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）
(Stock Code 股份代號：2880)





Annual Report 年報 2007

CONTENTS

Company Profile*

Dalian Port (PDA) Company Limited (the "Company") (stock code of 2880), established in Dalian City, Liaoning Province, the People's Republic of China on 16 November 2005, was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 April 2006.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in four business segments, namely: (1) the provision of terminal and related logistics services for oil products/liquefied chemicals; (2) the provision of terminal and logistics services for containers; (3) the provision of terminal and logistics services for automobiles; and (4) the provision of port value-added services.

The Group is one of the major oil terminal operators in China. In 2007, in terms of oil throughput, the Group was the second largest oil terminal operator in China and the largest in the Three Northeastern Provinces of China (collectively, Heilongjiang Province, Jilin Province and Liaoning Province). The Group operates a 300,000 dwt oil terminal which is the largest oil terminal in China. The oil terminal is the only one approved by the Ministry of Communications of the PRC to conduct transshipment services of imported crude oil for petrochemical enterprises in Dalian port and Bohai Bay. Dalian, where the Group operates, has been designated by the Chinese government as one of the four strategic oil reserve bases in China.

The Group is one of the major container terminal operators in China. In 2007, in terms of container throughput, the Group was the eighth largest container terminal operator in China and the largest in the three Northeastern Provinces. Its container throughput for foreign trade represents over 90% of that of all ports in the Three Northeastern Provinces in 2007. Dalian port, which is supported by a comprehensive transportation network, is one of the leading sea-to-rail intermodal transportation and sea-to-sea transshipment ports in China. The Dayao Bay port area in Dalian, one of the five bonded harbour areas approved by the State Council, started operations in the first half of 2007 and have brought positive impacts on the Group's business.

The Group commenced its automobile terminal business in the first half of 2007. In 2007, the Group's automobile throughput was the highest among ports in the three Northeastern Provinces. Dalian port is one of the four automobile import ports approved by the Chinese government. Backed by the automobile industry base in the Three Northeastern Provinces, the Directors expect that the automobile terminal business will enjoy thriving steady growth in the near future.

The Group is the exclusive port value-added services provider in Dalian Port which offers such services such as tugging, pilotage and tallying. The Group has the second largest tugging fleet in China and has extended its services to other ports including Suzhou Port along the Yangtze River. The provision of port value-added services has ensured the reliability of the Group's port business and its overall operational efficiency.

In order to capitalize on the economic growth stimulated by the Chinese government's initiatives to revitalise the traditional industrial base of northeastern China, the Group intends to fully leverage on its geographical advantages and its strengths in operating management to pursue growth with an aim to become a major international port operator in northeastern Asia, and creating wealth for the shareholders of the Company.

* The business data of the Group referred to in this Company Profile are the aggregate data of the subsidiaries, jointly controlled entities and associated companies of the Company regardless of percentage of equity interests held by the member of the Group.

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

No.1, Gangwan Street
Zhongshan District
Dalian, Liaoning
PRC

Place of Business in Hong Kong

21/F., ICBC Tower, Citibank Plaza
3 Garden Road
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 Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

PRC Auditors

Deloitte Touche Tohmatsu CPA Ltd.

Stock Code

2880

Hong Kong Share Registrar

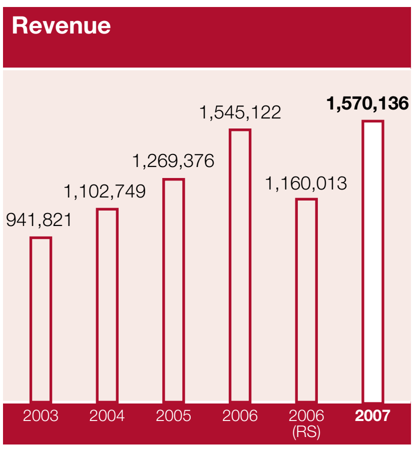
Computershare Hong Kong Investor Service Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

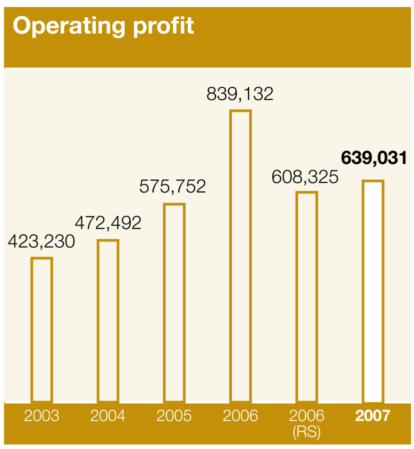
Principal Bankers

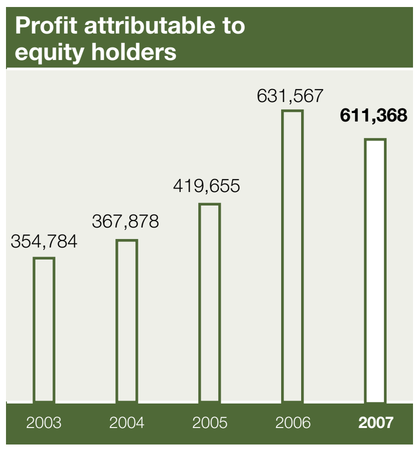
Industrial and Commercial Bank of China
Bank of China
China Construction Bank
Bank of Communications

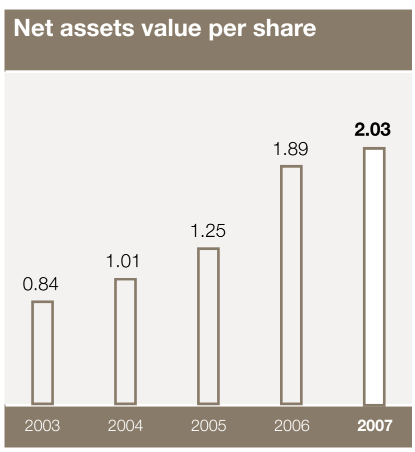
FINANCIAL **HIGHLIGHTS**

	2007 RMB'000	2006 (Restated) RMB'000	Change
Income Statement			
Revenue	**1,570,136**	1,160,013	35.4%
Gross profit	**696,856**	584,558	19.2%
Profit attributable to equity holders	**611,368**	631,567	-3.2%
Earnings per share – basic (RMB)	**0.21**	0.24	-12.5%
Balance Sheet			
Bank balances and cash	**532,154**	1,412,634	-62.3%
Net current assets	**894,623**	957,782	-6.6%
Total assets	**9,524,699**	9,332,123	2.1%
Bank borrowings	**2,227,960**	2,407,782	-7.5%
Gearing ratio	**28.6%**	18.0%	58.9%
Net assets value per share (RMB)	**2.03**	1.89	7.4%
Return on equity	**10.66%**	15.83%	-32.7%
Cash Flow Statement			
Net cash generated from operating activities	**833,785**	867,966	-3.9%
Net cash used in investing activities	**(1,266,060)**	(1,402,191)	9.7%
Net cash (used in) generated from financing activities	**(448,205)**	1,688,031	-126.6%
Net (decrease) increase in cash and cash equivalents	**(880,480)**	1,153,806	-176.3%









CHAIRMAN'S **STATEMENT**

Sun Hong
Chairman

The year 2007 is the first full financial year of Dalian Port (PDA) Company Limited (the Company) following its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the Stock Exchange). I am pleased to present the annual report of the Company and its subsidiaries (collectively, referred to as the Group) for the year ended 31 December 2007.

Operating results and dividend

China's economy continued to witness fast growth in 2007 during which China's GDP and foreign trade value increased by 11.4% and 23.5%, respectively. The economy of the three Northeastern Provinces of China also achieved rapid development in the same year. These positive macro economic fundamentals have driven the Group's business growth. For the year ended 31 December 2007, the profit attributable to equity holders of the Company was RMB611,368,000, representing an increase of 16.9 % over 2006 if the one-off effect of the interest income from the subscription money for the Company's issuance of H shares in 2006 was excluded. The basic earnings per share for 2007 was RMB0.21, as compared to RMB0.20 for 2006 which was exclusive of the above-mentioned interest income effect.

The Board has recommended the payment of a final dividend of RMB0.08 per share for 2007, aggregating RMB234,080,000, and representing a dividend payout ratio of 42.56%. The proposed dividend for the year is subject to approval at the forthcoming annual general meeting.

CHAIRMAN'S STATEMENT

Review

As the largest oil, container and automobile terminal operator in northeastern China, the Group strives to provide its customers with quality and highly efficient services in relation to its oil/liquefied chemicals terminal, container terminal, automobile terminal and related logistics services, and port value-added services including tugging, pilotage and tallying. Sustainable and healthy expansion of the Group's principal businesses has laid down a solid foundation for the growth of its operating results in 2007.

In respect of the oil/liquefied chemicals terminal and related logistics business in 2007, the Group extended the cooperation with its business partners, accelerated the construction of oil storage tanks and ancillary facilities, and geared up its marketing efforts, all these bringing higher operating efficiency to the Group's oil terminals. In 2007, the Group handled a total oil/liquefied chemicals throughput of 34.402 million tonnes, a growth of 5.1% over 2006. The Group's throughput level of oil products ranked the second among the ports in China, up one place from 2006. In 2007, the revenue for the oil/liquefied chemicals business was RMB673,707,000, a year-on-year increase of 19.8%.

In 2007, new crude oil storage tanks of the Group were put into operation, and the Group also commenced its international transshipment business for bonded crude oil. These have contributed to the Group's growth in the oil storage business. The Company has entered into a framework agreement with Odfjell SE and other cooperative partners for the proposed development and operation of chemical products terminals to be located at Caofeidian Industrial Zone, Tangshan City, Hebei Province, China. The Company has also signed a Letter of Intent with PetroChina International Dalian Co., Ltd. for the proposed establishment of a joint venture to develop, construct and operate oil terminals with a designed berthing capacity of 300,000 tonnes for crude oil at Xingang in Dalian. All the above projects will boost the Group's oil/liquefied chemicals terminal business in the future.

In respect of the container terminal and related logistics business, the Group has kept strengthening the multi-modal transportation system for container transportation, monitoring the construction progress of new container terminals and extended cooperation with its business partners. Through consistent execution of the Group's strategies to capture opportunities offered by the fast growth of the economy of northeastern China, the hinterland of the Group, the Group handled a total container throughput of approximately 4.175 million TEUs in 2007, representing a year-on-year increase of 20.8%. The Group has maintained its leading position in the market of northeastern China. In 2007, the revenue for the container terminal and related logistics business was RMB644,339,000, a year-on-year increase of 76.5%.

In 2007, Dalian Dayao Bay bonded port area was approved for operations. The Company entered into a Framework Agreement on the Strategic Cooperation in Developing Deep-water Container Terminals at Dayao Bay North Harbour with Dalian Municipal People's Government and Modern Terminals. The Group, with Qinhuangdao Port Group Co., Ltd. and China Shipping Terminal Development Company Limited, has established a joint venture to operate container terminals in Qinhuangdao, China.

In 2007, through the acquisition of a 40% equity interest in Dalian Automobile Terminal Co., Ltd., the Group launched its business for the provision of automobile terminal and related logistics services. The operation of the automobile terminal commenced in the second half of 2006, and the Group handled a total of 27,026 vehicles and 2,394 pieces of other cargoes in 2007.

CHAIRMAN'S STATEMENT

Dalian is one of the four ports approved by the Chinese government for importing automobiles by sea. Dalian's hinterland, northeastern China, is a major base of automobile industry. In 2007, the Group's automobile terminal throughput represented 68% of the total volume of automobile roll-roll transportation handled by ports in northeastern China and the Group kept seeking new opportunities of cooperation with strategic business partners in the automobile terminal and logistics business. We believe that the Group's automobile terminal business will have a promising future.

In 2007, due to the positive overall development of the port business in Dalian, the Group achieved satisfactory business growth in terms of port value-added services. In 2007, the revenue for the port value-added services business was RMB252,090,000, a year-on-year increase of 8.3%.

Prospects

In 2008, the Group will continue to aim at its sustainable development and the maximization of its shareholders returns. Through improving the port logistics services and cooperating closely with its strategic partners, the Group will strive to maintain its dominant position in the oil terminal, container terminal and automobile terminal businesses. The Group will also expand the capacity of its port infrastructure, and enhance its port-related services so as to provide customers with efficient and comprehensive services. The Group has been attaching great importance to corporate governance and the continuous improvement on corporate governance will contribute to the Group's operating efficiency and profitability. Additionally, the Group will aggressively launch its business expansion plans and investment projects to sustain profit growth and enable the Group to become a highly competitive international port operator in northeastern Asia.

For our shareholders' support to the Company and our employees dedication to the Group, I would like to thank you on behalf of the Board.

Dalian Port (PDA) Company Limited
Chairman
Sun Hong

30 April 2008

BUSINESS MILESTONES **IN 2007**



MARCH

- The Company acquired the equity interests of four companies owned by Dalian Port Corporation Limited: 40% of Dalian Automobile Terminal Co., Ltd., 50% of Dalian Harbour ECL Logistics Co., Ltd., 50% of Dalian Port Tongli Shipping Agency Co., Ltd., and 20% of Dalian PetroChina International Storage Co., Ltd.
- The Company entered into a Framework Agreement on the Strategic Cooperation in Developing Deep-water Container Terminals at Dayao Bay North Harbour with Dalian Municipal People's Government and Modern Terminals.
- Commencement of construction of Dalian Dayao Bay bonded port area.

APRIL

- Announcement of annual results for 2006.

JUNE

- Dalian Dayao Bay bonded port area was approved for operations.
- 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. It completed at the end of June.

AUGUST

- The Company entered into a Framework Agreement with Odfjell SE and Administrative Committee of CFDIZ for the proposed development and operation of chemical products terminals to be located at Caofeidian Industrial Zone, Tangshan City, Hebei Province, the People's Republic of China.
- The Company entered into a Letter of Intent with PetroChina International Dalian Co., Ltd. for the proposed establishment of a joint venture to develop, construct and operate oil terminals with a designed berthing capacity of 300,000 tonnes of crude oil at Xingang in Dalian.
- Announcement of interim results for 2007.

BUSINESS MILESTONES IN 2007

OCTOBER

- Dalian International Container Terminal Co., Ltd. established, and it will operate Dayao Bay phase III container terminals.
- The Company entered into an Assets Acquisition Agreement with Dalian Port Container Terminal Co., Ltd. (DPCM). The Company will transfer No.13 and No.14 container berths at Dayao Bay to DPCM.
- Dalian Port Container Co., Ltd., a subsidiary of the Company, with Qinhuangdao Port Group Co., Ltd. and China Shipping Terminal Development Company Limited, established a Joint Venture to operate container terminals in Qinhuangdao, Hebei Province, the People's Republic of China.
- A new fully reversible tugboat was delivered and put into operation.

NOVEMBER

- 6 crude oil tanks (with a capacity of 600,000 cubic meters) owned by Dalian PetroChina International Storage Co., Ltd. were put into operation and they were commissioned as bonded tanks.
- The Company acquired 30% of equity interests in Taicang Xinggang Tugboat Co., Ltd.
- Another new fully reversible tugboat was delivered and put into operation, enhancing the Company's tugging capacity.

DECEMBER

- Commencement of construction of Dalian Railway Container Logistics Centre. Its total investment is approximately RMB700 million and it is expected to be put into operation in 2009.

MANAGEMENT DISCUSSION **AND ANALYSIS**

MANAGEMENT DISCUSSION AND ANALYSIS

Summary

In 2007, the Chinese economy continued to experience strong growth, and China's GDP and foreign trade value increased by 11.4% and 23.5%, respectively. The economies of Heilongjiang Province, Jilin Province and Liaoning Province (collectively, the "Three Northeastern Provinces") also experienced strong growth in 2007. The year-on-year increase in GDP of the provinces of Heilongjiang, Jilin and Liaoning were 12.1%, 16.1% and 14.5%, respectively, with increases in foreign trade value of 34.5%, 30.1% and 22.9%, respectively. The growth rate of the foreign trade value of the Three Northeastern Provinces was 25.9% which exceeded that of China as a whole in 2007.

At the end of March 2007, the Company started to offer automobile terminal and related logistics services. Capitalising on China's strong economic environment, especially driven by the economic development in the Three Northeastern Provinces, the Group experienced strong results in its core business, including the terminal and logistics services for oil and liquefied chemicals ("Oil Segment"), the terminal and logistics services for containers ("Container Segment"), the automobile terminal and logistics services ("Automobile Terminal Segment") and the port value-added services ("Value-added Services Segment").

