liquefied chemicals throughput accounted for 73.6% (75.0% in the same period in 2006) of the total oil throughput of Liaoning Province and 53.7% (54.5% in the same period in 2006) of the total oil throughput of the three provinces in northeastern China.

For the first half of 2007, the revenue from oil/liquefied chemicals terminal and logistics services amounted to RMB313,508,000, representing an increase of 14.2% over the same period of last year. This increase was mainly driven by growth in the rental income of crude oil storage tanks, increase of oil storage income and oil sale income.

For the first half of 2007, the revenue from oil/liquefied chemicals terminal and logistics services accounted for 45.1% (52.2% for the same period last year) of the Group's total revenue.

For the first half of 2007, the gross profit from oil/liquefied chemicals terminal and logistics services amounted to RMB181,399,000, which accounted for 52.0% (62.2% for the same period last year) of the Group's total gross profit and represented a gross margin of 57.9% (59.7% for the same period last year). This decrease in the gross margin was mainly caused by the relative increase in the business of oil sale which had a lower gross margin.

In the first half of 2007, the management monitored the market changes closely and focused on the expansion of Oil Segment businesses. Meanwhile, the management further enhanced the Group's operational efficiency and improved its service quality. Major measures and core projects undertaken were as follows:

– 6 crude oil tanks with a capacity of 100,000 cubic meters each were commissioned as bonded tanks in November 2006. In the fist half of 2007, the Group continued to its active cooperation with the PRC customs to ensure the smooth operations of the bonded crude oil tanks. In January 2007 the Group officially commenced the international transshipment business for bonded crude oil. In the first half of 2007, the Group handled a total of 256,000 tonnes of international transshipment crude oil.

– The construction of 6 crude oil tanks, which were funded by the proceeds of the global offering, was on schedule. In addition, the construction of 6 bonded crude oil tanks by one of the Company's joint controlled entities, Dalian PetroChina International Storage Co., Ltd. was on schedule and these tanks are expected to be put into operation in the second half of 2007.

– In the first half of 2007, the Group's refined oil and liquefied chemicals terminal businesses were orderly relocated from Siergou area to Xingang area.

Container Segment

The following table sets out the container throughput handled by the Group in the first half of 2007 and 2006:

		1H07 (TEU)	1H06 (TEU)	Increase
Foreign trade	throughput in Dalian	**1,552,966**	1,265,615	22.7%
	throughput in Jinzhou (note 1)	**7,426**	1,758	322.4%
Domestic Trade	throughput in Dalian	**196,401**	146,725	33.9%
	throughput in Jinzhou (note 1)	**200,525**	136,087	47.4%
Total	The Group's throughput in Dalian	**1,749,367**	1,412,340	23.9%
	The Group's throughput in Jinzhou (note 1)	**207,951**	137,845	50.9%

Note 1: Referring to the container throughput handled by Jinzhou New Age Container Terminal Co., Ltd. (15%-owned by the Company)

In the first half of 2007, in terms of container throughput, the Group handled a total of 1,957,318 TEUs in Dalian, an increase of 26.3% over the same period in 2006. The container throughput for foreign trade was 1,560,392 TEUs, an increase of 23.1% and the container throughput for domestic trade was 396,926 TEUs, an increase of 40.3%. The growth of the Group's container throughput was linked closely with China's macro economy and the economic development in northeastern China. The Group's container throughput for foreign trade was mainly handled in Dalian port. Stimulated by the foreign trade development in the hinterland of the Group, the Group's container throughput for foreign trade increased by 22.7% in the first half of 2007. In addition, the container throughput for domestic trade in all the ports in northeastern China increased rapidly. The Group's container throughput for domestic trade handled in Dalian port and Jinzhou port increased by 33.9% and 47.4%, respectively.

In the first half of 2007, the Group's container throughput accounted for 98.5% (97.0% in the same period in 2006) of the total volume handled in Dalian and 70.9% (69.4% in the same period in 2006) of that handled in the three provinces in northeastern China. The Group's container throughput for foreign trade accounted for 100% (99.4% in the same period in 2006) of Dalian's total volume for foreign trade and 93.6% (94.4% in the same period in 2006) of that of the three provinces in northeastern China.

For the first half of 2007, the revenue from container terminal and related logistics services amounted to RMB269,551,000 which represented an increase of 86.9% over the same period last year. This increase was mainly driven by the increase of rental income from container berths, the increase in the sales of land use rights of Dalian International Logistics Park Development Co., Ltd., as well as the increase in freight and charter income from the operation of container vessels.

For the first half of 2007, the revenue from container terminal and related logistics services accounted for 38.8% (27.4% for the same period last year) of the Group's total revenue.

For the first half of 2007, the gross profit from container terminal and logistics services amounted to RMB101,392,000 which accounted for 29.1% (17.5% for the same period in 2006) of the Groups' total gross profit and represented a gross margin of 37.6% (31.9% for the same period in 2006). This increase in gross margin was mainly caused by the increases in the rental income of container berths and the freight and charter income from the operation of container vessels.