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

In its preparation of the consolidated financial statements for the year ended 31 December 2007 in accordance with International Financial Reporting Standards, the Group changed its policy of accounting 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 method for jointly controlled entities have been quantified in Note 2 of the Notes to the consolidated financial statements for the year ended 31 December 2007. This change of accounting policy does not change the Group's financial results for the year ended 31 December 2007.

The comparative figures for the year ended 31 December 2006 have been restated in the Company's consolidated financial statements for the year ended 31 December 2007. This management discussion and analysis will be based on the restated accounting figures of the year of 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall analysis of results

In 2007, the Company's profit attributable to equity holders amounted to RMB611,368,000, representing a decrease of 3.2% from RMB631,567,000 in 2006. 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 of 2006, the Company's profit attributable to equity holders in 2007 would have increased by 16.9% over 2006.

In 2007, the Group's profit before tax was RMB749,516,000, representing an increase of 9.3% from RMB685,444,000 in 2006. Should the effect of the interest income described above be excluded, the Group's profit before tax would increase by 30.0% over 2006.

In 2007, the Company's basic earnings per share was RMB0.21, representing a decrease of 12.5% from RMB0.24 in 2006, but an increase of 5.0% from RMB0.20 in 2006 if the effect of the interest income described above were excluded.

In 2007, the Group's revenue amounted to RMB1,570,136,000, representing an increase of 35.4% from RMB1,160,013,000 in 2006. The revenue increase was mainly attributable to the increase of rental income from crude oil storage tanks and container berths, the growth of the tugging business, the increase in the sales of land use rights, as well as the increase in freight and charter income from container vessels.

In 2007, the Group's cost of services amounted to RMB873,280,000 which increased by 51.8% from RMB575,455,000 in 2006. The increase in cost of services in the current year was mainly due to the recognition of increased cost of land use rights to match the sales of land use rights, higher depreciation charges caused by the additions of new vessels and oil tanks, as well as the increase in staff and fuel costs mainly due to business growth.

In 2007, the Group's gross profit reached RMB696,856,000, representing an increase of 19.2% from RMB584,558,000 in 2006. The decrease of a gross margin of 44.4% in 2007 from 50.4% in 2006 was mainly caused by the low gross margin of the sales of land use rights and oil products in 2007. However, the gross margin of the business of oil handling and oil storage maintained a high level and the gross margin of container berths leasing and tugging business increased over that of 2006.

In 2007, the Group's other income was RMB56,867,000, representing a decrease of 64.9% from RMB162,148,000 in 2006 mainly because of the above-mentioned non-recurring interest income from the Global Offering recognized in 2006.

In 2007, the Group's income tax expense amounted to RMB119,134,000 which increased by 195.7% from RMB40,282,000 in 2006. The Group's income tax expense in the current year increased substantially because the Company was fully exempted from PRC income tax in 2006 but entitled to a 50% exemption from PRC income tax in 2007.

Assets and liabilities

As of 31 December 2007, the Group s total assets and net assets reached RMB9,524,699,000 and RMB5,936,877,000, respectively, and its net asset value per share was RMB2.03, representing an increase of 7.4% over that as of 31 December 2006.

As of 31 December 2007, the Group's total liabilities amounted to RMB3,587,822,000 of which total outstanding bank loans accounted for RMB2,227,960,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial resources and liquidity

The Group maintained stable and strong cash inflows from its operations in 2007 during which the Group generated net cash of RMB833,785,000 from its operating activities.

As of 31 December 2007, the Group had a balance of cash and cash equivalents of RMB532,154,000 which represented a decrease of RMB880,480,000 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 and the payment of capital expenditure in the current year.

As of 31 December 2007, the Group's unutilized banking facilities amounted to RMB2,690,000,000.

In 2007, the Group raised new bank loans of RMB970,504,000 and repaid bank loans of RMB1,150,885,000. As of 31 December 2007, the Group had bank borrowings of RMB2,227,960,000 of which RMB1,529,900,000 was due after one year, and RMB 698,060,000 was due within one year. Gearing, as measured by net debts to equity, was 28.6% as at 31 December 2007 (18.0% as at 31 December 2006).

As of 31 December 2007, the Group had net current assets of RMB894,623,000, representing a decrease of RMB63,159,000 as that compared to 31 December 2006. The Group's current ratio was 1.7 times as at 31 December 2007 (1.8 times as at 31 December 2006).

During 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 recognized in the balance sheet at its fair value as of 31 December 2007.

During 2007, the Group was not considered to have significant exposure to fluctuations in exchange rates and did not enter into any foreign exchange hedging contracts.

Use of proceeds from the Global Offering

Net proceeds of the Global Offering of 966 million H share obtained by the Group in 2006 amounted to approximately RMB2,385,343,000. As at 31 December 2007, the Group had utilized approximately RMB2,011,483,000 of the net proceeds, and the unused balance was RMB373,860,000.

There has been no change in the proposed use of proceeds from the H share Global Offering as stated in the Company's prospectus dated 18 April 2006. As at 31 December 2007, the details of the use of proceeds were as follows:

Projects	Proceeds from IPO	Use of proceeds as of 31 December 2007	Balance	Finished assets
Construction of four new container berths at Dayao Bay	400,000,000	309,140,000	90,860,000	two container berths
Construction of twelve crude oil storage tanks in Xingang	680,000,000	423,000,000	257,000,000	six crude oil storage tanks
Purchase of eight tugboats	270,000,000	244,000,000	26,000,000	6 tugboats
Repayment of a long-term bank loan	850,000,000	850,000,000	0	
General working capital	185,343,000	185,343,000	0	
Total	2,385,343,000	2,011,483,000	373,860,000	

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

Capital expenditure

In 2007, the Group's capital expenditure amounted to RMB914,564,000 which was mainly funded by the proceeds of the Global Offering of H share, surplus operating funds, bank borrowings, and government grants.

BUSINESS REVIEW

BUSINESS REVIEW

The performance analysis of each business segment in 2007 is as follows.

Oil Segment

The following table sets out the oil/liquefied chemicals throughput handled by the Group in 2007 and its comparative results in 2006:

	2007 ('000 tonnes)	2006 ('000 tonnes)	Increase/ (Decrease)
Crude Oil	**22,882**	20,890	9.5%
Refined Oil	**10,345**	10,968	(5.7%)
Liquefied Chemicals	**1,175**	879	33.7%
Total	**34,402**	32,737	5.1%

In 2007, in terms of oil/liquefied chemicals throughput, the Group handled a total of 34.402 million tonnes, an increase of 5.1% over 2006.

The Group s crude oil throughput was 22.882 million tonnes in 2007, an increase of 9.5% over 2006. One of the Group's major customers, Dalian West Pacific Petro-chemical Co., Ltd. ("WEPEC"), ceased production for one and a half months in 2007 owing to its equipment overhaul and the amount of WEPEC's imported crude oil remained at the same level of 2006. In spite of this factor, the Group achieved an increase in crude oil throughput by 9.5% through greater marketing efforts in 2007.

The Group's refined oil throughput amounted to 10.345 million tonnes in 2007, a year-on-year decrease of 5.7%. One of the main reasons for the decrease was WEPEC's decrease in refined oil throughput caused by its suspension of production. The other main reason was the increased consumption of refined oil in the hinterland of northeastern China, which caused a decrease in the volume of refined oil throughput.

Liquefied chemicals throughput maintained steady growth. The Group handled a total of 1.175 million tonnes in 2007, an increase of 33.7% over 2006. As the northeastern China's economy develops steadily, the production and demand for liquefied chemicals increased continuously in the region. This has led to a steady growth of the Group's throughput of liquefied chemicals.

BUSINESS REVIEW

In 2007, the volume of the Group's imported crude oil accounted for 100% (97% in 2006) of the total amount of crude oil imported in Dalian and 97% (81% in 2006) of the total amount of crude oil imported in the Three Northeastern Provinces. The Group's total oil/liquefied chemicals throughput accounted for 72% (78% in 2006) of the total oil throughput handled in Dalian and 54% (57% in 2006) of the total oil throughput handled by ports in the Three Northeastern Provinces. In 2007, the Group's throughput level of oil products ranked second among the ports in China, up one place from 2006.

In 2007, the revenue from the oil segment amounted to RMB673,707,000 representing an increase of RMB111,524,000 and by 19.8% as compared with that in 2006. This increase of revenue was mainly driven by a growth in the rental income of new crude oil storage tanks, an increase of oil throughput, and increased sales of oil products.

In 2007, the revenue from the oil segment accounted for 42.9% (48.5% in 2006) of the Group's total revenue.

In 2007, the gross profit from oil services amounted to RMB397,457,000 which increased by 18.7% from RMB334,960,000 in 2006, accounted for 57.0% (57.3% in 2006) of the Group's total gross profit, and represented a gross margin of 59.0% (59.6% in 2006).

In 2007, the Group's major measures and core projects undertaken were as follows:

- Since the end of year 2006, the Group's twelve crude oil storage tanks (with a capacity of 1,200,000 cubic meters) have been commissioned as bonded crude oil storage tanks. In 2007, the Group commenced the international transshipment business for bonded crude oil and handled a total of 1,206,000 tonnes of transshipment of bonded crude oil, of which 406,000 tonnes was for international transshipment.

- The six crude oil tanks (with a capacity of 600,000 cubic meters) owned by Dalian PetroChina International Storage Co., Ltd. (20%-owned by the Company) were put into operations in November and were commissioned as bonded tanks..

- The addition of new crude oil storage tanks which were put into operations at the end of 2006, together with increased storage tariff, contributed to the Group's strong growth in oil storage business.

- On 14 August, the Company entered into a Framework Agreement with Odfjell SE and Administrative Committee of CFDIZ for the proposed development and operation of new chemical products terminals to be located at Caofeidian Industrial Zone, Tangshan City, Hebei Province.

- On 24 August, the Company entered into a Letter of Intent with PetroChina International Dalian Co., Ltd. for the proposed establishment of a joint venture to develop, construct and operate new oil terminals with a designed berthing capacity of 300,000 tonnes for crude oil at Xingang in Dalian.

BUSINESS REVIEW

Container Segment

The following table sets out the container throughput handled by the Group in 2007 and its comparison with 2006:

		2007 ('000TEUs)	2006 ('000TEUs)	Increase/ (Decrease)
Foreign Trade Throughput	Dalian	**3,328**	2,818	18.1%
	Other ports (note 1)	**9**	11	(18.2%)
	Sub-total	**3,337**	2,829	18.0%
Domestic Trade Throughput	Dalian	**396**	328	20.7%
	Other ports (note 1)	**442**	300	47.3%
	Sub-total	**838**	628	33.4%
Total Throughput	Dalian	**3,724**	3,146	18.4%
	Other ports (note 1)	**451**	311	45.0%
	Total	**4,175**	3,457	20.8%

Note 1: Throughput at other ports indicates the throughput of Jinzhou New Age Container Terminal Co., Ltd. (15%-owned by the Company).

In 2007, in terms of container throughput, the Group handled a total of 4.2 million TEUs, an increase of 20.8% over 2006. The container throughput for foreign trade was 3.3 million TEUs, an increase of 18% and the container throughput for domestic trade was 0.84 million TEUs, an increase of 33.4%. The increase in the Group's container throughput in 2007 was mainly driven by the economic development in the hinterland.

In 2007, the Group's container throughput accounted for 98% (98% in 2006) of the total volume handled in Dalian and 72% (74% in 2006) of that handled by ports in the Three Northeastern Provinces. The Group's container throughput for foreign trade accounted for 100% (100% in 2006) of Dalian's total volume for foreign trade and 94% (94% in 2006) of that of the Three Northeastern Provinces.

In 2007, the revenue from the container segment amounted to RMB644,339,000 representing an increase of RMB279,360,000 and by 76.5% as compared with that in 2006. This increase was mainly driven by the increase in the sales of land use rights, increase of rental income from container berths, as well as the increase in freight and charter income from container vessels.

In 2007, the revenue from the container segment accounted for 41.0% (31.5% in 2006) of the Group s total revenue.

In 2007, the gross profit from the container segment amounted to RMB163,807,000 which increased by 13.7% from RMB144,106,000 in 2006, accounted for 23.5% (24.7% in 2006) of the Groups total gross profit and represented a gross margin of 25.4% (39.5% in 2006). This decrease in gross margin was mainly caused by the low gross margin in the sales of land use rights, but the gross margin of the business of container berths leasing and vessels chartering increased over that of 2006.

BUSINESS REVIEW

In 2007, the progress of major measures and the core projects related to the Group were as follows:

- The Group continuously enhanced the construction of multi-modal transportation system for container transportation. The Group's volume of sea-to-rail intermodal transportation reached 180,000 TEUs, an increase of 13.4% over 2006 and that of transshipment containers was 299,000 TEUs, an increase of 21.3% over 2006.

- On 12 October, the Company entered into an Assets Acquisition Agreement with Dalian Port Container Terminal Co., Ltd. ("DPCM", 35%-owned by the Company). The Company will transfer No. 13 and No. 14 container berths at Dayao Bay to DPCM. Currently the transaction is under review by the National Development and Reform Commission of the PRC.

- The construction for Dalian Dayao Bay bonded port area started in March and it was approved for operations on 28 June 2007.

- On 19 March, the Company entered into a Framework Agreement on the Strategic Cooperation in Developing Deep-water Container Terminals at Dayao Bay North Harbour with Dalian Municipal People's Government and Modern Terminals Limited.

- On 17 October, Dalian International Container Terminal Co., Ltd. was established, and it will operate Dayao Bay phase III container terminal.

- On 30 October, Dalian Port Container Co., Ltd., a subsidiary of the Company, with Qinhuangdao Port Group Co., Ltd. and China Shipping Terminal Development Company Limited, established a joint venture to operate container terminals in Qinhuangdao, Hebei Province, the People's Republic of China.

- On 29 December, construction commenced for Dalian Railway Container Logistics Centre with a total investment of approximately RMB700 million. It is expected to commence operations in 2009. The site of Harbin Railway Container Logistics Centre Station has been selected and the construction will commence in 2008.

Automobile Terminal Segment

In March 2007, the Company acquired from Dalian Port Corporation Limited a 40% equity interests in Dalian Automobile Terminal Co., Ltd.. The Group launched its business for the provision of automobile terminal and related logistics services through the acquisition. The operation of the automobile terminal commenced in the second half of 2006, and in 2007 the Group handled a total of 27,026 vehicles and 2,394 pieces of other cargoes.

In recent years, China's automobile industry has witnessed fast growth. In 2007, China's car sales volume increased by 22% over 2006 and represented 12% of the world's total. Transportation of automobiles by sea has increased steadily. Dalian is one of the four ports approved by the Chinese government for the import of automobiles. Dalian's hinterland, northeastern China, is a major base for the automobile industry. In 2007, the Group's automobile terminal throughput represented 68% of the total volume of the automobiles roll-on, roll-off transportation handled by ports in the northeastern China. Supported by the automobile industry base in the northeastern China, the Group's automobile terminal business is expected to grow steadily.

The newly acquired companies incurred losses in 2007 since they were in their initial stage of operation. In 2007, the Group's share of loss amounted to RMB2,709,000.

BUSINESS REVIEW

In 2007, the Group took the following major measures:

- In February, Dalian Port Corporation Limited signed a strategic co-operation agreement with the People's Government of Dalian Free Trade Zone and Hua Chen Automobile Group Holdings Co., Ltd.(Hua Chen Group). According to the agreement, Hua Chen Group would use Dalian automobile terminal as its car logistics centre for both international use and domestic trade. In 2007, 1,611 vehicles manufactured by the Hua Chen Group were exported via Dalian automobile terminal.

- In 2007, the Group obtained an approval from Liaoning Entry-Exit Inspection and Quarantine Bureau for constructing inspection booths within the terminal. This will help improve the terminal's service functions and enable the inspection of imported vehicles within the terminal, thereby increasing the terminal throughput.

- Hafei Automobile Group continued to use Dalian automobile terminal as its principal base for car export. In 2007, Hafei Automobile Group exported 2,852 vehicles via Dalian automobile terminal in a single shipment, which established a loading record in China for the export of cars in terms of a single shipment and a single voyage.

- With the Group's efforts, Shanghai Ansheng Automotive Shipping Co., Ltd., controlled by Shanghai Automotive Industry Corporation (Group), agreed to use Dalian as one of its major calling ports. In 2007, the Group handled 45% of Shanghai Volkswagen's cars which were shipped to northeastern China. The market share increased nearly 4 times as compared with the previous year.

- In December, the Group managed to store 2,860 vehicles in its automobile terminal. These vehicles were produced by Shanghai GM Dong Yue Motors Company Limited for export to Chile. The first batch of cars were exported in the end of 2007. This was the first time that cars produced in China were transshipped via a domestic port for export.

Value-added Services Segment

In 2007, due to the overall development of the port business in Dalian, the Group achieved satisfactory business growth in terms of port value-added services which are closely linked with the overall business level in Dalian port.

Tugging

- The aggregate number of tugging hours of the Group was 55,015, an increase of 9.7% over 2006. In 2007, the growth in the tugging business was driven by the growth of throughput of Dalian port and the business expansion of peripheral shipyards outside Dalian port.

- In November 2007, the Company acquired a 30% equity interest in Taicang Xinggang Tugboat Co., Ltd. Through the equity investment, together with the long-term tugboat leasing, the Group expects to further expand its tugging business in Suzhou port.

- 2 new fully reversible tugboats were delivered and put into operations in 2007. By the end of 2007, the Group owned 30 fully reversible tugboats.

Pilotage

- In 2007, the number of vessels which the pilotage station served was 14,673, an increase of 10.9% over 2006. The net tonnage of pilotage was 142 million tonnes, an increase of 20% over 2006.

Tallying

- In 2007, the total tallying throughput handled by the Group was 30.64 million tonnes, an increase of 16% over 2006.

BUSINESS REVIEW

In 2007, the revenue from port value-added services amounted to RMB252,090,000 which represented an increase of RMB19,239,000 and by 8.3% as compared with that in 2006. This revenue increase was mainly caused by the growth of tugging business. The growth of tugging business was mainly attributable to the throughput growth of Dalian port as a whole, the increased demand for tugging services by the shipyards near Dalian, as well as the increase in the number of tugboats on long-term lease for operation in other ports.

In 2007, the revenue from port value-added services accounted for 16.1% (20.1% in 2006) of the Group's total revenue.

In 2007, the gross profit from port value-added services amounted to RMB135,592,000 which increased by 28.5% from RMB105,492,000 in 2006, accounted for 19.5% (18.0% in 2006) of the Group's total gross profit and represented a gross margin of 53.8% (45.3% in 2006). This improvement in gross margin was mainly driven by the increased fees in long-term lease of tugboats.

Prospects for 2008

The beginning of 2008 has seen uncertainty in the global economy. The effects of the recent slowdown of the U.S. economy and the soaring price of international crude oil on China's port business have yet to unfold. Against this backdrop, "China's GDP is forecast to grow by 10% in 2008" according to "China Economic Forecast and Outlook for 2008" reported by the Center for Forecasting Science of Chinese Academy of Sciences. Furthermore, the total value of China's import and export trade in 2008 is expected to increase by 26%. Driven by its hinterland's strong economic growth, the Group expects to continue to prosper in each of its business segments.

In 2008, in terms of oil/liquefied chemicals terminal and related logistics services, the Group expects to capture the opportunities of the operations of new oil tanks and the operation of Dalian's strategic oil reserve base to increase its throughput. In addition, the Group will continue to promote bonded crude oil international transshipment and oil storage business. In terms of container terminal and related logistics services, the Group will consolidate its internal business and management resources, enlarge its market share of containers for domestic trade while maintaining the dominant market share of containers for international trade, enhance the construction of multi-modal transportation system for containers, and increase investments in ports outside Dalian.

Oil Segment

- In the first half of 2008, the Company will transfer to PetroChina Company Limited ("PetroChina") a piece of land comprising more than 300,000 square metres for the construction of commercial crude oil storage tanks. The new storage tanks are expected to be put into operations in 2009. The operations of the commercial crude oil storage tanks will increase the Group's throughput in the future.

- 12 new crude oil storage tanks (with a capacity of 1,200,000 cubic meters) will be put into operations in the second half of 2008.

- The Group will take the advantage of the bonded crude oil storage tanks and provide value-added services to its customers so as to increase transshipment volume.

- The Group will promote the cooperation with PetroChina International Dalian Co., Ltd. to construct the new 300,000 dwt crude oil terminal. The joint venture with PetroChina International Dalian Co., Ltd. is expected to be established in 2008. The project for the new 300,000 dwt crude oil terminal is currently under review by the National Development and Reform Commission of the PRC ("NDRC"). If approval is granted by NDRC, the new terminal will commence trial operation by the end of 2009.

BUSINESS REVIEW

- The Group will proceed with the Caofeidian liquefied chemicals project together with its partners.

- The 12 crude oil tanks (with a capacity of 1,200,000 cubic meters) for the national strategic oil reserve located at Xingang are ready for storing oil. The other 18 crude oil tanks (with a capacity of 1,800,000 cubic meters) are expected to be ready for oil storage by the end of 2008.

Container Segment

- The first 2 berths of Dalian International Container Terminal Co., Ltd. will be put into trial operation in the middle of 2008, adding 1,200,000 TEUs to the Group's container capacity. At the same time, the Group will continue the development of the container terminals along the northern bank of Dayao Bay.

- The Group will construct Dalian Railway Container Logistics Centre as planned and undertake to commence the construction of Harbin Railway Container Logistics Centre in 2008.

- In January 2008, the Group acquired a 60% equity interest owned by Dalian Container Terminal Co., Ltd. in DCT Logistics Co., Ltd. ("DCTL"). DCTL's equity interest owned by the Group increased to 65%. In March 2008, the Group acquired a 35% equity interest owned by Pacific Logistics CN-NET Limited in Dalian Portnet Co., Ltd. ("DPN"). DPN's equity interest owned by the Group increased to 71.34%. The Group rationalized its management structure of container logistics business through the above equity acquisitions. The Group was able to enhance its competitive advantages in container logistics services market in Dalian and the hinterland of northeastern China.

- The Group plans to take the advantage of the preferential policies in Dalian Dayao Bay bonded port area so as to expand container transshipment business.

- The Group will endeavor to increase the container throughput for domestic trade so as to enlarge its market share of containers for domestic trade.

Automobile Terminal Segment

- Facing the shortage of shipping capacity, the Group will co-operate with related logistics enterprises and shipping lines to participate in the roll-on, roll-off transportation for cars. In addition, the Group will seek to optimize the plan for sea transportation between Northern China and Southern China by replying on the hinterland's car producers.

- The Group will complete the construction of automobile inspection booths within its automobile terminal area in the first half of 2008 so as to carry out automobile inspections within the terminal.

- The Group will monitor closely the export data of car producers in the hinterland in order for direct export of cars produced in the hinterland to be shipped via Dalian port.

- The Group will enhance the communication with logistics enterprises and traders in relation to the transportation of Japanese second-hand cars via Dalian automobile terminal. At the same time, the Group will expand such transportation for new cars.

- The Group will monitor closely the export trend of Japanese and Korean-manufactured cars so as to expand the international transshipment business for them by taking advantage of the Group's storage capacity and co-operating with shipping lines.

BUSINESS REVIEW

Value-added Services Segment

- Two new fully reversible tugboats were delivered in February 2008. The Company currently owns 32 fully reversible tugboats. In 2008, the Group's will place order for the construction of 8 more tugboats to meet the needs of future business development.

- The Group will continue to conduct market study on ports outside Dalian. The Group will leverage advantages offered by its tugboat fleet to further develop tugboat leasing business or JV investment for tugging business outside Dalian.

- Relying on the overall stable development of port business in Dalian, the Group will enhance business opportunities for pilotage, tallying and IT service.

Others

Human Resources

In 2007, the Group enhanced "human resource management" based on its development strategies. Taking human resource oriented as a key management concept, the Group has built a platform for the management and development of its employees and created career opportunities to support the efficient integration of the Group's goals and employees' self development plans.

As at 31 December 2007, the Group had a total of 2,018 full-time employees. The Group undertakes the review of its employee remuneration policy annually with reference to supply and demand of the human resources market in Dalian, increase of regional consumer index, and the Group's financial performance and staff annual appraisal results to enhance the Group's competitiveness in employee remuneration.

Investor Relations

The Company pays particular attention to good communications with its shareholders and the capital market so that the investors have a good understanding of the Company s operations and strategies for future development, which will enhance the investors understanding and recognition of the Company.

Following the result announcement for financial year 2006 and 2007 interim results, our management organized roadshows presentations in Hong Kong. After the Hong Kong roadshow, the management also conducted roadshows in the U.S., Europe and Japan to brief the Company's business progress to the investors. In 2007, the management participated in 5 investment conferences held by different investment banks. Besides these marketing activities, we met with investors, who visited the Company, to provide a better understanding of the Company. Through all these activities, the Company is able to maintain effective communications with the investors.

Environmental Protection and Safety Initiatives

The Group attaches great importance on environmental protection and safety management and abides by the relevant PRC laws and regulations. The Group is committed to supporting environmental protection and safety initiatives in its operations to fulfill its corporate social responsibility in daily operations. While developing and constructing the terminal facilities, the Group engaged professionals to conduct the environmental studies to ensure that the Group's future development of the port business would not produce any negative effects to the environment. The Group has so far achieved considerable success in implementing environmental protection and safety measures.

REPORT OF THE DIRECTORS

The board of directors (the "Board") hereby present its report and the audited financial statements of the Group ("financial statements") for the year ended 31 December 2007.

Principal activities and geographical analysis of operations

During the year, through the acquisition and other relevant project, the Group launched its business for the provision of automobile terminal and related logistics services.

At the date of this report, the Group is principally engaged in four business segments: (i) the provision of oil/liquefied chemicals terminal and logistics services; (ii) the provision of container terminal and logistics services; (iii) automobile terminal and logistics services; and (iv) the provision of port value-added services.

The principal activities of its subsidiaries are set out in note 48-50 to the financial statements.

Details of the analysis of the Group's operating results by business segments for the year are set out in note 10 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement of the financial statements.

The Board now recommends the payment of a final dividend of RMB0.08 per share for the year, aggregating to approximately RMB234,080,000, to shareholders whose names appear on the registers of members of the Company on 23 May 2008.

Pursuant to the provisions of the Articles of Association (the "Articles") of the Company, the annual profit appropriation plan of the Company is subject to approval of an annual general meeting for 2007. Accordingly, the aforesaid profit appropriation proposal will be implemented subsequent to approval of the Company's annual general meeting.

Financial highlights for the past five financial years

Financial highlights of the Group's results and assets and liabilities for the past five financial years are set out in the section headed "Financial highlights for the past five financial years" of this annual report.

Reserves

Details of the movements in the reserves of the Group during the year are set out in consolidated statement of changes in equity to the financial statements.

Distributable reserves

As at 31 December 2007, the Company's reserves available for distribution were RMB2,850,425,000, which was the lower of the two amounts calculated in accordance with the generally accepted accounting principles of the People's Republic of China (the "PRC GAAP") and the International Accounting Standards.

Bank loans and other borrowings

As at 31 December 2007, the total amount of outstanding bank loans of the Group was RMB2,227,960,000. Details of the relevant loans are set out in note 37 to the financial statements.

Capitalisation of interest

As at 31 December 2007, the total amount of interest capitalised of the Group was approximately RMB65,299,000.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

Investment properties

Details of the properties held for investment purpose of the Group during the year are set out in note 20 to the financial statements.

Share capital

The share capital structure of the Company as at 31 December 2007 are set out in the table below:

Class of shares	Number of shares	Percentage (%)
Domestic Shares	1,863,400,000	63.68
H Shares	1,062,600,000	36.32
Total	2,926,000,000	100

Details of the movements in share capital of the Company during the year are set out in note 40 to the financial statements.

Pre-emption rights

There are no provisions for pre-emption under the Articles of Association of the Company, nor the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, redemption or sale of shares

During the year, none of the Company and any of its subsidiaries purchased, redeemed or sold any listed securities (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the "Listing Rules")) of the Company.

REPORT OF THE DIRECTORS

Directors and supervisors

The directors and supervisors of the Company in office up to the date of this report are:

Executive directors

Mr. Sun Hong (Chairman)	(appointed on 9 November 2005)
Mr. Zhang Fengge	(appointed on 9 November 2005, and re-designated from a Non-executive Director to an Executive Director on 13 April 2007)
Mr. Jiang Luning	(appointed on 9 November 2005)
Ms. Su Chunhua	(appointed on 9 November 2005)

Non-executive directors

Mr. Lu Jianmin	(appointed on 9 November 2005)

Independent non-executive directors

Mr. Yang Zan	(appointed on 9 November 2005)
Mr. Zhang Xianzhi	(appointed on 9 November 2005)
Mr. Ng Ming Wah, Charles	(appointed on 9 November 2005)

Supervisors

Mr. Fu Bin	(appointed on 9 November 2005)
Mr. Zhang Guofeng	(appointed on 9 November 2005)
Mr. Diao Chengbao	(appointed on 9 November 2005)
Ms. Fu Rong	(appointed on 9 November 2005)
Ms. Xu Jinrong	(appointed on 9 November 2005)
Ms. Gui Yuchan	(appointed on 8 February 2006)

Pursuant to the Articles of Association of the Company, the directors and supervisors of the Company are appointed for a term of no more than three years.

The Company has received, from each of the independent non-executive directors, Mr. Yang Zan, Mr. Zhang Xianzhi and Mr. Ng Ming Wah, Charles, an annual confirmation of his independence. The Company considers all of the independent non-executive directors are independent of the Company.

Directors' and supervisors' service contracts

During the reporting period, each of the directors and supervisors of the Company has entered into a service contract with the Company for a term of not more than three years, which can be terminated by either party by giving a prior written notice of three months to the other party.

Save as disclosed above, the Company did not enter into a service contract with any director or supervisor, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS

Directors' and supervisors' interests in contracts

Save for the service contract, no contract of significance to the Group in which the Company or its subsidiaries, its holding company or its subsidiaries was a party and in which a director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Profiles of directors, supervisors and senior management

Profiles of the directors, supervisors and senior management of the Company are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this annual report.

Interests and short positions in shares, underlying shares and debentures of the Company

As at 31 December 2007, none of the directors, supervisors, senior management and their associates had any interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")); or as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' and supervisors' rights to acquire shares and debentures

At no time during the year did the Company and its subsidiaries or its holding company and its subsidiaries grant any rights, was a party to any arrangement which would enable the directors and supervisors of the Company to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate nor has exercised any such rights.

Directors' interests in competing businesses

None of the directors of the Company had any interest in any business which competes or may compete, whether directly or indirectly with the business of the Company and the Group. At the same time, the Company has received the undertakings and confirmations of the directors that they do not have any interest in any business that may compete with the Company.

Directors' and supervisors' remuneration

The remuneration of directors and supervisors of the Company are determined in accordance with their duties and responsibilities, subject to the approval of general meeting.

Details of the directors' and supervisors' remuneration are set out in note 15 to the financial statements.

Five highest paid individuals

For the year ended 31 December 2007, information in respect of the five highest paid individuals of the Group is set out in note 15 to the financial statements.

REPORT OF THE DIRECTORS

Management contracts

The Company did not enter into any contract in respect of the management and administration of the entire or any significant part of the business of the Company or any such contract subsisting at any time during the year.

Connected transactions

During the year, the Group entered into the following transactions and arrangements with connected persons as defined in the Listing Rules:

Non-exempt connected transactions under Listing Rule 14A.31

A. On 9 January 2007, Dalian Port Container Co., Ltd. (note 1) ("DPC") and Dalian Port Corporation Limited (note 2) (PDA) entered into the Second Phase Assets Transfer Agreement. The cash consideration of the transaction was RMB49,032,000. As described in the announcement by the Company in August, DPC intended to sell, and PDA intended to purchase, certain fixed assets located in the Dagang area of Dalian City in two phases, including terminals, stock yards, buildings, railways and light tower (the "Assets"). The total cash consideration of the two phases of the transaction was RMB60,397,000. The first phase transfer of the Assets was completed in August 2006. The second phase transfer of the Assets was completed in January 2007.

The consideration under the Asset Transfer Agreement was determined with reference to the net asset value of the Assets evaluated by an independent PRC qualified valuer.

Prior to this transaction, the Assets were owned by DPC and leased to Dalian Dagang China Shipping Container Terminal Co., Ltd. ("DDCT") for its domestic trade container terminal operations, and the Assets were located on the land the use rights of which belong to PDA.

As DDCT's operations have been relocated to Dayao Bay area of Dalian City, and PDA has undertaken not to carry on any container terminal operation under a non-competition agreement. As such, the transfer of the Assets carried out on normal commercial terms was in the best interests of the Company and its shareholders as a whole.

B. On 30 March 2007, the Company and PDA entered into an agreement under which the Company should acquire the 40% equity interest of Dalian Automobile Terminal Co., Ltd. ("DLAT") owned by PDA. The cash consideration of the transaction was RMB88,504,000.