In respect of container terminal and related logistics services, the Group has continued to enhance the container multi-modal transportation system, improve its service efficiency and optimize the port facilities. The progress of major projects related to the Group's container business in the first half of 2007 are as follows:

– In the first half of 2007, the Group's volume of sea-to-rail intermodal transportation reached 83,738 TEUs, an increase of 18.5% over the same period last year. The transshipment containers handled were 142,173 TEUs, an increase of 28.3% over the same period last year.

– In the fist half of 2007, 3 new ocean mainlines called at the Group's terminals, thereby the total number of ocean mainlines calling at the Group's container terminals increasing from 10 to 13.

– The project of Dayaowan phase-III container terminals was approved by the National Development and Reform Commission of the PRC on 22 May 2007. A joint venture contract was signed by Dalian Port Container Co., Ltd. ("DPC", a 90.99% owned subsidiary of, the Company) on 19 July 2007. According to the joint venture contract, DPC will set up a joint venture enterprise with China Shipping Terminal Development Co., Ltd. ("CSTD"), China Shipping Terminal Development (Hong Kong) Co., Ltd. ("CSTD HK") and Nippon Yusen Kabushiki Kaisha ("NYK") to construct and operate Dayaowan phase-III container terminal. The joint venture enterprise will be owned as to 40% by DPC, 30% by CSTD, 10% by CSTD HK and the remaining 20% by NYK.

– The establishment of Dalian Dayaowan bonded port area was approved in August 2006. The construction for Dalian Dayaowan bonded port area started in March 2007 and it was approved for operations on 28 June 2007.

Value-added Services Segment

In the first half of 2007, due to the sound overall development of the transportation business in Dalian port, the Group achieved satisfactory results in terms of port value-added services which are closely linked with the overall business in Dalian port.

Tugging

– In the first half of 2007, the aggregate number of tugging hours of the Group was 28,075, an increase of 18% over the same period in 2006.

– In the first half of 2007, two pilot boats purchased from Holland arrived in Dalian and were put into operations.

Pilotage

– In February 2007, in compliance with the pilotage system restructuring plan promulgated by the Dalian Municipal People's Government and relevant regulations of the People's Republic of China, the Dalian Municipal People's Government set up a pilot station which is engaged in the pilotage business in Dalian and is not owned by the Company. The Group has been entrusted by the Dalian Municipal People's Government to manage the daily operations of the pilotage station and is entitled to receive the remaining portion of the annual pilotage charges collected by the pilotage station after deducting the relevant operation expenses and administrative levy for maintenance of the port facilities owned by the Group and payment of other relevant expenses. The Board believes that the pilotage system restructuring has not resulted in a material adverse impact to the Company's business and operating results.

– In the first half of 2007, pilotage business in Dalian port developed sound results. The number of vessels to which the pilot station provided services was 7,228, an increase of 11% over the same period in 2006. The net tonnage of pilotage was 68.01 million tonnes, an increase of 19% over the same period in 2006.

Tallying

– In the first half of 2007, the total tallying throughput handled by the Group was 14.44 million tonnes, an increase of 20% over the same period of 2006.

For the first half of 2007, the revenue from port value-added services amounted to RMB112,124,000 which represented an increase of 4.7% over the same period of last year. This net revenue increase was mainly caused by the growth of tugging business which offset the revenue decrease resulting from the restructure of our pilotage business that took place in the first half of 2007. For the first half of 2007, the revenue of tugging business was RMB101,750,000, representing an increase of 39.3% over the same period of last year. The growth of tugging business was mainly attributable to the throughput growth of Dalian port, the business development in nearby shipyards as well as the increase of revenue from the long-term lease of tugboats.

For the first half of 2007, the revenue from port value-added services accounted for 16.1% (20.4% for the same period last year) of the Group's total revenue.

For the first half of 2007, the gross profit from port value-added services amounted to RMB65,947,000 which accounted for 18.9% (20.3% for the same period in 2006) of the Groups' total gross profit and represented a gross margin of 58.8% (50.0% for the same period in 2006).

Automobile Terminal Segment

During the first half of 2007, the Group acquired from Dalian Port Corporation Limited a 40% equity interest in Dalian Automobile Terminal Co., Ltd. and a 50% equity interest in Dalian Harbor ECL Logistics Co., Ltd. The Group launched its business for the provision of automobile terminal and related logistics services through these two acquisitions.

The operations of automobile terminal commenced in the second half of 2006 and it was in an initial operation period in the first half of 2007. The Group handled a total of 16,502 vehicles and 721 pieces of other cargoes.

The newly acquired companies incurred losses in the first half of 2007 since they were in their initial stage of operation. For the first half of 2007, the Group's share of loss amounted to RMB1,098,000.

In the first half of 2007, prior to the Group's acquisition of the equity interests in the above-mentioned companies from Dalian Port Corporation Limited, the following two strategic agreements were signed, which the Directors believe will help accelerate the development of automobile terminal business.

– Dalian Port Corporation Limited signed a strategic co-operation agreement with the People's Government of Dalian Free Trade Zone and Hua Chen Automotive Group Holdings Co., Ltd. ("Hua Chen Group"). According to the agreement, Hua Chen Group will export its cars through Dalian port.

– The Dalian Municipal People's Government signed a strategic co-operation agreement with China FAW Group Corporation (FAW) to make Dalian the transshipment and distribution center for FAW's cars.