The consideration under the agreement was arrived at after arm's length negotiations with reference to the net asset value of DLAT appraised by an independent PRC qualified valuer.

In light of the growth of the PRC automobile industry in recent years and the economic growth in the Northeastern China stimulated by the State initiative to revitalize the region, the automobile industry in the PRC would experience further growth and the central position of the automobile terminals of DLAT would make it an important hub for the import and export of vehicles and vehicles related goods and an important vehicle distribution centre in Northeastern China. Through the acquisition of the DLAT at its start-up stage, the Group would be able to fully capitalise on DLAT's future growth potential.

REPORT OF THE DIRECTORS

C. On 30 March 2007, the Company and PDA entered into an agreement under which the Company should acquire the 50% equity interest of Dalian Harbour ECL Logistics Co., Ltd. ("HECL") owned by PDA. The cash consideration of the transaction was RMB 4,277,000.

The consideration under the agreement was arrived at after arm's length negotiations with reference to the net asset value of HECL appraised by an independent PRC qualified valuer.

HECL's operation is closely related to the operation of DLAT. The concurrent acquisition of HECL and DLAT would enable the Group to better utilise the automobile terminal resources and increase the efficiency of their operations.

D. On 30 March 2007, the Company and PDA entered into an agreement under which the Company should acquire the 50% equity interest of Dalian Port Tongli Shipping Agency Co., Ltd. ("Tongli Agency") owned by PDA. The cash consideration of the transaction was RMB1,311,000.

The consideration under the agreement was arrived at after arm's length negotiations with reference to the net asset value of Tongli Agency appraised by an independent PRC qualified valuer.

Tongli Agency is primarily engaged in the provision of agency services for the Company in connection with its oil terminal operations. In the past few years, Tongli Agency has been acting as an agent for and on behalf of the Company to procure oil transportation companies to use the Company's oil terminal facilities. In light of the growth of the Company's oil terminal business and Tongli Agency's continuing agency service to the Company, the acquisition of Tongli Agency would eliminate the Company's connected transactions with PDA in this respect and enable the Company to capitalise on the future growth of Tongli Agency at the same time.

E. On 30 March 2007, the Company and PDA entered into an agreement under which the Company should acquire the 20% equity interest of Dalian PetroChina International Storage Co., Ltd. ("DP Storage") owned by PDA. The cash consideration of the transaction was RMB20,289,000.

The consideration under the agreement was arrived at after arm's length negotiations with reference to the net asset value of DP Storage appraised by an independent PRC qualified valuer.

The Company was granted an option by PDA to acquire its equity interest in DP Storage pursuant to the non-competition agreement dated 23 March 2006 between the Company and PDA. In view of the Company being granted a permit in November 2006 to engage in storage of bonded crude oil, and to avoid competition with PDA in respect of the storage of bonded crude oil, the independent non-executive directors approved the Company's exercise of the option to acquire the equity interest of DP Storage on 8 January 2007.

REPORT OF THE DIRECTORS

F. On 14 September 2007, the Company and PDA entered into an assets transfer agreement pursuant to which PDA agreed to sell, and the Company agreed to purchase, the transferred assets which comprise mainly a fire station located at Xingang in Dalian, fire engines and other fire fighting related equipments. The cash consideration of the transaction was RMB37,846,000.

The consideration under the agreement was determined after arm's length negotiations with reference to the value of the transferred assets appraised by an independent PRC qualified valuer using the replacement cost method.

Following the commencement of operation of newly constructed oil/liquefied chemicals terminals and storage tanks at Xingang and relocation of part of its refined oil and liquefied chemicals terminal business from Siergou to Xingang, the Company's demands for fire fighting services have increased. The acquisition under this agreement would satisfy the Company's safety requirement and reduce connected transactions with PDA.

Non-exempt continuing connected transactions under Listing Rule 14A.33

The following continuing connected transactions which have been entered into between the Group and PDA and/or its relevant associates (collectively referred to as "PDA Group"), have been granted by The Stock Exchange of Hong Kong Limited a waiver under Rule 14A.42(3) of the Listing Rules from strict compliance with the otherwise applicable announcement and/or independent shareholders approval requirements under Chapter 14A of the Listing Rules. The following table sets out a summary of the Group's non-exempt continuing connected transactions in 2007.

	Connected transactions	**Connected Persons**	**Cap for 2007** (RMB'000)	**Actual amount for 2007** (RMB'000)
A	Construction management services	Dalian Port Harbour Construction Superintendence and Consulting Company Limited	17,000	11,618
B	Terminal facilities design and construction services	PDA Group	223,000	155,663
C	Maintenance services	PDA Group	985	158
D	Agency services	Tongli Agency	2,700	0
E	Comprehensive services	PDA Group	29,750	24,468
F	Property leasing	PDA Group	3,040	2,706
G	Purchase of diesel oil	PDA Group	29,350	18,125
H	Boiler management services	Dalian Port Rixing Industrial Company Limited	3,000	2,610
I	Steam and heat supply services	PDA Group	6,500	4,960
Total			315,325	220,308

The proposed total annual cap for the continuing connected transactions, comprising nine types of transactions, entered into between the Group and PDA Group was RMB315,325,000 for the year ended 31 December 2007. The total actual amount of transactions was RMB220,308,000 for the year ended 31 December 2007. The actual amount of these transactions, either individually or on aggregate, did not exceed the caps of the waiver granted by the Stock Exchange of Hong Kong Limited.

REPORT OF THE DIRECTORS

A. Construction management services

On 23 March 2006, Dalian Port Harbour Construction Superintendence and Consulting Company Limited (note 3) ("Superintendence Company") and the Company (for itself and on behalf of its subsidiaries) entered into a construction management services agreement, pursuant to which Superintendence Company would provide the Company and its subsidiaries with construction management and supervision services (including management of project bidding, land requisition and clearance and construction project supervision). The annual cap for 2007 was RMB17,000,000 and the actual amount of transaction was RMB11,618,000 for the year ended 31 December 2007.

The main terms and conditions of the construction management services agreement are as follows:

- The price at which the relevant services are to be provided by Superintendence Company shall be fair and reasonable;

- The terms and conditions on which such services are to be provided by Superintendence Company should be no less favourable to the Company than those offered by independent third parties;

- The pricing principles for the provision of the relevant services shall be the price determined with reference to the relevant pricing policy prescribed by the relevant governmental authority (State price); and where there is no State price, then according to the price at which the same or comparable types of services are provided from independent third parties in the ordinary course of business; and

- The Construction Management Services Agreement will be for a term of three years commencing from 1 January 2006 and ending on 31 December 2008, unless at any time the Company gives at least 3 months prior written notice of termination to the other party.

B. Terminal facilities design and construction services

On 23 March 2006, PDA Group (for itself and on behalf of its relevant associates) and the Company (for itself and on behalf of its subsidiaries) entered into a terminal facilities design and construction services agreement pursuant to which PDA Group and/or its relevant associates will provide the Company and its subsidiaries with terminal facilities design and construction services (including land filling, dredging, caisson pre-casting and construction of electricity facility and other supporting facilities). The annual cap and the actual amount of transaction for the year ended 31 December 2007 were RMB223,000,000 and RMB155,663,000, respectively.

The main terms and conditions of the terminal facilities design and construction services agreement are as follows:

- The price at which the relevant services are to be provided by PDA and/or its relevant associates shall be fair and reasonable;

- The terms and conditions on which such services are to be provided by PDA and/or its relevant associates should be no less favourable to the Company than those offered by independent third parties;

REPORT OF THE DIRECTORS

- The pricing principles for the provision of the relevant services shall be the price determined with reference to the relevant pricing policy prescribed by the relevant governmental authority (State price); where there is no State price, then according to the price at which the same or comparable types of services are provided from independent third parties in the ordinary course of business (market price); and where the project is subject to public bidding, the pricing principle established during the open bidding; and

- The Terminal Facilities Design and Construction Services Agreement will be for a term of three years commencing from 1 January 2006 and ending on 31 December 2008, unless at any time the Company gives at least three months prior written notice of termination to the other party.

C. Maintenance services

On 23 March 2006, PDA Group (for itself and on behalf of its relevant associates) and the Company (for itself and on behalf of its subsidiaries) entered into a maintenance services agreement pursuant to which PDA and/or its relevant associates will provide the Company and its subsidiaries with port maintenance services. The annual cap for 2007 was RMB985,000 and the actual amount of transaction was RMB158,000 for the year ended 31 December 2007.

The main terms and conditions of the maintenance services agreement are as follows:

- The price at which the relevant services are to be provided by PDA and/or its relevant associates shall be fair and reasonable;

- The terms and conditions on which such services are to be provided by PDA and/or its relevant associates should be no less favourable to the Company than those offered by independent third parties;

- The pricing principles for the provision of the relevant services shall be the price determined with reference to the relevant pricing policy prescribed by the relevant governmental authority (State price); and where there is no State price, then according to the price at which the same or comparable types of services are provided from independent third parties in the ordinary course of business (market price); and

- The Maintenance Services Agreement will be for a term of three years commencing from 1 January 2006 and ending on 31 December 2008, unless at any time the Company gives at least three months prior written notice of termination to the other party.

D. Agency services

On 23 March 2006, the Company (for itself and on behalf of its subsidiaries) and Tongli Agency entered into an agency services agreement pursuant to which Tongli Agency would act as the agent for the Company and its subsidiaries to procure oil transportation companies to use the Company's oil terminal facilities. From 1 January 2007 to 29 March 2007, there is no transaction between the two parties.

On 30 March 2007, the Company acquired the 50% equity interest of Tongli Agency owned by PDA. After the acquisition, Tongli Agency has become a jointly controlled entity of the Group and the agency services Tongli Agency renders to the Group are no longer connected transactions.

REPORT OF THE DIRECTORS

E. Comprehensive services

On 23 March 2006, the Company (for itself and on behalf of its subsidiaries) and PDA (for itself and on behalf of its relevant associates) entered into a comprehensive services agreement pursuant to which PDA and/or its relevant associates will provide the Company and its subsidiaries with various comprehensive services, including the provision of utilities and social and ancillary services.

As disclosed in the Company's Prospectus, the original cap granted for the comprehensive services for the year ended 31 December 2007 was RMB24,900,000. With the continuing development of the Group's business and the commissioning of new terminal facilities at Xingang, the Company made an announcement in relation to a revised annual cap of RMB29,750,000 for the year 2007 on 24 August 2007 under Rules 14A.45 to 14A.47 of the Listing Rules. The actual amount of transaction was RMB24,468,000 for the year ended 31 December 2007.

The main terms and conditions of the comprehensive services agreement are as follows:

- The price at which the relevant services are to be provided by PDA and/or its relevant associates shall be fair and reasonable;
- The terms and conditions on which such services are to be provided by PDA and/or its relevant associates should be no less favourable to the Company than those offered by independent third parties;
- The pricing principles for the provision of the relevant services shall be State price; where there is no State price, then according to relevant market price; and where there is no relevant market price, then according to the contracted price; and
- The Comprehensive Services Agreement will be for a term of three years commencing from 1 January 2006 and ending on 31 December 2008, unless at any time the Company gives at least three months prior written notice of termination to the other party.

F. Property Leasing

On 23 March 2006, the Company (for itself and on behalf of its subsidiaries) and PDA (for itself and on behalf of its relevant associates) entered into a property leasing agreement pursuant to which PDA and/or its relevant associates will provide the Company and its subsidiaries with land, premises, buildings and warehouse leasing services. The primary purpose of the property leasing agreement is to facilitate the long-term use of certain land, warehouse and office premises by the Company. The annual cap was RMB3,040,000 for the year ended 31 December 2007.

In order to have flexibility in leasing properties from PDA to accommodate the Company s operation needs, the Company entered into a supplemental leasing agreement with PDA on 24 August 2007. The cap for 2007 in respect of the transaction under the properties leasing agreement remained unchanged. The Company made a related announcement on 24 August 2007. The actual amount of transaction was RMB2,706,000 for the year ended 31 December 2007.

The Properties Leasing Agreement is for a term of three years commencing on 1 January 2006 and ending on 31 December 2008, unless at any time the Company gives at least three months prior written notice of termination to PDA. PDA has agreed to provide a right of extension upon the expiry of the term set out in the Properties Leasing Agreement.

G. Purchase of diesel oil

On 9 January 2007, the Company (for itself and on behalf of its subsidiaries) entered into an agreement for the purchase of diesel oil from PDA Materials Supply Company (note 4) for a term of one year from 1 January 2007 to 31 December 2007. The annual purchase cap for 2007 was RMB29,350,000 and the actual purchase for the year ended 31 December 2007 was RMB18,125,000.

By continuing the purchase of diesel oil from PDA Materials Supply Company on the terms and conditions set out in the Diesel Oil Purchase Agreement, the Group could leverage on the stronger price bargaining power of PDA Materials Supply Company with the upstream diesel oil suppliers as a result of PDA Materials Supply Company s established relationship and volume purchase with such suppliers. In addition, the Company could enjoy the operational convenience offered by the warehousing and transportation facilities of PDA Materials Supply Company.

The main terms and conditions of the Diesel Oil Purchase Agreement are:

- PDA Materials Supply Company shall supply diesel oil to the Company and/or its subsidiaries as requested from time to time during the term of the agreement;

- The price for each purchase under the agreement shall be the state regulated retail price of diesel oil with a discount according to the market situation; and

- The terms and conditions (including the pricing and payment terms) on which the diesel oil are to be provided by PDA Materials Supply Company should be no less favourable to the Company than those offered by independent third parties to the Company. The Company and/or its subsidiaries retain the rights to choose to purchase diesel oil from an independent third party where the terms (including the pricing and payment terms) offered by such independent third party may be more favourable than those offered by PDA Materials Supply Company.

H. Boiler management services

On 21 December 2006, the Company and Dalian Port Rixing Industrial Company Limited ("Rixing") (note 5) entered into a boiler management agreement pursuant to which Rixing shall provide boiler management services to the Company for one year from 1 January 2007 to 31 December 2007 with an annual cap of RMB3,000,000. The actual amount of transaction for the year ended 31 December 2007 was RMB2,610,000.

Rixing has qualified personnel recognised by the government authority and has been providing boiler management services for PDA Group and its certain associates for many years.

The main terms and conditions of the boiler management agreement are:

- The management services include boiler operation services, steam pipes operation service and the related general maintenance services; and

- The terms and conditions (including the pricing and payment terms) on which the management services are to be provided by Rixing Industrial Company is no less favourable to the Company than those available from any independent third party for similar services.

I. Steam and heat supply services

On 21 December 2006, the Company and PDA (for itself and on behalf of its associates) entered into a steam and heat supply agreement pursuant to which the Company shall provide steam and heat supply to PDA and/or its relevant associates for one year from 1 January 2007 to 31 December 2007 with an annual cap of RMB6,500,000. The actual amount of transaction for the year ended 31 December 2007 was RMB4,960,000.

The steam and heat produced by the boilers of the Company currently exceeds its operation needs. The supply of the surplus steam and heat to PDA and/or its relevant associates will provide additional revenue to the Company.

The main terms and conditions of the steam and heat supply services agreement are:

- The Company shall have the right to terminate the agreement by giving at least 30 days prior notice;

- The price shall be determined with reference to the relevant pricing policy prescribed by the relevant governmental authority; where there is no such pricing policy, then according to the price at which the same or comparable types of services are provided to independent third parties in the ordinary course of business; and

- The terms and conditions (including the pricing and payment terms) are no less favourable to the Company than terms available to independent third parties.

Notes:

Note 1 Dalian Port Container Co., Ltd. is a subsidiary of the Company which holds 91.34% of its shares.

Note 2 PDA Group is the controlling shareholder of the Company and holds 62.09% of the Company's shares.

Note 3 Dalian Port Harbour Construction Superintendence and Consulting Company Limited is a subsidiary of PDA which holds 75% of its shares.

Note 4 PDA Materials Supply Company was a branch company of PDA before 18 July 2007. PDA Materials Supply Company underwent an ownership restructure on 18 July 2007 and has ceased to be a connected person of the Company since then.

Note 5 Dalian Port Rixing Industrial Company Limited is an associate of PDA which holds 35% of its shares.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that those transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Directors engaged the auditors of the Company to perform certain agreed-upon procedures in respect of the Group s continuing connected transactions as mentioned in A to I above for the year ended 31 December 2007 and the auditors have reported their factual findings on these procedures to the Board of Directors with a letter confirming that such continuing connected transactions were in compliance with Rule 14A.38 of the Listing Rules

The Directors confirm that the Company has complied with the disclosure requirements with respect to the aforementioned connected transactions in accordance with Chapter 14A of the Listing Rules.

Major customers and suppliers

During the year, the Group s major customers and suppliers accounted for the following percentages of the Group's turnover and purchases:

The largest supplier as a percentage of the Group's purchases	8.57%
The top five suppliers as a percentage of the Group's purchases	19.25%
The largest customer as a percentage of the Group's turnover	16%
The top five customers as a percentage of the Group's turnover	40%

None of the directors, supervisors, their associates or any shareholders of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the top five customers of the Group.

Retirement benefit scheme

Details of the Group's retirement benefit scheme are set out in note 45 to the financial statement.

Substantial shareholders interests

As at 31 December 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%
Fidelity International Limited	H shares	117,027,000 (long position)	Beneficial owner	11.01%	4.00%
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%
N.Y.K. Line (Hong Kong) Limited	H shares	114,800,000 (long position)	Beneficial owner	10.80%	3.92%
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	6.92%	2.52%
China Shipping (Hong Kong) Holdings Co, Limited	H shares	73,610,000 (long position)	Interest of controlled corporation	6.92%	2.52%

REPORT OF THE DIRECTORS

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]
China Shipping Terminal Development (Hong Kong) Company Limited	H shares	73,610,000 (long position)	Beneficial owner	6.92%	2.52%
JPMorgan Chase & Co.	H shares	64,684,000 (long position) 39,254,000 (lending pool)	Beneficial owner	6.09% (long position) 3.69% (lending pool)	2.21% (long position) 1.34% (lending pool)
Indus Capital Partners, LLC	H shares	64,341,200 (long position)	Interest of controlled corporation	6.06%	2.20%
Kasowitz Sheldon Fenton		64,341,200 (long position)	Interest of controlled corporation	6.06%	2.20%
Kowitz David Nathan	H shares	64,341,200 (long position)	Beneficial owner	6.06%	2.20%
Citigroup Inc.	H shares	63,820,800 (long position) 54,662,800 (short position) 9,122,000 (lending pool)	Beneficial owner	6.01% (long position) 5.14% (short position) 0.86% (lending pool)	2.18% (long position) 1.87% (short position) 0.31% (lending pool)

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 31 December 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 OF THE DIRECTORS

Sufficiency of public float

Based on the information publicly available to the Company and so far as was known to the Directors, not less than 25% of the Company's total issued share capital was held by public as specified in the Listing Rules as at the date of this report.

Corporate governance

As a listed company on the Stock Exchange, the Company has strived to maintain a high standard of corporate governance in order to enhance the transparency of the Company's operations and safeguard the interests of all shareholders. Relevant details are set out in the section headed "Corporate governance" report of this annual report.

Auditors

The financial statements have been audited by Deloitte Touche Tohmatsu CPA Ltd and Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as the Company's domestic and international auditors, who will retire at the forthcoming annual general meeting. (The above parties have been appointed as the Company's domestic and international auditors, respectively, for two consecutive years.) The Board will propose a resolution to re-appoint them as the auditors of the Company at the forthcoming annual general meeting subject to approval of shareholders.

Other matters

Implementation of the Non-Competition Agreement

On 23 March 2006, the Company and PDA entered into the Non-Competition Agreement, pursuant to which the Company has been granted options and first rights by PDA so that the Company may decide to acquire or hold any direct or indirect interests in businesses owned and carried on or participated by PDA. The independent non-executive directors shall have the right on behalf of the Company to review at least on an annual basis and determine the exercise of any of the aforesaid first rights or options.

During the year, the Company and PDA have strictly followed the provisions of the non-competition agreement and there were no breaches.

By Order of the Board

Sun Hong
Chairman

Dalian, PRC
30 April 2008

CORPORATE GOVERNANCE **REPORT**

Introduction

Dalian Port (PDA) Company Limited (the "Company") understands the significance of corporate governance, and recognizes that maintaining a high standard of corporate governance is in the fundamental interests of the Company and its shareholders. The Company strives to improve its corporate governance practices since its establishment, and adopted the code provisions (the "Code Provisions") set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices. In addition, the Company has adopted a series of measures to maintain a high standard of corporate governance.

The delineation on the corporate governance practices of the Company from 1 January 2007 to 31 December 2007 ("reporting period") as set out in this report are based on the Corporate Governance Code.

A. No deviation from the Code Provisions

The board of directors (the "Board") monitors and reviews the existing corporate governance practices on a regular basis with the aim of fostering a sound standard of corporate governance. The Company has complied in all respects with the Corporate Governance Code without any deviation from the Code Provisions.

B. The Board

Striving for the best interests of the Company and its shareholders, the Board of the Company assumes the responsibility of leading and controlling of the Company as well as promoting the sustainable development of the Company by directing and supervising the Company's affairs.

1. Board composition

As at the date of this report, the Board of the Company consists of four executive directors, one non-executive director and three independent non-executive directors. They were elected at the inaugural meeting of the Company on 9 November 2005. The Directors currently in office as at the date of this report are as follows:

Executive directors
– Mr. Sun Hong (Chairman)
– Mr. Zhang Fengge
– Mr. Jiang Luning (General Manager)
– Ms. Su Chunhua (Chief Accountant)

Non-executive director
– Mr. Lu Jianmin

Independent non-executive directors
– Mr. Yang Zan
– Mr. Zhang Xianzhi
– Mr. Ng Ming Wah, Charles

During the reporting period, each director has entered into a service agreement with the Company for a term of no more than three years.

The biographies of the directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report. The executive and non-executive directors of the Company have rich expertise, extensive experiences and skills in management, business, finance and other related areas of port businesses. They are instrumental in mapping out the Company's strategy. The three independent non-executive directors of the Company are highly experienced professionals with extensive expertise in areas such as accounting, finance, corporate management and logistics.

All independent non-executive directors have confirmed to the Company their independence during the reporting period as required under Rule 3.13 of the Listing Rules. The Company considered such directors to be independent during the reporting period.

The Company believes that the board composition is reasonable and the mix of the executive and the non-executive directors and the independent non-executive directors is adequate to provide checks and balances to safeguard the interests of shareholders and the Company as a whole. Furthermore, the Directors are well aware of their collective and individual responsibilities to the shareholders, and have sufficient abilities and adequate energy to perform their duties.

During the reporting period, save for their relationship with the Company, there was no financial, business, family or other material/relevant relationships among the members of the Board.

2. Operation of the Board

Pursuant to the Articles of Association of the Company, the Board is required to hold at least 4 regular board meetings each year, to be convened by the chairman. In order to give the directors every opportunity to attend board meetings, a notice of at least 14 days is given to all directors for a regular board meeting. For an extraordinary board meeting, a notice of at least 5 days is given to all directors, stating the time, place and means by which the extraordinary board meeting will be conducted.

The quorum for a Board meeting is that at least the half of directors are present. The directors may attend the board meeting in person, or appoint other directors in writing as his proxy to attend the Board meeting. The company secretary is responsible for preparing and keeping the minutes of Board meetings and ensures that such minutes are available for inspection by any director.

During the reporting period, the Board held a total of five board meetings. The attendance rates of the directors at Board meetings during the reporting period are as follows:

Member of the Board	Attendance/ Total number of meetings	Attendance rate
Mr. Sun Hong (*Chairman*)	5/5	100%
Mr. Zhang Fengge	5/5	100%
Mr. Jiang Luning	5/5	100%
Ms. Su Chunhua	5/5	100%
Mr. Lu Jianmin	5/5	100%
Mr. Yang Zan	5/5	100%
Mr. Zhang Xianzhi	5/5	100%
Mr. Ng Ming Wah, Charles	5/5	100%

3. Powers exercised by the Board and the management

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

The directors are responsible for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2007, the directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis.

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

The management, under the leadership of the General Manager (who is also an executive director), is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management.

To ensure the efficient operation of the Company, the management is required to submit regular reports on the Company's operations to the Board. The Board reviews and approves such reports which are used in assessing and monitoring the performance of the management. Management are from time to time brought into formal and informal deliberations with the Board in relation to the relevant issues on operations and business of the Company, and provide sufficient information in a timely manner so that the Board is able to make an informed decision.

4. Chairman and General Manager

The posts of Chairman and General Manager of the Company are segregated and held by different persons to ensure their respective independence of responsibility and accountability and the balance of power and authority between them. The Chairman, Mr. Sun Hong, plays a critical role in setting the development strategy of the Company, and is responsible for ensuring that the Board is functioning properly and with well-formulated corporate governance practices and procedures, whilst Mr. Jiang Luning, the General Manager, is responsible for the day-to-day management of the Company's operations, including organising implementation of strategies set by the Board, making day-to-day decisions and coordinating overall business operations.

5. Nomination, appointment and removal of directors

The Company has formulated a formal and transparent procedure for the appointment of new directors to the Board. Nominations and appointments of new directors is first considered by the Nomination and Remuneration Committee whose recommendations will then be put to the Board for consideration. All newly nominated directors are subject to election at the Company's general meetings.

Removal of members of the Board and their remuneration and methods of payment are subject to the approval at general meetings.

6. Board Committees

The Board has established an Audit Committee and a Nomination and Remuneration Committee in accordance with the requirements of the Listing Rules.

Audit Committee

The Audit Committee consists of one non-executive director and two independent non-executive directors, namely, Mr. Zhang Xianzhi, Mr. Ng Ming Wah, Charles and Mr. Lu Jianmin (Note 1). Mr. Zhang Xianzhi serves as the Chairman.

The primary duties of the audit committee include making recommendations to the Board on the appointments and removals of external auditors, coordinating with external auditors, leading internal audits, reviewing the Company's financial information and monitoring the Company's reporting processes and internal control systems.

During the reporting period, the Audit Committee held six meetings, with an overall average attendance rate of 100%. The attendance of Audit Committee is set out below:

Member of the Audit Committee	**Attendence/ Total number of meetings**	**Attendance rate**
Mr. Zhang Xianzhi (Chairman of the committee)	6/6	100%
Mr. Ng Ming Wah, Charles	6/6	100%
Mr. Zhang Fengge (Note 1)	2/2	100%
Mr. Lu Jianmin (Note 1)	4/4	100%

Note 1: On 13 April 2007, Mr. Zhang Fengge is re-designated from a non-executive director to an executive director. The Board resolve that, since 13 April 2007, Mr. Lu Jianmin, a non-executive director, has been appointed as a member of the Audit Committee. During the reporting period, Mr. Zhang Fengge and Mr. Lu Jianmin attend the meeting of Audit Committee for two and four times, respectively.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of two independent non-executive directors and one executive director, namely, Mr. Yang Zan, Mr. Ng Ming Wah, Charles and Mr. Sun Hong (Note 2). Mr. Yang Zan serves as the Chairman.

The primary duties of the Nomination and Remuneration Committee are to study and formulate the criteria and procedures of selection and appraisal, the remuneration and benefits policy and compensations of directors and senior management of the Company, and to make recommendations to the Board on human resources structure, planning, remuneration system and human resources system.

During the reporting period, the Nomination and Remuneration Committee held one meeting, with an overall average attendance rate of 100%.The attendance of the Nomination and Remuneration Committee is set out below:

Member of the Nomination and Remuneration Committee	**Attendence/ Total number of meetings**	**Attendance rate**
Mr. Yang Zan (Chairman of the committee)	1/1	100%
Mr. Ng Ming Wah, Charles	1/1	100%
Mr. Sun Hong	1/1	100%

Note 2: The Board resolve that, since 13 April 2007 Mr. Sun Hong has been appointed as a member of the Nomination and Remuneration Committee.

In order to enhance the professionalism and efficiency of the Board’s decision-making on the material projects for business development and to meet the Company’s needs for development, the Board has also set up the strategy development committee and the financial management committee.

Strategy Development Committee

The Strategy Development Committee consists of three directors, namely Mr. Sun Hong, Mr. Yang Zan and Mr. Jiang Luning. Mr. Sun Hong serves as the chairman.

The primary duties of the Strategy Development Committee are to review and formulate the strategic directions and development plans of the Company, to study material market developments and operation strategies, to review major investments, financing options, capital operation and asset restructuring.

During the reporting period, the Strategy Development Committee held two meetings, with an overall average attendance rate of 100%.

Member of the Strategy Development Committee	Attendance/ Total number of meetings	Attendance Rate
Mr. Sun Hong (Chairman of the committee)	2/2	100%
Mr. Yang Zan	2/2	100%
Mr. Jiang Luning	2/2	100%

Financial Management Committee

The Financial Management Committee consists of three directors, namely Mr. Zhang Fengge, Mr. Zhang Xianzhi and Ms. Su Chunhua. Mr. Zhang Fengge serves as the chairman.

The primary duties of the Financial Management Committee are to review the Company's financial and accounting system and internal control system, to check the financial regulations, annual budget and final account proposals as well as profit distribution plan of the Company, and to investigate financial risk-preventive measures, financing, investment and other capital operations of the Company.

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

Member of the Financial Management Committee	Attendance/ Total number of meetings	Attendance Rate
Mr. Zhang Fengge (Chairman of the committee)	1/1	100%
Mr. Zhang Xianzhi	1/1	100%
Ms. Su Chunhua	1/1	100%

7. Directors securities transactions

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

C. Auditors

Deloitte Touche Tohmatsu CPA Ltd., and Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong have been appointed as the Company's domestic and international auditors, respectively, by the Board.

During the reporting period, the fees payable to the auditors for audit service are approximately RMB3,425,087.

D. Senior management's interests in shares

During the reporting period, none of the senior management had any interests in the shares of the Company.

E. Internal controls

The Company has set up an appropriate internal control system to deal with connected transactions, internal audit, disclosures and other relevant matters. The Board has reviewed the effectiveness of the internal control system, and considers that the system is effective, and will continue to enhance the internal control systems to promote the governance of the Company.

1. Internal audit

The Board has established an Audit Committee as part of the internal control system of the Company. Details of the audit committee are set out in Part B.6 of this report.

The Company has set up an internal audit function by appointing qualified personnel as the internal auditor to strengthen the internal control of the Company. The role of the internal auditor is to assist the Audit Committee in ensuring that the Company maintains a sound internal control system by reviewing all aspects of the Company's activities and internal controls, conducting audits of the practices and procedures of the Company and its subsidiaries on a regular basis. The internal auditor has conducted an internal audit of the Company and its subsidiaries for the reporting period.

2. Other internal control procedures

The Company has formulated and approved the "Connected Transaction Management Rules" and approved the relevant internal control procedures to ensure the compliance with the connected transaction requirements under the Listing Rules.

Moreover, the Company has also formulated the "Information Disclosure Management Rules" governing the responsibilities relating to the significant matters and price sensitive information and the internal control procedures applying to the disclosures of such information, and ensuring the disclosures of the Company information are in compliance with the Listing Rules.

The Company has adopted a governance mechanism which is more stringent and prudent than Corporate Governance Code. The Board has also set up a Financial Management Committee in order to further prevent the financial management risks of the Company and complement the internal controls of the Company to a more effective level. Details of Financial Management Committee are set out in Part B.6 of this report.

In order to prevent any operation risks as a result of any misconduct and corrupt practice in the ordinary course of business effectively and allow the Board to obtain material information about the Company timely, the Company has also set up an internal control reporting system with a corresponding report channel to ensure smooth communication between the Company and the directors.

F. Management functions

The powers and responsibilities of the Board and the management have been clearly defined under the articles of association of the Company. Such clear division of the duties of the Board and the management has ensured the standardized and effective operation of the Company. Please refer to Part B.3 of this report for more details.

G. Shareholder's rights

The shareholders of the Company enjoy such rights as obtaining information and documents of the Company in accordance with the provisions of the Articles of Association. The primary responsibilities of the Secretary to the Board, who is appointed by the Board, include ensuring that the Company has complete organisational documents and records and to ensure that any person who has the right to obtain the Company's relevant records and documents can promptly obtain such records and documents.

Shareholders of the Company are encouraged to contact the secretary to the Board whenever they have such demands.

When the Company convenes an annual general meeting, shareholders holding 5% or more of the total voting shares of the Company shall have the right to propose new motions in writing, and the Company shall place on the agenda matters fallen within the terms of reference of the general meeting in the motion.

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

CORPORATE GOVERNANCE REPORT

H. General meeting

The general meeting is the organ of authority of the Company and exercises its functions and powers in accordance with the Articles of Association of the Company and applicable laws and regulations. General meetings comprise annual general meetings and extraordinary general meetings and are normally convened by the Board.