Others

The Group is committed to supporting environmental protection and safety initiatives in its operations to fulfill its corporate social responsibility and has so far achieved considerable success in implementing environmental protection and safety measures.

Prospects for the Second Half of 2007

We believe that China's economy will sustain its buoyant growth with rising levels of investment, consumption and export in the second half of 2007. It is forecasted that the economy in the three provinces in northeastern China will maintain sound growth in the near future.

In the second half of 2007, in terms of oil/liquefied chemicals business, the Group will continue to closely monitor the market change, especially the international crude oil price and the domestic refined oil price, so as to take appropriate measures accordingly. The Group will secure our existing customers and attract new customers, enhance the solicitation of transshipment cargoes, and consider expanding our business to other ports. In terms of container business, the Group will further develop the system of integrated container logistics services system at Dalian port. The Group will manage to enlarge market share by developing the business of container terminal for foreign trade and enhancing the solicitation of containers for domestic trade.

In the second half of 2007, the Group will focus on the following critical tasks and core investment projects:

Oil Segment

– Developing the business co-operation with the existing customers by improving technology, port functions and service quality. In addition, the Group will enhance the cargo solicitation for transshipment crude oil so as to increase throughput.

– The 6 bonded crude oil storage tanks (with a total storage capacity of 600,000 cubic metres) are expected to be put into operation by the end of October this year.

– Further expanding the business of international transshipment for bonded crude oil and increasing the volume turnover of bonded crude oil tanks.

– Planning to establish a joint venture with PetroChina International Dalian Co., Ltd.) to develop, construct and operate crude oil terminals at Xin Gang in Dalian.

– The Group will co-operate with the Administration Committee of Caofeidian Industrial Zone of Tangshan City and Odfjell SE., and plan for the investment in and construction of refined oil and chemical products terminals at Caofeidian Industrial Zone in Tangshan City, Hebei Province.

Container Segment

– The bonded port area will commence official operations in the second half of 2007. The Group will follow up with the operation of the Dayaowan Bonded Port Area and manage to obtain and utilize the related favourable policies so as to accelerate the development of container business.

– The construction of Dalian railway container logistics centre will start in the second half of 2007 and complete within two years. The initial feasibility study for Harbin railway container logistics centre is expected to be completed in the second half of 2007. The construction of Harbin railway container logistics centre is expected to start in 2008.

– Speeding up the construction of Dayaowan phase-III container terminal, part of which will be put into trial operations in the middle of 2008.

– The Group will enhance the market study of container related business development in connection with domestic trade in the hinterland of the Group and take appropriate measures to capture a bigger market share of container business for domestic trade.

Value-added services Segment

– Further exploring opportunity for tugging business in ports outside Dalian

– By the end of 2007, 4 tugboats will be added to our fleet and put into operations. This will enhance the Group's tugging capacity.

Automobile Segment

– The Group will strengthen the co-operation with shipping lines to optimize the scheme for sea transportation between the northern China and southern China in order to launch new sea routes.

– To take full use of the comparatively mature network of second-hand car transportation via Eurasia land bridge, the Group will expand the business for the transportation of Japanese and Korean cars directly to Middle Asia and Europe via Eurasia Land Bridge.

OTHER INFORMATION

Directors', supervisors' and chief executives' interests

As at 30 June 2007, none of the directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) as recorded in the register required to be kept under Section 352 of the SFO; or (ii) as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Modal Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (which shall be deemed to apply to the Company's supervisors to the same extent as it applies to the Company's directors.)

Purchase, sale and redemption of listed securities

During the six months period ended 30 June 2007, the Company has not redeemed any of its listed shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares in the aforesaid period.

Interim dividends

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 June 2007.

Human resources

As at 30 June 2007, the Group had a total of 1,987 full-time employees. The Group undertakes the review of the employees remuneration policy annually with reference to the human resources market, economic situation, the Group's financial performance and staff appraisal results.

The model code

The Company has adopted a code of conduct governing director's dealings in the Company's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code"). Having made specific enquiry on all directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct governing directors' dealing in the Company's securities transactions during the six months period ended 30 June 2007.

The code on corporate governance practices

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rule") during the six months period ended 30 June 2007, and no material deviations from the Code have been noted.

Shareholdings and shareholders' information of the Company

Share capital (as at 30 June 2007)

Authorised share capital	RMB2,926,000,000 divided into 2,926,000,000 shares of a par value of RMB1.00 each
Issued share capital	966,000,000 H Shares of a nominal value of RMB 1.00 each

Types of shareholders (as at 30 June 2007)

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

Shareholdings of other shareholders with notifiable interests

As at 30 June 2007, so far as was known to the Directors of the Company, the following persons (other than the directors or supervisors) had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Name of Shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	As a % of relevant class of share capital[1]	As a % of total share capital[2]
N.Y.K. Line (Hong Kong) Limited	H shares	114,800,000 (long position)	Beneficial owner	10.80%	3.92%
Fidelity International Limited	H shares	98,159,000 (long position)	Beneficial owner	9.24%	3.35%
The Capital Group Companies, Inc.	H shares	96,448,000 (long position)	Beneficial owner	9.08%	3.30%
The National Social Security Fund Council of the PRC	H shares	82,426,000 (long position)	Beneficial owner	7.76%	2.82%
China Shipping (Group) Co., Ltd.	H shares	73,610,000 (long position)	Interest of controlled corporation	6.93%	2.52%
China Shipping (Hong Kong) Holdings Co, Limited	H shares	73,610,000 (long position)	Interest of controlled corporation	6.93%	2.52%
China Shipping Terminal Development (Hong Kong) Holdings Company Limited	H shares	73,610,000 (long position)	Beneficial owner	6.93%	2.52%
JPMorgan Chase & Co.	H shares	65,246,000 (long position) 22,174,000 (lending pool)	Beneficial owner	6.14% (long position) 2.09% (lending pool)	2.23% (long position) 0.76% (lending pool)
Indus Capital Partners LLC	H shares	63,818,000 (long position)	Interest of controlled corporation	6.01%	2.18%

Name of Shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	As a % of relevant class of share capital[1]	As a % of total share capital[2]
Kasowitz Sheldon Fenton	H shares	63,818,000 (long position)	Interest of controlled corporation	6.01%	2.18%
Kowitz David Nathan	H shares	63,818,000 (long position)	Beneficial owner	6.01%	2.18%

Notes:

1. The relevant class of share capital: Domestic shares – 1,863,400,000 shares, H shares – 1,062,600,000 shares.

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

Save as disclosed above, as at 30 June 2007, so far as was known to the Directors of the Company, no other persons (other than the directors or supervisors) had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

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

Introduction

We have reviewed the interim financial information set out on pages 19 to 42 which comprises the condensed consolidated balance sheet of Dalian Port (PDA) Company Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	Six months ended 30 June **2007** **RMB'000** **(unaudited)**	 2006 RMB'000 (restated, unaudited)
Revenue	5	**695,183**	525,925
Cost of services		**(346,445)**	(262,362)
Gross profit		**348,738**	263,563
Other income	6	**26,570**	134,463
Selling and administrative expenses		**(56,617)**	(55,930)
Share of results of associates		**2,055**	(3,937)
Share of results of jointly controlled entities		**95,622**	97,270
Finance costs	7	**(23,705)**	(52,918)
Profit before tax		**392,663**	382,511
Income tax expense	8	**(67,246)**	(1,540)
Profit for the period	9	**325,417**	380,971
Attributable to:			
Equity holders of the Company		**314,930**	375,193
Minority interests		**10,487**	5,778
		325,417	380,971
Basic earnings per share (RMB)	11	**0.11**	0.16

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	30 June 2007 RMB'000 (unaudited)	31 December 2006 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**4,077,235**	5,118,217
Prepaid lease payments		**180,828**	182,428
Investment properties	13	**1,008,065**	850,058
Intangible assets		**47,502**	48,951
Interests in jointly controlled entities		**763,428**	672,054
Interests in associates	14	**324,507**	131,373
Available-for-sale investments		**54,076**	54,076
Deferred tax assets		**61,644**	79,142
		6,517,285	7,136,299
CURRENT ASSETS			
Properties held for sale		**143,691**	211,411
Rights to receive government grants		**30,600**	30,600
Inventories – finished goods		**21,422**	23,086
Trade and other receivables	15	**335,694**	381,384
Prepaid lease payments		**3,834**	4,591
Amounts due from jointly controlled entities	16	**12,876**	3,167
Amounts due from associates	16	**24,431**	22,736
Amounts due from related companies	16	**–**	80
Amount due from a fellow subsidiary	16	**612**	3
Amount due from Dalian Port Corporation Limited ("PDA")	16	**49,224**	1,932
Advance to an associate	17	**64,000**	–
Bank balances and cash		**917,260**	1,412,634
		1,603,644	2,091,624
Non-current assets held for sale	18	**1,113,309**	104,200
		2,716,953	2,195,824

	NOTES	30 June 2007 RMB'000 (unaudited)	31 December 2006 RMB'000 (restated)
CURRENT LIABILITIES			
Trade and other payables	19	**387,241**	490,645
Amounts due to jointly controlled entities	16	**1,396**	1,093
Amounts due to associates	16	**96,702**	4,708
Amounts due to related companies	16	**82,736**	93,706
Amounts due to fellow subsidiaries	16	**1,694**	6,382
Advance from PDA	16	**19,103**	8,808
Amount due to a minority shareholder	16	**23,565**	22,618
Tax liabilities		**44,573**	29,184
Bank borrowings – due within one year	20	**202,616**	446,098
		859,626	1,103,242
Government grants associated with non-current assets held for sale		**104,200**	104,200
		963,826	1,207,442
NET CURRENT ASSETS		**1,753,127**	988,382
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,270,412**	8,124,681
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	20	**1,801,092**	1,961,684
Government grants		**798,406**	629,698
Other financial liabilities		**4,965**	–
		2,604,463	2,591,382
NET ASSETS		**5,665,949**	5,533,299
CAPITAL AND RESERVES			
Paid-in capital		**2,926,000**	2,926,000
Share premium and reserves		**2,556,212**	2,434,049
Equity attributable to equity holders of the Company		**5,482,212**	5,360,049
Minority interests		**183,737**	173,250
TOTAL EQUITY		**5,665,949**	5,533,299