During the reporting period, annual general meeting for the year 2006 was held on 12 June 2007, at which the following resolutions are considered and approved:

a. The report of the auditors and audited financial statements of the Company for the year ended 31 December 2006.

b. The final dividend distribution for 2006.

c. The appointment of PRC auditors and the international auditors of the Company, and authorise the Board of Directors to fix their remunerations, respectively.

d. The report of the Board of Directors of the Company for 2006.

e. The report of the auditors and audited financial statements of the Company for the year ended 31 December 2006.

f. The executive directors' remuneration and the adjustment of independent non-executive director's remuneration.

g. The adjustment of independent supervisor's remuneration.

h. Grant to the board of directors a general mandate to issue shares.

i. The amendments to the Articles of Association of the Company.

The Company has set up unhindered communication channels to safeguard the communication between the shareholders and the Company:

Joint Company Secretaries:	Ms. Ma Jinru	(86-411-82798466)
	Mr. Lee, Kin Yu Arthur	(86-411-82798908)
		Fax: 86-411-82798108
Company website:	www.dlport.cn	

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is pleased to present the Report of the Supervisory Committee for the year ended 31 December 2007.

I. Work undertaken by the Supervisory Committee for the year 2007

1. In 2007, all the members of the Supervisory Committee strictly complied with the Company Law of the People's Republic of China (the "Company Law"),the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Articles of Association of the Company (the "Articles of Association") and the requirements of the other relevant laws and regulations, under the principles of integrity and diligence, in safeguarding the interests of all the shareholders and the Company, discharging the supervisory functions in compliance with laws and regulations, and developing all work positively with due care.

2. In 2007, the Supervisory Committee convened two meetings, at which the Supervisory Committee approved "the Rules of Procedure of the Supervisory Committee" and "the Report of the Supervisory Committee for the year 2006".

3. Members of the Supervisory Committee were present at all the meetings of the 2007 Board. The Committee was advised of the operations of the Company and reports of significant matters by such meetings, supervised and reviewed the financial position, operational decisions of the management and compliant operation practices of the Company. The Committee also attended the 2006 annual general meeting of the Company, at which the Supervisory Committee gave an account of the 2006 Report of the Supervisory Committee, and express their independent opinion on the Company's operation, financial situations and performance of their duties of the directors and senior executives.

II. The Supervisory Committee expressed the following opinions on the work undertaken by the Company in 2007

1. The decision making procedures of the Company were lawful and an effective internal control system has been established. The company has strictly complied with the laws and regulations of the State, and operated in accordance with standardized procedures of listed companies.

2. The directors, managers and senior managers and other senior management of the Company have been diligent and committed to their work, discharged their duties according to the resolutions passed in general meetings and the board of directors meetings, and none of the above staff violated the Company Law, the Listing Rules and the Articles of Association nor impaired the interests of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

3. During the reporting period, the financial position were sound, the financial management standardized and the internal control system were strictly implemented and enhanced continuously, which assured the operations of production of the Company. The 2007 annual financial reports of the Company truly reflected the financial position and operating results of the Company.

4. During the reporting period, the connected transactions of the Company were based on the principles of fairness, openness and equitable. The pricing of the transactions were base on the principles of market pricing, agreed on an arm's length basis, and did not impair the interests of the shareholders nor lead to loss of the assets of the Company.

By Order of the Supervisory Committee
Dalian Port (PDA) Company Limited
Fu Bin
Chairman

Dalian, China
30 April 2008

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Sun Hong (孫宏先生), aged 45, has been appointed as an executive Director and the chairman of the Board of the Company since November 2005. He is responsible for business strategy and overall development of the Group. After joining Port of Dalian Authority in 1984, he held the positions of the chairman of Dalian Container Terminal Co., Ltd., Dalian Port Jifa Logistics Co., Ltd., Dalian Port and Harbour Development Company Limited and Dalian Automobile Terminal Company Limited respectively. He is currently a director and the general manager of Dalian Port Corporation Limited. He has obtained a master of business administration degree from the State University of New York at Buffalo in U.S. and a bachelor's degree from the college of electronics engineering of Dalian Maritime University majoring in shipping wireless telecommunications. He is a senior economist. Mr. Sun has more than twenty-three years of experience in managing port business and extensive experience in business and management. Mr. Sun obtained a master's degree in port management from the Antwerp Port Engineering and Consulting Centre in Belgium and was honoured as one of the "Ten Most Outstanding Young Entrepreneurs in Liaoning Province" and "the First Countrywide Labor Models of the Logistics Industry in 2007".

Mr. Zhang Fengge (張鳳閣先生 (alias) 張風閣先生), aged 54, was appointed as a non-executive Director of the Company in November 2005 and has been re-designated as an executive Director of the Company in April 2007. He joined Port of Dalian Authority in 1972. He is currently a deputy general manager and the chief accountant of Dalian Port Corporation Limited and a director of Dalian Port Container Co., Ltd. Mr. Zhang graduated from the faculty of water transport management of Shanghai Maritime University majoring in water transport finance and accounting and a master s degree course in accountancy at the Dongbei University of Finance and Economics. He is a professor, researcher and senior accountant. Mr. Zhang also serves as a member of the standing committee of the China Association of Chief Financial Officers and a member and deputy chairman of the third standing committee of the Dalian Association of Chief Financial Officers. Mr. Zhang has more than thirty-one years of experience in port business and extensive experience in finance and financial management. He was awarded the honour of "2006 PRC CFO of the Year".

Mr. Jiang Luning (姜魯寧先生), aged 45, has been appointed as an executive Director and the general manager of the Company since November 2005. After joining Port of Dalian Authority in 1984, he held the positions of a director of Dalian Container Terminal Co., Ltd., Odfjell Terminals (Dalian) Limited, and Dalian China Oil Dock Management Co., Ltd. respectively, a director and the chairman of Dalian Port Contaeiner Co., Ltd., and also serves as the chairman of Dalian Port Container Terminal Co., Ltd., Dalian Container Terminal Co., Ltd. and Dalian Automobile Terminal Company Limited, the deputy chairman of Dalian International Container Terminal Co., Ltd. and a director of Dalian Ocean Shipping Tally Co., Ltd., and China United Tally Co., Ltd. respectively. He completed a Beijing international master of business administration programme at Peking University, obtained a master's degree from Fordham University in U.S. and graduated from Shanghai Maritime University with a bachelor's degree in water transportation management and engineering. He is a senior economist. Mr. Jiang has more than twenty-three years of practical experience in port planning, construction and operations, as well as the management of international finance projects and Sino-foreign joint venture projects and extensive experience in many aspects such as corporate operation, management and capital operations.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Su Chunhua (蘇春華女士), aged 45, has been appointed as an executive Director and the chief accountant of the Company since November 2005. She joined Port of Dalian Authority in 1988. Ms. Su is currently a director of Dalian Port Jifa Logistics Co., Ltd., Dalian Port Container Co.,Ltd., Dalian Container Terminal Co. Ltd., Dalian Port Container Terminal Co., Ltd. and Dalian Automobile Terminal Co., Ltd., and a supervisor of Dalian International Container Terminal Co., Ltd and China United Tally Col., Ltd., Dalian respectively. Ms. Su graduated from Dalian Maritime University with a master s degree in engineering, majoring in transportation planning and management, and from the faculty of water transport management of Shanghai Maritime University with a bachelor's degree in water transport finance and accounting, majoring in economics. She is a senior accountant. She serves as a member and deputy secretary general of the third standing committee of the Dalian Association of Chief Financial Officers and has nearly twenty years of experience in finance and financial management.

Non-executive Directors

Mr. Lu Jianmin (盧建民先生), aged 56, has been appointed as a non-executive Director of the Company in November 2005. After joining Port of Dalian Authority in 1975, he held the positions of the chairman of Dalian Port Industrial Company Limited and Dalian Port Rixing Industrial Company Limited respectively. He is currently a deputy general manager of Dalian Port Corporation Limited. He was a representative to the Twelfth and Thirteenth National People's Congress of Dalian Municipality. He is a senior accountant. Mr. Lu has more than thirty-one years of experience in port business and extensive experience in finance, financing, corporate management and operation.

Independent Non-executive Directors

Mr. Yang Zan (楊贊先生), aged 50, has been appointed as an independent non-executive Director of the Company in November 2005. Mr. Yang was a vice-chairman of Liaoning Road Transportation Association, the chief commissioner of Navigation and Transportation Management Commission under Liaoning Province Navigation Association, and a member of the seventh standing committee of Liaoning Province Navigation Association and a consultant of Dalian Logistics Association. He serves as a member and deputy chairman of the transportation and logistics research committee of China Transportation and Communication Association. Mr. Yang graduated from the faculty of engineering of Kobe University in Japan with a doctorate degree in environmental science majoring in communications transportation theory and science. He is one of the senior experts in port and shipping industry. Mr. Yang has more than twenty-one years of experiences in the port related industry and extensive experience in navigation and logistics management.

Mr. Zhang Xianzhi (張先治先生), aged 51, has been appointed as an independent non-executive Director of the Company in November 2005. Mr. Zhang has a doctorate degree in economics. He is a professor, a tutor of doctorate postgraduates and a State grade lecturer. He was a senior visiting scholar at the New York State University. He is the deputy dean of the accountancy college at Dongbei University of Finance and Economics and the head of its internal control and risk management research centre (key research base in Liaoning Province for human and social sciences), a visiting professor of Dongwu University (Taiwan), as well as a part-time professor of Dalian University of Science and Technology and Shandong University of Science and Technology. Mr. Zhang is a common chairman of the Annual Conference of Finance of China, a deputy chairman of Liaoning Institute of Chief Accountants. He is a non-practicing member of Liaoning Association of CFO and the chairman of Dalian Enterprises Finance Researching Association. Mr. Zhang has more than twenty-five years of experiences in finance and extensive experience in finance and financial management and obtained a number of research findings in the areas of analysis of financial statement and internal control.

Mr. Ng Ming Wah, Charles, aged 58, was appointed to the Board as an independent non-executive Director in November 2005. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies in England in 1974 with a M.Sc. degree in Business Studies. He is the director of Somerley Limited, the principal business of which is the provision of corporate financial advisory services. Mr. Ng has over 25 years of experience in corporate finance and investment banking. Mr. Ng is a non-executive director of Goldlion Holdings Limited (stock code: 533) and an independent non-executive director of each of China Everbright Limited (stock code: 165), Stone Group Holdings Limited (stock code: 409) and China Molybdenum Co., Ltd. (stock code: 3993). In addition, Mr. Ng holds a number of community service positions, including as a member of the Council of Lingnan University of Hong Kong and a member of the Board of Governors of Hong Kong Arts Centre.

Supervisors

Mr. Fu Bin (付彬先生), aged 50, has been appointed as the chairman of the supervisory committee of the Company in November 2005. He joined Port of Dalian Authority in 1980. After joining Port of Dalian Authority in 1980, he held the positions of the chairman of Dalian Jingangwan Grains and Logistics Company Limited, China United Tallying Co., Ltd. Dalian, Dalian Ocean Shipping Tally Co., Ltd., Odfjell Terminals (Dalian) Ltd. and Changxingdao Port Co., Ltd. He is currently a director and a deputy general manager of Dalian Port Corporation Limited. He obtained from the Hong Kong Baptist University with a master of business administration degree. He is a senior economist. Mr. Fu has extensive experience in corporate management and internal control.

Mr. Zhang Guofeng (張國峰先生), aged 53, has been appointed as a supervisor of the Company in November 2005. After joining Port of Dalian Authority in 1975, he held the positions of a director of Dalian Port Wantong Shipping Company Limited, a supervisor of Dalian Portsoft Technology Company Limited, a director of Dalian Golden Name Building Company Limited, the chairman of Dalian Port Real Estate Development and Construction Group Company Limited and the convenor of the supervisory committee of Dalian Port Container Co., Ltd., a supervisor of Dalian Port Jifa Logistics Co., Ltd., a director of Dalian China Oil Dock Management Co., Ltd. and Dalian Harbour Construction Superintendence Co., Ltd., respectively, and a supervisor of Zhangxing Island Terminal Co., Ltd., and Dalian Port Construction and Management Co., Ltd., respectively. He is currently a supervisor and the head of financial planning department of Dalian Port Corporation Limited. He graduated from the faculty of water transportation economics of Shanghai Maritime University, majoring in finance and accountancy. He is a senior accountant. He has extensive experience in corporate management, internal control and financial management. Mr. Zhang was named as a pioneer of internal audit of the State and pioneer of internal audit of Liaoning Province.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Diao Chengbao (刁成寶先生), aged 62, has been appointed as a supervisor of the Company in November 2005. He worked as a deputy head of the general office of Dalian Municipal Commission, the head of Dalian Municipal Commission for Economic Restructuring, the Development and Research Centre of Dalian Municipal Government respectively and Dalian and North-eastern Asia Regional Cooperation Research Centre. He is currently a deputy head of Dalian Charity Federation. Mr. Diao graduated from the Party School of Liaoning Province Commission, majoring in administration and management. Mr. Diao has extensive experience in social and economic research. He also serves as a part-time Professor of the Party School of Dalian Municipal Commission, Dalian Administrative College, Dalian Socialism College and Dalian University of Science and Technology, a consultant of Dalian Social and Economic Research Institute under Dalian University, a member of Dalian Environmental Protection Consultative Committee, Dalian Port Development Consulting Committee, the Adviser Committee of the Management Committee of Dalian Hi-tech Industrial Park Zone and the Fourth Consultative Commission of Dalian Municipal Commission and Dalian Municipal People's Government respectively.

Ms. Fu Rong (傅榮女士), aged 50, has been appointed as a supervisor of the Company in November 2005. She graduated from Dongbei University of Finance and Economics with a master s degree in economics, majoring in accounting. Ms. Fu is a professor of Dongbei University of Finance and Economics who has undertaken the professional teaching assignments in finance and accounting of undergraduates and postgraduates and assumed the relevant seminars and continuing education training courses. Her research direction is company finance and accounting, and she obtained a number of research findings in the areas of Consolidated financial statement and Accounting Standards for Business. Ms. Fu is currently the dean of the accountancy department of accountancy college at Dongbei University of Finance and Economics and a non-practicing member of the China Institute of Certified Public Accountants.

Ms. Xu Jinrong (徐錦蓉女士), aged 40, has been appointed as a supervisor of the Company in November 2005. She was a technician of Dalian Port Dalian Bay Stevedoring Company, section staff of the audit and finance departments of Port of Dalian Authority and head of the management section of the audit department of Dalian Port Corporation Limited. She was the audit manager of Dalian Port Container Co., Ltd. She is currently the audit manager of the Company. She is a PRC certified public accountant and a senior auditor with a bachelor's degree.

Ms. Gui Yuchan (桂玉嬋女士), aged 38, has been appointed as a supervisor of the Company in February 2006. She worked as a business staff of Dalian Port Xianglujiao Stevedoring Company, contract administrator of the business department of Port of Dalian Authority, legal officer of Dalian Port Container Comprehensive Development Company, as well as deputy manager and manager of the securities and legal department of Dalian Port Container Co., Ltd. Ms. Gui is currently the head of the general office of the Board of the Company. She is an economist and is qualified to practice as a lawyer in the PRC with a bachelor s degree in law from Renmin University of China.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Senior Management

Mr. Jiang Luning, please refer to the section headed "Executive Directors" above.

Mr. Xu Fangsheng (徐芳盛先生), aged 44, has been appointed as a deputy general manager of the Company in January 2007. After joining Port of Dalian Authority in May 1983, he held the positions of a deputy league secretary of Xiamen Lifestyles Services Company, head of league propaganda department and general office of Port of Dalian Authority, party secretary, secretary to disciplinary committee, and supervisor of Dalian Ocean Shipping Tally Co., Ltd. He graduated from the Party School of Dalian Municipal Commission majoring in economics and management and is a political engineer.

Mr. Wang Yi (王毅先生), aged 54, has been appointed as a deputy general manager of the Company in November 2005. After joining Port of Dalian Authority in 1974, he held the positions of a deputy head of the organization department and the personnel department of Port of Dalian Authority, manager of Dalian Port Dayao Bay Stevedoring Company, a director of Dalian Container Terminal Co., Ltd., and Dalian PetroChina International Storage Co., Ltd., respectively. Mr. Wang also serves general manager of Dalian Port Oil Terminal Company. In 1997 and 2003, he attended training programmes of "Management on Port Transportation Business" in Japan and management programmes at the University of California in U.S., respectively. He was dedicated to the research and promotion of port programming, operating strategy and port project. Mr. Wang has more than thirty years of experience in port business and extensive experience in corporate and human resources management. Mr. Wang was honoured as one of the "Labor Models of Dalian".