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company												
	Paid-in capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000 (Note a)	Statutory public welfare fund RMB'000 (Note b)	Enterprise development fund RMB'000 (Note c)	Discretionary reserve fund RMB'000 (Note d)	Special reserve RMB'000 (Note e)	Other reserve RMB'000 (Note f)	Retained earnings/ Shareholders' contribution RMB'000 (Note g)	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2006	1,960,000	22,206	866,025	43,478	21,367	8,265	761	15,666	(658,469)	63,840	2,343,139	100,743	2,443,882
Profit, representing total recognised income for the period	–	–	–	–	–	–	–	–	–	375,193	375,193	5,778	380,971
Transfer	–	–	–	21,367	(21,367)	–	–	–	–	–	–	–	–
Issue of new H shares	966,000	1,605,525	–	–	–	–	–	–	–	–	2,571,525	–	2,571,525
Expenses relating to issue of new H shares	–	(186,182)	–	–	–	–	–	–	–	–	(186,182)	–	(186,182)
Appropriations	–	–	–	616	–	–	308	–	–	(924)	–	–	–
At 30 June 2006 and 1 July 2006	2,926,000	1,441,549	866,025	65,461	–	8,265	1,069	15,666	(658,469)	438,109	5,103,675	106,521	5,210,196
Profit, representing total recognised income for the period	–	–	–	–	–	–	–	–	–	256,374	256,374	7,817	264,191
Transfer	–	–	–	–	–	–	–	–	43,713	(43,713)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(11,223)	(11,223)
Contributions from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	70,135	70,135
Appropriations	–	–	–	63,016	–	178	–	–	–	(63,194)	–	–	–
At 31 December 2006 and 1 January 2007	2,926,000	1,441,549	866,025	128,477	–	8,443	1,069	15,666	(614,756)	587,576	5,360,049	173,250	5,533,299
Reversal of deferred tax assets	–	–	–	–	–	–	–	–	–	(17,207)	(17,207)	–	(17,207)
Profit, representing total recognised income for the period	–	–	–	–	–	–	–	–	–	314,930	314,930	10,487	325,417
Dividend paid	–	–	–	–	–	–	–	–	–	(175,560)	(175,560)	–	(175,560)
At 30 June 2007	**2,926,000**	**1,441,549**	**866,025**	**128,477**	**–**	**8,443**	**1,069**	**15,666**	**(614,756)**	**709,739**	**5,482,212**	**183,737**	**5,665,949**

Notes:

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

(b) According to the Articles of Association, the Company and certain subsidiaries are required to transfer 5% to 10% of the profit after tax (as determined under the PRC accounting standards) to the statutory public welfare fund. According to the relevant PRC laws and regulations, the statutory public welfare fund at 1 January 2006 has to transfer to statutory surplus reserve fund and no appropriation of statutory public welfare fund is required in the future.

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

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

(e) Special reserve arose from the measurement of the non-interest bearing advance from immediate holding company, Dalian Port Corporation Limited ("PDA") at fair value, in accordance with its accounting policies adopted for initial recognition of financial instruments.

(f) Other reserve represents the reversal of the revaluation surplus arising from the capital contribution by PDA to Dalian Container Terminal Co., Ltd and the Group Reorganisation set out in note 1. Other reserve would be released to retained earnings upon the depreciation of those capital assets.

(g) The shareholders' contribution prior to establishment of the Company at 16 November 2005 mainly represents the then capital of the companies now comprising the Group and the net distributions to PDA.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(restated, unaudited)
OPERATING ACTIVITIES		
Profit before tax	**392,663**	382,511
Adjustments for:		
Share of results of associates	**(2,055)**	3,937
Share of results of jointly controlled entities	**(95,622)**	(97,270)
Finance costs	**23,705**	52,918
Allowance for bad and doubtful debts, net	**3,438**	2,755
Depreciation and amortisation	**83,879**	74,567
Release of prepaid lease payments to income statement	**2,357**	1,960
(Gain) loss on disposal of property, plant and equipment	**(5,039)**	31
Loss on disposal of investment properties	**2,526**	–
Increase in fair value of other financial liabilities	**4,965**	–
Interest income	**(7,919)**	(126,923)
Operating cash flows before movements in working capital	**402,898**	294,486
Decrease (increase) in properties held for sale	**67,720**	(56,501)
Decrease (increase) in inventories	**1,664**	(5,286)
Increase in trade and other receivables	**(16,762)**	(122,960)
(Increase) decrease in amounts due from jointly controlled entities	**(9,709)**	4,323
Increase in amounts due from associates	**(1,695)**	(17,317)
Decease in amounts due from related companies	**80**	83
Increase in amount due from a fellow subsidiary	**(609)**	–
Advance to an associate	**(64,000)**	–
(Decrease) increase in trade and other payables	**(103,404)**	147,895
Increase in amounts due to jointly controlled entities	**302**	496
Increase in amounts due to associates	**91,994**	2,180
(Decrease) increase in amounts due to related companies	**(4,688)**	16,382
Decrease in amounts due to fellow subsidiaries	**(10,970)**	–
Decrease in government grants	**(3,888)**	–
Cash generated from operations	**348,933**	263,781
Income tax paid	**(51,565)**	(15,906)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**297,368**	247,875