Mr. Sun Qian (孫謙先生), aged 42, has been appointed as a deputy general manager of the Company in November 2005. After joining Port of Dalian Authority in 1991, he held the positions of the chairman of DCT Logistics Co., Ltd., Dalian Jifa Bohai Rim Container Lines Co., Ltd., and Dalian Dagang China Shipping Container Terminal Co.,Ltd. respectively, and a director of Dalian Port Container Co., Ltd., Dalian Port Jifa Logistics Co., Ltd., Dalian Container Terminal Co., Ltd., Dalian Port Container Terminal Co., Ltd. , Dalian International Logistics Park Development Co., Ltd., Dalian International Container Terminal Co., Ltd., and Qinhuangdao Port New Harbour Container Terminal Co., Ltd. respectively. Since November 2005, he has been the general manager of Dalian Port Container Co., Ltd. Mr. Sun graduated from the faculty of civil engineering of Dalian University of Science and Technology with a master's degree in engineering, majoring in port and channel engineering. He is a senior engineer. Mr. Sun has more than eleven years of experience in corporate management, container terminal and logistics business operation management.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Zengtai (王增泰先生), aged 61, has been appointed as a deputy general manager of the Company in November 2005. After joining Port of Dalian Authority in 1982, he held the positions of an assistant to the manager and the head of the engineering division, a deputy manager and the manager of Dalian Port Tugboat Company. Mr. Wang graduated from the faculty of turbine engineering of Dalian Maritime University with a bachelor's degree in turbine engineering, majoring in turbine management. He is a senior engineer at professorial level. Mr. Wang has profound understanding on the knowledge and operation of tugging business. His dissertation on the "Study of the application of oil monitoring technique on fully reversible tugboat" was granted the "Advancement in science and technology award" by Dalian municipal government. He has more than twenty-one years of experiences in corporate operations and management.

Ms. Su Chunhua, please refer to the section headed "Executive Directors" above.

Ms. Ma Jinru (馬金儒女士), aged 42, has been appointed the secretary to the Board and a joint company secretary of the Company in November 2005. After joining Port of Dalian Authority in 1990, she was responsible for assessments of feasibility study and investment projects and economic analysis and evaluation in Dalian Port Design Institute, and subsequently worked as the head of the investment and cooperation section of the foreign economic and technology co-operation department of Port of Dalian Authority, manager of the finance and management department of Dalian Port Container Comprehensive Development Company and the secretary to the board of directors of Dalian Port Container Co., Ltd. Ms. Ma is currently a director of Dalian Container Terminal Co., Ltd., and Dalian Port Jihuo Logistics Co., Ltd. Ms. Ma graduated from Jilin University of Technology with a master's degree in engineering, majoring in transportation management and engineering. She is a senior economist. She has more than eighteen years of experience in corporate management, finance and capital operation.

Mr. Lee Kin Yu, Arthur (李健儒先生), aged 48, has been appointed as a joint company secretary and the qualified accountant of the Company in December 2005. He has been a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants since 1993. He graduated from the Chinese University of Hong Kong with a bachelor of arts degree and the Illinois State University with a master of science degree. Mr. Lee has more than fifteen years' experience in merger and acquisition, accounting, auditing and corporate finance.

INDEPENDENT AUDITOR'S **REPORT**

Deloitte.
德勤

TO THE SHAREHOLDERS 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)

We have audited the consolidated financial statements of Dalian Port (PDA) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 129, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 April 2008

Consolidated
Income Statement

For the year ended 31 December 2007

	Notes	**2007 RMB'000**	2006 RMB'000 (restated)
Revenue	9	**1,570,136**	1,160,013
Cost of services		**(873,280)**	(575,455)
Gross profit		**696,856**	584,558
Other income	11	**56,867**	162,148
Selling and administrative expenses		**(114,692)**	(138,381)
Share of results of jointly controlled entities		**167,306**	192,414
Share of results of associates		**992**	1,227
Finance costs	12	**(57,813)**	(116,522)
Profit before tax		**749,516**	685,444
Income tax expense	13	**(119,134)**	(40,282)
Profit for the year	14	**630,382**	645,162
Attributable to:			
Equity holders of the Company		**611,368**	631,567
Minority interests		**19,014**	13,595
		630,382	645,162
Dividend	16	**175,560**	–
Earnings per share - basic (RMB)	17	**0.21**	0.24

Consolidated **Balance Sheet**

At 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	18	**4,407,725**	5,118,217
Prepaid lease payments	19	**292,437**	182,428
Investment properties	20	**907,684**	850,058
Intangible assets	21	**48,738**	48,951
Interests in jointly controlled entities	22	**718,398**	702,654
Interests in associates	23	**717,545**	131,373
Available-for-sale investments	24	**160,559**	54,076
Deferred tax assets	25	**70,501**	79,142
		7,323,587	7,166,899
Current assets			
Properties held for sale	26	**84,207**	211,411
Inventories – finished goods, at cost		**24,931**	23,086
Trade and other receivables	27	**381,825**	306,384
Prepaid lease payments	19	**6,411**	4,591
Amounts due from jointly controlled entities	28	**58,040**	78,167
Amounts due from associates	29	**74,455**	22,736
Amounts due from related companies	30	**80**	80
Amount due from a fellow subsidiary	31	**2,679**	3
Advance to Dalian Port Corporation Limited ("PDA")	32	**37**	1,932
Bank balances and cash	33	**532,154**	1,412,634
		1,164,819	2,061,024
Non-current assets held for sale	34	**1,036,293**	104,200
		2,201,112	2,165,224
Current liabilities			
Trade and other payables	35	**375,855**	490,645
Amounts due to jointly controlled entities	28	**1,561**	1,093
Amounts due to associates	29	**4,761**	4,708
Amounts due to related companies	30	**96,683**	93,706
Amounts due to fellow subsidiaries	31	**4,891**	6,382
Advance from PDA	32	**16,547**	8,808
Amount due to a minority shareholder	36	**22,059**	22,618
Tax liabilities		**48,052**	29,184
Bank borrowings – due within one year	37	**698,060**	446,098
Government grants	38	**38,020**	104,200
		1,306,489	1,207,442
Net current assets		**894,623**	957,782
Total assets less current liabilities		**8,218,210**	8,124,681

Consolidated
Balance Sheet

At 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000 (restated)
Non-current liabilities			
Bank borrowings - due after one year	37	**1,529,900**	1,961,684
Government grants	38	**748,522**	629,698
Derivative financial liabilities	39	**2,911**	–
		2,281,333	2,591,382
Net assets		**5,936,877**	5,533,299
Capital and reserves			
Paid-in capital	40	**2,926,000**	2,926,000
Share premium and reserves		**2,850,425**	2,434,049
Equity attributable to equity holders of the Company		**5,776,425**	5,360,049
Minority interests		**160,452**	173,250
Total equity		**5,936,877**	5,533,299

The consolidated financial statements on pages 56 to 129 were approved and authorised for issue by the Board of Directors on 18 April 2008 and are signed on its behalf by:

Sun Hong
DIRECTOR

Su Chunhua
DIRECTOR

Consolidated Statement **of Changes in Equity**

For the year ended 31 December 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)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Dividend reserve RMB'000	Retained earnings/ Shareholders' contribution RMB'000	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 and total recognised income for the year	–	–	–	–	–	–	–	–	–	–	–	–	631,567	631,567	13,595	645,162
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)
Transfer	–	–	–	21,367	(21,367)	–	–	–	43,713	–	–	–	(43,713)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(11,224)	(11,224)
Contributions from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	70,136	70,136
Proposed final dividend	–	–	–	–	–	–	–	–	–	–	–	175,560	(175,560)	–	–	–
Appropriations	–	–	–	63,632	–	178	308	–	–	–	–	–	(64,118)	–	–	–
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)	–	–	175,560	412,016	5,360,049	173,250	5,533,299
Loss on fair value changes of available-for-sale investment	–	–	–	–	–	–	–	–	–	(14,555)	–	–	–	(14,555)	–	(14,555)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(6,754)	–	–	(6,754)	–	(6,754)
Net expense recognised directly in equity	–	–	–	–	–	–	–	–	–	(14,555)	(6,754)	–	–	(21,309)	–	(21,309)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	611,368	611,368	19,014	630,382
Total recognised income and expense for the year	–	–	–	–	–	–	–	–	–	(14,555)	(6,754)	–	611,368	590,059	19,014	609,073
Adjustment arising from utilisation of deemed contribution	–	–	–	–	–	–	–	–	–	–	–	–	(17,515)	(17,515)	–	(17,515)
Overprovision of expenses relating to issue of new H shares in prior year	–	19,392	–	–	–	–	–	–	–	–	–	–	–	19,392	–	19,392
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,873)	(6,873)
Transfer	–	–	–	–	–	(8,129)	(920)	–	30,806	–	–	–	(21,757)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(175,560)	–	(175,560)	(24,939)	(200,499)
Proposed final dividend	–	–	–	–	–	–	–	–	–	–	–	234,080	(234,080)	–	–	–
Appropriations	–	–	–	90,650	–	101	67	–	–	–	–	–	(90,818)	–	–	–
At 31 December 2007	2,926,000	1,460,941	866,025	219,127	–	415	216	15,666	(583,950)	(14,555)	(6,754)	234,080	659,214	5,776,425	160,452	5,936,877

Consolidated Statement **of Changes in Equity**

For the year ended 31 December 2007

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 years' losses, expand the existing operations or convert into additional capital of the Company and subsidiaries.

(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 be transferred 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 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 ("DCT") and the Group Reorganisation set out in note 1. Other reserve would be released to retained earnings upon the depreciation of those capital assets.

Consolidated
Cash Flow Statement

For the year ended 31 December 2007

	2007 RMB'000	2006 RMB'000 (restated)
Operating activities		
Profit before tax	**749,516**	685,444
Adjustments for:		
Share of results of jointly controlled entities	**(167,306)**	(192,414)
Share of results of associates	**(992)**	(1,227)
Finance costs	**57,813**	116,522
Depreciation and amortisation	**250,183**	180,808
Release of prepaid lease payments to income statement	**4,911**	4,348
Gain on disposal of property, plant and equipment	**(6,869)**	(4,355)
Gain on disposal of prepaid lease payments	**(1,831)**	(8,515)
Loss on disposal of investment properties	**253**	707
Increase in fair value of derivative financial liabilities	**2,911**	–
Loss on disposal of intangible assets	**1**	1,128
(Gain) loss on disposal of properties held for sales	**(20,692)**	64
Interest income	**(18,566)**	(141,923)
Change in fair value of financial assets classified as held for trading	**(4,981)**	(2,125)
Interest income from derivative financial liabilities	**(1,749)**	–
Operating cash flows before movements in working capital	**842,602**	638,462
Decrease in properties held for sale	**124,581**	8,079
Increase in inventories	**(1,845)**	(17,251)
Decrease (increase) in trade and other receivables	**236,694**	(110,467)
(Increase) decrease in amounts due from jointly controlled entities	**(4,873)**	4,071
Decrease (increase) in amounts due from associates	**12,281**	(13,367)
(Increase) decrease in amounts due from related companies	**(2,676)**	116
Decrease in advance to PDA	**1,895**	15,400
(Decrease) increase in trade and other payables	**(300,991)**	232,062
Increase in amounts due to jointly controlled entities	**468**	142
Increase (decrease) in amounts due to associates	**53**	(2,335)
Increase in amounts due to related companies	**1,486**	70,892
Increase (decrease) in advance from PDA	**7,739**	(66,095)
Decrease in amount due to shareholder of jointly controlled entities	**–**	(5,000)
Interest received	**18,566**	141,923
Proceeds from disposal of financial assets classified as held for trading	**6,945**	2,335
Cash generated from operations	**942,925**	898,967
Income tax paid	**(109,140)**	(31,001)
Net cash generated from operating activities	**833,785**	867,966

Consolidated
Cash Flow Statement

For the year ended 31 December 2007

	2007 RMB'000	2006 RMB'000
Investing activities		
Purchase of property, plant and equipment	**(776,457)**	(1,337,796)
Acquisition of associates	**(494,569)**	(10,493)
Acquisition of available-for-sale investments	**(122,155)**	(52,843)
Addition of prepaid lease payments	**(82,255)**	–
Advance to an associate	**(64,000)**	–
Acquisition of additional interest in subsidiaries	**(6,873)**	–
Acquisition of jointly controlled entities	**(6,686)**	(10,000)
Purchase of intangible assets	**(2,018)**	(40,860)
Purchase of investment properties	**(650)**	–
Dividend received from jointly controlled entities	**176,631**	78,703
Proceed from disposal of investment properties	**46,311**	1,165
Proceeds from disposal of property, plant and equipment	**31,356**	18,627
Repayment of loan from jointly controlled entities	**25,000**	–
Dividend received from associates	**6,185**	11,616
Proceed from disposal of prepaid lease payments	**2,331**	12,354
Interest received from derivative financial liabilities	**1,749**	–
Proceed from disposal of intangible assets	**40**	42
Advances to jointly controlled entities	**–**	(75,000)
Proceed from finance lease receivables	**–**	2,294
Net cash used in investing activities	**(1,266,060)**	(1,402,191)
Financing activities		
New bank loans raised	**970,504**	1,023,320
Repayment of bank loans	**(1,150,885)**	(2,438,292)
Government grant received	**19,318**	725,844
Expenses refunded in connection with issue of new H shares in prior year	**19,392**	–
Interest received arising from the over-subscription of the Company's H shares under the global offering	**–**	108,772
Net proceeds from issue of shares	**–**	2,385,343
Dividend paid	**(175,560)**	–
Interest paid	**(122,072)**	(175,488)
Dividend paid to minority shareholders	**(8,902)**	(11,449)
Contribution from minority shareholder	**–**	69,981
Net cash (used in) generated from financing activities	**(448,205)**	1,688,031
Net (decrease) increase in cash and cash equivalents	**(880,480)**	1,153,806
Cash and cash equivalents at 1 January	**1,412,634**	258,828
Cash and cash equivalents at 31 December, represented by bank balances and cash	**532,154**	1,412,634

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL

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 H shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") with effect from 28 April 2006.

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 addresses 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") to rationalise the group structure in preparation for the listing of the Company's H 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 Group resulting from the Group Reorganisation is regarded as a restructure of enterprises under common control. Accordingly, the financial statements for the year ended 31 December 2006 have been prepared on the basis as if the Company had always been the holding company of the Group.

The consolidated financial statements are presented in Renminbi ("RMB"), 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, automobile terminal and logistics services and port value-added services.

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

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

2. CHANGE IN ACCOUNTING POLICY *(Continued)*

Under the equity method, the Group's interests in jointly controlled entities in the consolidated balance sheet are carried 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.

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

	2007 **RMB'000**	2006 RMB'000
Decrease in revenue	**(486,115)**	(385,109)
Decrease in cost of services	**222,603**	130,535
Decrease in other income	**(1,004)**	(22,077)
Decrease in selling and administrative expenses	**54,079**	62,330
Increase in share of results of jointly controlled entities	**168,964**	192,414
Decrease in share of results of associates	**(2,572)**	(6,097)
Decrease in finance costs	**11,047**	13,451
Decrease in income tax expense	**32,998**	14,553
Change in profit for the year	**–**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

2. CHANGE IN ACCOUNTING POLICY *(Continued)*

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	–	702,654	702,654
Interests in associates	144,132	(12,759)	131,373
Deferred tax assets	79,987	(845)	79,142
Rights to receive government grants	30,600	(30,600)	–
Inventories	461	22,625	23,086
Trade and other receivables	269,707	36,677	306,384
Amounts due from jointly controlled entities	1,596	76,571	78,167
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	1,093,010	–	1,093,010
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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. CHANGE IN ACCOUNTING ESTIMATE

During the current year, 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**
Certain terminal facilities	2.5% to 6.3%	**2% to 5.6%**
Certain vessels and motor vehicles	6.3%	**5.6%**

This change in depreciation rates decreased the depreciation charge and increased the profit before tax by approximately RMB32,770,000.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment 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, which are effective for the Group's financial year beginning on 1 January 2007.

International Accounting Standard ("IAS") 1 (Amendment)	Capital Disclosures
International Financial Reporting Standard ("IFRS") 7	Financial Instruments: Disclosures
IFRIC - Interpretation ("Int") 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC - Int 8	Scope of IFRS 2
IFRIC - Int 9	Reassessment of Embedded Derivatives
IFRIC - Int 10	Interim Financial Reporting and Impairment

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 8	Operating Segments[1]
IFRIC - Int 11	IFRS 2: Group and Treasury Share Transactions[3]
IFRIC - Int 12	Service Concession Arranagements[4]
IFRIC - Int 13	Customer Loyalty Programmes[5]
IFRIC - Int 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 March 2007

4 Effective for annual periods beginning on or after 1 January 2008

5 Effective for annual periods beginning on or after 1 July 2008

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 except for the adoption of IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidation and Separate Financial Statements. IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. 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 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 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's interest 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.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition 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.