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(restated, unaudited)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(250,080)**	(595,496)
Acquisition of associates	**(194,937)**	–
Acquisition of available-for-sale investments	**–**	(52,844)
Dividend received from jointly controlled entities	**150,922**	–
Dividend received from associates	**3,725**	–
Proceeds from disposal of property, plant and equipment	**31,307**	–
Interest received	**7,919**	126,923
Other investing cash flows	**84,707**	1,051
NET CASH USED IN INVESTING ACTIVITIES	**(166,437)**	(520,366)
FINANCING ACTIVITIES		
New bank loans raised	**122,167**	623,476
Repayment of bank loans	**(526,241)**	(892,372)
Interest paid	**(57,913)**	(106,831)
Dividend paid	**(175,560)**	–
Net proceeds from issue of new H shares	**–**	2,385,343
Government grants received	**–**	724,904
Other financing cash flows	**11,242**	(51,722)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(626,305)**	2,682,798
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(495,374)**	2,410,307
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**1,412,634**	258,828
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**917,260**	2,669,135

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. Basis of Presentation

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

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

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

2. Change in Accounting Policy

Prior to 1 January 2007, the Group recognised 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 were combined with the Group's similar line items, line by line, in the consolidated financial statements.

In the current period, the Group has changed to use the equity method to account for its interests in the jointly controlled entities for the consistency of the presentation of financial statements prepared under PRC accounting standards.

Under the equity method, the results and assets and liabilities of jointly controlled entities are incorporated in the condensed consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets, less any identified impairment losses. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, 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 provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

The effects of the change in the accounting policy described above on the results for the current and prior periods are as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Decrease in revenue	**(231,955)**	(199,181)
Decrease in cost of services	**99,643**	66,377
Decrease in other income	**(1,900)**	(1,284)
Decrease in selling and administrative expenses	**22,182**	22,480
Decrease in share of results of associates	**(5,988)**	(368)
Increase in share of results of jointly controlled entities	**95,622**	99,381
Decrease in finance costs	**4,017**	6,772
Decrease in income tax expense	**18,379**	5,823
Change in profit for the period	**–**	–

The cumulative effect of the change in the accounting policy on 31 December 2006 is summarised below:

	As at 31 December 2006 (originally stated) RMB'000	**Adjustments** RMB'000	**As at 31 December 2006 (restated)** RMB'000
Balance sheet items			
Property, plant and equipment	5,961,828	(843,611)	5,118,217
Prepaid lease payments	381,325	(194,306)	187,019
Intangible assets	51,200	(2,249)	48,951
Interests in jointly controlled entities	–	672,054	672,054
Interests in associates	144,132	(12,759)	131,373
Deferred tax assets	79,987	(845)	79,142
Inventories	461	22,625	23,086
Trade and other receivables	269,707	111,677	381,384
Amounts due from jointly controlled entities	1,596	1,571	3,167
Amounts due from associates	23,239	(503)	22,736
Advance to PDA	2,018	(86)	1,932
Bank balances and cash	1,508,847	(96,213)	1,412,634
Non-current assets held for sale	160,146	(55,946)	104,200
Trade and other payables	(580,936)	90,291	(490,645)
Amounts due to jointly controlled entities	(615)	(478)	(1,093)
Amounts due to associates	(5,189)	481	(4,708)
Amounts due to related companies	(26,551)	(67,155)	(93,706)
Amounts due to fellow subsidiaries	(77,500)	71,118	(6,382)
Advance from PDA	(16,538)	7,730	(8,808)
Tax liabilities	(36,873)	7,689	(29,184)
Bank borrowings	(2,596,465)	188,683	(2,407,782)
Government grants	(834,130)	100,232	(733,898)
Other assets and liabilities	1,123,610	–	1,123,610
Total effects on assets and liabilities	5,533,299	–	5,533,299
Paid-in capital	2,926,000	–	2,926,000
Share premium and reserves	2,434,049	–	2,434,049
Minority interests	173,250	–	173,250
Total effects on equity	5,533,299	–	5,533,299

The change in the accounting policy has no effect on the Group's equity at 1 January 2006.

3. Change in Accounting Estimate

During the current period, the directors have reassessed the estimated useful lives of certain property, plant and equipment and considered that the following depreciation rates per annum should be adjusted to reflect the current condition.

	Before 1 January 2007	**After 1 January 2007**
Terminal facilities	2% – 5.6%	2.5% – 6.3%
Vessels and motor vehicles – vessels	5.6%	6.3%

This change in depreciation rates has decreased the depreciation charge for the period by approximately RMB16,676,000.

4. Significant Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except for as mentioned in note 2 above, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee of the IASB, which are effective for the Group's financial year beginning on 1 January 2007.

The adoption of these new IFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

5. Segment Information

Business segments

For management purposes, the Group is currently organised into four (2006: three) operating divisions – oil/liquefied chemicals terminal and logistics services, automobile 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 and related logistics services;
Container terminal and logistics services	–	Loading and discharging of containers and related logistics services;
Automobile terminal and logistics services	–	Loading and discharging of automobile and related logistics services; and
Port value-added services	–	Tallying, vessel navigation, tugging and information technology services.

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

For the six months ended 30 June 2007

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Port value-added services RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue						
External sales	**313,508**	**269,551**	**–**	**112,124**	**–**	**695,183**
Inter-segment sales	**–**	**564**	**–**	**1,087**	**(1,651)**	**–**
Total revenue	**313,508**	**270,115**	**–**	**113,211**	**(1,651)**	**695,183**

Inter-segment sales are charged at prevailing market prices.

Result						
Segment result	**177,638**	**86,460**	**–**	**57,918**	**–**	**322,016**
Unallocated income						**12,900**
Unallocated expenses						**(16,225)**
Share of results of associates	**–**	**1,958**	**(1,098)**	**1,195**		**2,055**
Share of results of jointly controlled entities	**16,866**	**73,658**	**–**	**5,098**		**95,622**
Finance costs						**(23,705)**
Profit before tax						**392,663**
Income tax expense						**(67,246)**
Profit for the period						**325,417**

For the six months ended 30 June 2006 (Restated)

	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	274,625	144,230	107,070	–	525,925
Inter-segment sales	–	–	1,162	(1,162)	–
Total revenue	274,625	144,230	108,232	(1,162)	525,925

Inter-segment sales are charged at prevailing market prices.

Result					
Segment result	158,989	31,304	44,779	–	235,072
Unallocated income					126,923
Unallocated expenses					(19,899)
Share of results of associates	–	(4,795)	858		(3,937)
Share of results of jointly controlled entities	7,949	82,198	7,123		97,270
Finance costs					(52,918)
Profit before tax					382,511
Income tax expense					(1,540)
Profit for the period					380,971

Geographical segments

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

6. Other Income

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
		(restated)
Net rental income	**724**	498
Subsidy income	**–**	1,460
Service income	**3,368**	3,206
Bank interest income (Note)	**7,919**	126,923
Gain on disposal of property, plant and equipment	**5,039**	–
Gain on disposal of financial assets held for trading	**4,981**	–
Others	**4,539**	2,376
	26,570	134,463

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

7. Finance Costs

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
		(restated)
Interest on bank loans	**62,735**	106,831
Less: Amount capitalised and included in the cost of property, plant and equipment	**(34,208)**	(53,913)
Less: Amount capitalised and included in the cost of properties held for sale	**(4,822)**	–
	23,705	52,918

8. Income Tax Expense

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
		(restated)
The charge comprises:		
Current tax	**66,954**	1,540
Deferred tax	**292**	–
	67,246	1,540

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) and (大連保稅區地方稅務局文件2007年22號), the Company is entitled to 50% reduction of PRC income tax for the six months ended 30 June 2007 and exempted from PRC income tax for the six months ended 30 June 2006.

Except for the Company, the tax charges on other group entities for the six months ended 30 June 2007 and 30 June 2006 represent PRC income tax calculated at the prevailing tax rate of 33% on the taxable income of the Group in the PRC.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the PRC, which will change tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised.

9. Profit for the Period

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
		(restated)
Profit for the period has been arrived at after charging:		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**62,397**	61,265
Retirement benefits scheme contributions	**7,871**	8,141
Total staff costs	**70,268**	69,406
Allowance for bad and doubtful debts, net	**3,438**	2,755
Depreciation and amortisation	**83,879**	74,567
Loss on disposal of property, plant and equipment	**–**	31
Loss on disposal of investment properties	**2,526**	–
Net foreign exchange loss	**2,432**	12,068
Release of prepaid lease payments to income statement	**2,357**	1,960
Share of tax of associates (included in share of results of associates)	**785**	572
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**17,760**	5,823

10. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: nil).

11. Basic Earnings Per Share

The calculation of the basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of the Company and 2,926,000,000 shares in issue (2006: weighted average number of 2,298,088,000 shares).

12. Movements in Property, Plant and Equipment

During the six months ended 30 June 2007, the Group spent approximately RMB284 million (2006: RMB649 million) on the construction of container berths, crude oil storage tanks and tugboats.

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of approximately RMB26 million for approximately RMB31 million, resulting in a gain on disposal of approximately RMB5 million. In addition, the Group transferred certain property, plant and equipment with a carrying amount of approximately RMB1,009 million to non-current assets held for sale.

13. Movements in Investment Properties

During the six months ended 30 June 2007, container berths of approximately RMB253 million (2006: nil) were transferred from construction in progress which were included in property, plant and equipment to investment properties.

During the period, the Group disposed of certain investment properties with a carrying amount of approximately RMB51 million for approximately RMB48 million, resulting in a loss on disposal of approximately RMB3 million.

14. Movements in Interests in Associates

During the six months ended 30 June 2007, the Group acquired four associates from PDA with consideration of approximately RMB195 million. The principal activities of those associates are loading and discharging of oil products and automobile and related logistics services.

15. Trade and Other Receivables

The Group has a policy of allowing an average credit periods from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet dates:

	30 June 2007 RMB'000	31 December 2006 RMB'000 (restated)
Trade receivables		
0 – 90 days	**121,044**	49,379
91 – 180 days	**1,259**	2,016
181 – 360 days	**1,323**	303
	123,626	51,698
Other receivables, net of allowances	**212,068**	329,686
	335,694	381,384

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

16. Balances with Jointly Controlled Entities/Associates/Related Companies/Fellow Subsidiaries/PDA/A Minority Shareholder

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

The directors consider that the carrying amounts of the balances approximate their fair values.

17. Advance to an Associate

The amount is unsecured, interest bearing at Tokyo Interbank Offered Rate plus 0.5% and repayable in first half of 2008.

The directors consider that the carrying amount of the balance approximates its fair value.

18. Non-current Assets Held for Sale

	30 June 2007 RMB'000	31 December 2006 RMB'000 (restated)
Container berths and related facilities (Note)	**1,009,109**	–
Non-movable assets situated in Siergou	**104,200**	104,200
	1,113,309	104,200

Note: Pursuant to an agreement dated 25 September 2005 between the Company and its associate, Dalian Port Container Terminal Co., Ltd. ("DPCM"), the Company agreed to sell and DPCM agreed to acquire No. 13 and 14 container berths and related facilities situated in Dayao Bay of Dalian City, upon the completion of construction. The container berths have been completed in the first half of 2007. In the opinion of the directors, the transaction will be completed in the second half of 2007.

19. Trade and Other Payables

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

	30 June 2007 RMB'000	31 December 2006 RMB'000 (restated)
Trade payables		
0 – 90 days	**34,559**	31,990
91 – 180 days	**25,990**	48,659
181 – 360 days	**7**	–
Over 360 days	**–**	35
	60,556	80,684
Other payables	**326,685**	409,961
	387,241	490,645

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

20. Bank Borrowings

During the six months ended 30 June 2007, the Group repaid bank loans of approximately RMB526 million (2006: RMB892 million) and obtained new bank loans of approximately RMB122 million (2006: RMB623 million). The proceeds were mainly used to finance the acquisition of property, plant and equipment.

21. Related Party Transactions

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

Trading transactions

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Rental income received		
Associates	**66,472**	44,227
Jointly controlled entities	**35,592**	34,571
	102,064	78,798
Service income received (Note)		
PDA	**9**	684
Subsidiaries and jointly controlled entities of PDA	**6,435**	211
Associates	**5,751**	3,539
Jointly controlled entities	**11,913**	6,288
	24,108	10,722
Comprehensive services paid		
PDA	**18,524**	807
Subsidiaries and jointly controlled entities of PDA	**11,167**	7,150
Jointly controlled entities	**709**	–
	30,400	7,957
Agency services paid		
Subsidiaries and jointly controlled entities of PDA	**1,541**	–

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Property leasing expenses paid		
PDA	**544**	1,541
Subsidiaries and jointly controlled entities of PDA	**150**	262
Jointly controlled entities	**380**	678
	1,074	2,481
Construction management services paid		
Subsidiaries and jointly controlled entities of PDA	**1,030**	3,015
Terminal facilities construction services paid		
Subsidiaries and jointly controlled entities of PDA	**–**	577
Non trading transactions		
Acquisition of associates		
PDA	**194,937**	–
Acquisition of property, plant and equipment		
PDA	**2,857**	–
Subsidiaries and jointly controlled entities of PDA	**55,718**	–
Jointly controlled entities	**–**	395
	58,575	395
Disposal of property, plant and equipment		
PDA	**48,837**	–

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

22. 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 period, the Group had material transactions with some of these State-Controlled Entities 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-Controlled Entity or not.

For the purpose of this report, the Group has identified the nature and quantified the amounts of its material transactions with State-Controlled Entities during the period as follows:

(a) Material transactions

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Nature of transactions		
Purchase of raw materials and other services	**6,860**	2,491
Purchase of fuels	**40**	11,396
Provision of services	**338,092**	308,009
Addition to construction-in-progress	**70,986**	137,445

(b) Material balances

	30 June 2007	31 December 2006
	RMB'000	RMB'000 (as restated)
Trade and other receivables	**76,912**	42,954
Trade and other payables	**133,125**	131,219

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.

23. Capital Commitments

	30 June 2007 RMB'000	31 December 2006 RMB'000 (restated)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**207,224**	435,337

24. Subsequent Events

On 19 July 2007, Dalian Port Container Co., Ltd ("DPC"), a subsidiary of the Company, entered into a contract with China Shipping Terminal Development Company Limited ("CSTD"), China Shipping Terminal Development (Hong Kong) Company Limited ("CSTD HK") and Nippon Yusen Kabushiki Kaisha ("NYK") to form a sino-foreign entity for the purposes of investing, constructing, managing and operating the Phase-3 container terminal in Dayao Bay, Dalian, the PRC. The entity will be owned as to 40% by DPC, 30% by CSTD, 10% by CSTD HK and the remaining 20% by NYK. The total investment is RMB4.0 billion and the contract is subject to the approval of the relevant PRC government authorities.

大連港股份

DALIAN PORT (PDA) COMPANY LIMITED

大連港股份有限公司

(A sino-foreign joint stock limited company incorporated in the People's Republic of China)

(於中華人民共和國註冊成立之外商投資股份有限公司)

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