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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 including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment 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 6%
Terminal equipment	5% to 10%
Vessels and motor vehicles	5% to 14%
Other equipment	9% to 19%

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. 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.

Property that is being constructed or developed for future use as an investment property is classified as construction in progress under property, plant and equipment and carried at cost less recognised impairment loss until construction or development is complete, at which time it is reclassified to and subsequently accounted for as investment property.

Property that is being constructed or developed for future use as an investment property is classified as property, plant and equipment and carried at cost less recognised impairment loss until construction or development is complete, at which time it is reclassified to and subsequently accounted for as investment property.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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 consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

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

During the construction period, the amortisation charge provided for the prepaid lease payments is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use.

Gains 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

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 asset) is included in the consolidated income statement in the year in which the item is derecognised.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities 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 jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals to 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.

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.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated 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 associates, less any identified impairment loss. When the Group's share of losses of an associate equals to or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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 associate.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

5. 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. Cost is calculated using the first-in, first-out method.

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 assets (or disposal group) are 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 the assets'(disposal groups') previous carrying amount and fair value less costs to sell.

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'.

Impairment losses on tangible and intangible assets

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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from jointly controlled entities, associates, related companies and a fellow subsidiary, advance to PDA and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale 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 (see accounting policy on impairment loss on financial assets below).

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 financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, etc, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio beyond the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

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, associates, related companies and a fellow subsidiary and advance to PDA, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables, amounts due from jointly controlled entities, associates, related companies and a fellow subsidiary and advance to PDA, are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are classified into other financial liabilities.

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Effective interest method

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.

Interest expense is recognised on an effective interest basis other than those financial liability designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to jointly controlled entities, associates, related companies, fellow subsidiaries and a minority shareholder, advance from PDA and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

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 2007

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred 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 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 recognised to the extent that it is probable that taxable profits will be available against which 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 arising on 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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.

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

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire contract is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months or significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

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.

Impairment loss of 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.

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

7. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes bank borrowings disclosed in note 37, and equity attributable to equity holders of the Company, comprising paid-in capital, share premium and reserves. The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by various departments taking into account of the future expansion and the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

8. FINANCIAL INSTRUMENTS

8a. Categories of financial instruments

	2007	2006
	RMB'000	RMB'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**1,049,270**	1,821,936
Available-for-sale investments	**160,559**	54,076
Financial liabilities		
Liabilities at amortised cost	**2,750,317**	3,035,742
Derivative instruments	**2,911**	–

8b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from/to PDA, jointly controlled entities, associates, related companies, fellow subsidiaries and a minority shareholder, bank balances, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, exchange rate risk, and other price risk), credit risk and liquidity risk. 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.

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

8. FINANCIAL INSTRUMENTS *(Continued)*

8b. Financial risk management objectives and policies *(Continued)*

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry prevailing market interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of The People's Bank of China and Hong Kong Interbank Offered Rate arising from the Group's RMB and Hong Kong Dollars borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 27 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the respective balance sheet dates, if interest rates had been increased/decreased by 27 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately RMB2,825,000 and RMB4,219,000 for the years ended 31 December 2007 and 2006, respectively.

(ii) Other price risk

The Group is exposed to equity price risk on its listed available-for-sale investments. Management of the Group has closely monitored the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the balance sheet date.

If the prices of the listed available-for-sale investments had been 5% higher/lower, the investment revaluation reserve for the period ended 31 December 2007 would increase/decrease by approximately RMB2,924,000 as a result of the changes in fair value of the listed available-for-sale investments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

8. FINANCIAL INSTRUMENTS *(Continued)*

8b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, management of the Group 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 to 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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity Risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2007 and 2006, the Group has total available unutilised overdraft and short-term bank loan facilities of approximately RMB2,690,000,000 and RMB2,720,000,000, respectively.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

8. FINANCIAL INSTRUMENTS *(Continued)*

8b. Financial risk management objectives and policies *(Continued)*

Liquidity Risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2007 RMB'000
2007								
Non-derivative financial liabilities								
Trade and other payables	–	131,562	15,531	228,762	–	–	375,855	375,855
Amounts due to jointly controlled entities	–	1,386	107	68	–	–	1,561	1,561
Amounts due to associates	–	4,456	–	305	–	–	4,761	4,761
Amounts due to related companies	–	24,597	44	72,042	–	–	96,683	96,683
Amounts due to fellow subsidiaries	–	170	38	4,683	–	–	4,891	4,891
Advance from PDA	–	13,707	1,834	1,007	–	–	16,547	16,547
Amount due to a minority shareholder	–	–	–	22,059	–	–	22,059	22,059
Bank borrowings - floating rate	5.53	68,197	136,395	613,777	1,051,621	790,500	2,660,490	2,227,960
		244,075	153,949	942,703	1,051,621	790,500	3,182,847	2,750,317
2006								
Non-derivative financial liabilities								
Trade and other payables	–	99,584	23,760	367,301	–	–	490,645	490,645
Amounts due to jointly controlled entities	–	989	104	–	–	–	1,093	1,093
Amounts due to associates	–	424	–	4,284	–	–	4,708	4,708
Amounts due to related companies	–	1,205	5	92,496	–	–	93,706	93,706
Amounts due to fellow subsidiaries	–	4,007	–	2,775	–	–	6,382	6,382
Advance from PDA	–	4	178	8,626	–	–	8,808	8,808
Amount due to a minority shareholder	–	–	–	22,618	–	–	22,618	22,618
Bank borrowings - floating rate	7.46	51,659	103,319	464,935	1,547,135	938,806	3,105,854	2,407,782
		157,872	127,366	963,035	1,547,135	938,806	3,733,814	3,035,742

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

8. FINANCIAL INSTRUMENTS *(Continued)*

8c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

9. REVENUE

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

	2007 RMB'000	2006 RMB'000 (restated)
Service income	**902,795**	742,663
Rental income	**408,599**	307,756
Sales of goods	**258,742**	110,594
	1,570,136	1,161,013

10. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is organised into four operating divisions - oil/liquefied chemicals terminal and logistics services, container terminal and logistics services, automobile 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, storage and transhipment of containers, leasing of terminals and related facilities and various container 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.

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Automobile terminal and logistics services RMB'000	Eliminations RMB'000	Consolidated RMB'000
Revenue						
External sales	673,707	644,339	252,090	–	–	1,570,136
Inter-segment sales	69	475	2,302	–	(2,846)	–
Total revenue	673,776	644,814	254,392	–	(2,846)	1,570,136

Inter-segment sales are charged at prevailing market prices.

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Automobile terminal and logistics services RMB'000	Eliminations RMB'000	Consolidated RMB'000
Result						
Segment result	367,713	166,783	118,638	–	–	653,134
Unallocated income						18,566
Unallocated expenses						(32,669)
Share of results of jointly controlled entities	20,785	137,546	9,178	(203)	–	167,306
Share of results of associates	–	582	2,916	(2,506)	–	992
Finance costs						(57,813)
Profit before tax						749,516
Income tax expense						(119,134)
Profit for the year						630,382

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

BALANCE SHEET

AT 31 DECEMBER 2007

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Automobile terminal and logistics services RMB'000	Consolidated RMB'000
Assets					
Segment assets	3,744,502	3,104,871	667,328	–	7,516,701
Interests in jointly controlled entities	129,063	578,088	6,215	4,037	717,403
Interests in associates	20,289	609,898	1,361	85,997	717,545
Unallocated assets					572,055
Consolidated total assets					9,523,704
Liabilities					
Segment liabilities	986,521	318,462	6,827	–	1,311,810
Unallocated liabilities					2,276,012
Consolidated total liabilities					3,587,822

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

OTHER INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2007

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Port value-added services RMB'000	Automobile terminal and logistics services RMB'000	Consolidated RMB'000
Capital additions	840,868	243,839	123,354	–	1,208,061
Depreciation and amortisation	139,241	87,792	23,151	–	250,184
Release of prepaid lease payments to income statement	–	4,911	–	–	4,911
Loss (gain) on disposal of property, plant and equipment	2,158	(11,204)	2,177	–	(6,869)
Loss on disposal of intangible assets	–	–	1	–	1

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Oil/liquefied chemicals terminal and logistics services RMB'000 (restated)	Container terminal and logistics services RMB'000 (restated)	Port value-added services RMB'000 (restated)	Automobile terminal and logistics services RMB'000	Eliminations RMB'000	Consolidated RMB'000 (restated)
Revenue						
External sales	562,183	364,979	232,851	–	–	1,163,013
Inter-segment sales	–	18	3,774	–	(3,792)	–
Total revenue	562,183	364,997	236,625	–	(3,792)	1,163,013

Inter-segment sales are charged at prevailing market prices.

Result						
Segment result	316,346	104,039	92,937	–	–	513,322
Unallocated income						141,923
Unallocated expenses						(46,920)
Share of results of jointly controlled entities	19,781	165,226	7,407	–	–	192,414
Share of results of associates	–	(951)	2,178	–	–	1,227
Finance costs						(116,522)
Profit before tax						685,444
Income tax expense						(40,282)
Profit for the year						645,162

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

BALANCE SHEET

AT 31 DECEMBER 2006

	Oil/liquefied chemicals terminal and logistics services RMB'000 (restated)	Container terminal and logistics services RMB'000 (restated)	Port value-added services RMB'000 (restated)	Automobile terminal and logistic services RMB'000	Consolidated RMB'000 (restated)
Assets					
Segment assets	3,231,747	3,352,960	452,213	–	7,036,920
Interests in jointly controlled entities	114,514	575,588	12,552	–	702,654
Interests in associates	–	120,792	10,581	–	131,373
Unallocated assets					1,461,176
Consolidated total assets					9,332,123
Liabilities					
Segment liabilities	961,656	389,195	11,007	–	1,361,858
Unallocated liabilities					2,436,966
Consolidated total liabilities					3,798,824

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

10. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

OTHER INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2006

	Oil/liquefied chemicals terminal and logistics services RMB'000 (restated)	Container terminal and logistics services RMB'000 (restated)	Port value-added services RMB'000 (restated)	Automobile terminal and logistic services RMB'000	Consolidated RMB'000 (restated)
Capital additions	721,404	767,568	141,564	–	1,630,536
Allowance for doubtful debts, net	222	87	900	–	1,209
Depreciation and amortisation	103,482	46,488	30,838	–	180,808
Release of prepaid lease payments to income statement	–	4,348	–	–	4,348
Loss (gain) on disposal of property, plant and equipment	64	(4,561)	142	–	(4,355)
Loss on disposal of investment properties	–	707	–	–	707
Loss on disposal of intangible assets	–	1,128	–	–	1,128

Geographical segments

All the Group's operations, and all its customers, 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 2007

11. OTHER INCOME

	2007 RMB'000	2006 RMB'000 (restated)
Bank interest income (note)	**18,566**	141,923
Gain on disposal of properties held for sale	**20,692**	–
Gain on disposal of property, plant and equipment	**6,869**	4,355
Gain on disposal of prepaid lease payments	**1,831**	8,515
Change in fair value of financial assets classified as held for trading	**4,981**	2,125
Subsidy income	**220**	800
Others	**3,708**	4,430
	56,867	162,148

Note: Bank interest income in 2006 included an amount of approximately RMB108,772,000 (2007: nil) arising from the over-subscription of the Company's H shares under the global offering.

12. FINANCE COSTS

	2007 RMB'000	2006 RMB'000 (restated)
Interest on bank borrowings	**123,112**	179,560
Less: amount capitalised in the cost of property, plant and equipment	**(65,299)**	(63,038)
	57,813	116,522

The weighted average capitalisation rate is 6.3% per annum calculated on the general borrowing pool (2006: 5.6% per annum).

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

13. INCOME TAX EXPENSE

	2007 RMB'000	2006 RMB'000 (restated)
The charge comprises:		
Current tax:		
Charge for the year	**128,759**	38,324
(Over)underprovision in prior years	**(751)**	2,818
	128,008	41,142
Deferred tax (note 25)	**(8,874)**	(860)
	119,134	40,282

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 income tax for the year ended 31 December 2007 and exempted from PRC income tax for the year ended 31 December 2006.

Except for the Company, the tax charges of the group entities for the year ended 31 December 2007 and 2006 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.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 15% to 25% for the Company and from 33% to 25% for 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 or the liability is settled (adjusted as appropriate).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

13. INCOME TAX EXPENSE *(Continued)*

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

	2007 **RMB'000**	2006 RMB'000 (restated)
Profit before tax	**749,516**	685,444
Tax at PRC income tax rate of 33%	**247,340**	226,197
Tax effect of expenses not deductible for tax purposes	**5,107**	10,398
Tax effect of income not taxable for tax purposes	**(17,133)**	(45,326)
Tax effect of share of results of associates	**(327)**	(405)
Tax effect of share of results of jointly controlled entities	**(55,211)**	(63,497)
Effect of tax concessions/exemptions granted	**(59,897)**	(89,851)
(Over)underprovision in prior years	**(751)**	2,818
Others	**6**	(52)
Tax charge for the year	**119,134**	40,282

Details of movements in deferred tax have been set out in note 25.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

14. PROFIT FOR THE YEAR

	2007 RMB'000	2006 RMB'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration (note 15):		
– Salaries, wages and other benefits	**126,751**	133,595
– Retirement benefits scheme contributions	**28,437**	18,204
Total staff costs	**155,188**	151,799
(Recovery of) allowance for doubtful debts, net	**(1,405)**	369
Auditor's remuneration	**3,701**	3,820
Depreciation for property, plant and equipment	**228,200**	167,615
Depreciation for investment properties	**17,622**	9,589
Amortisation of intangible assets	**4,361**	3,604
Total depreciation and amortisation	**250,183**	180,808
Release of prepaid lease payments to income statement	**4,911**	4,348
Increase in fair value of derivative financial liabilities	**2,911**	–
Foreign exchange loss, net	**2,594**	18,021
Loss on disposal of investment properties	**253**	707
Loss on disposal of intangible assets	**1**	1,128
Loss on disposal of non-current assets held for sale	**–**	64

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments paid or payable to the 8 (2006: 8) directors are as follows:

	2007 RMB'000	2006 RMB'000 (restated)
Fees	**–**	–
Salaries and other allowances	**1,039**	883
Retirement benefits scheme contributions	**86**	23
	1,125	906

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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

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

Details of emoluments of individual directors are as follows:

	2007 RMB'000	2006 RMB'000 (restated)
Salaries and other allowances:		
Executive Directors		
Sun Hong	**–**	–
Jiang Luning	**390**	326
Su Chunhua	**307**	276
Zhang Fengge (Note)	**–**	N/A
Non-executive Directors		
Lu Jianmin	**–**	–
Zhang Fengge (Note)	**N/A**	–
Independent Non-executive Directors		
Yang Zan	**80**	60
Zhang Xianzhi	**80**	60
Ng Ming Wah, Charles	**182**	161
	1,039	883

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

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

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

	2007 RMB'000	2006 RMB'000 (restated)
Retirement benefits scheme contributions:		
Executive Directors		
Sun Hong	–	–
Jiang Luning	43	12
Su Chunhua	43	11
Zhang Fengge (Note)	–	N/A
Non-executive Directors		
Lu Jianmin	–	–
Zhang Fengge (Note)	N/A	–
Independent Non-executive Directors		
Yang Zan	–	–
Zhang Xianzhi	–	–
Ng Ming Wah, Charles	–	–
	86	23

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

	2007 RMB'000	2006 RMB'000 (restated)
Other allowances	–	–

No directors waived any emoluments in both years.

Note: Mr. Zhang Fengge has re-designated from a non-executive director to an executive director of the Company during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, there were 2 (2006: 1) director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2006: 4) individuals were as follows:

	2007 RMB'000	2006 RMB'000 (restated)
Salaries and other allowances	**2,410**	2,753
Retirement benefits scheme contributions	**43**	34
	2,453	2,787

Their emoluments were within the following bands:

	Number of employees	
	2007	2006
HK$nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1

16. DIVIDENDS

	2007 RMB'000	2006 RMB'000
2006 Final dividend paid - RMB6 cents per share (2005: RMB nil)	**175,560**	–

A final dividend of RMB8 cents (2006: RMB6 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

17. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2007 is based on the profit attributable to the equity holders of the Company and the number of 2,926,000,000 shares (2006: the weighted average number of 2,614,625,000 shares) in issue. The weighted average number of shares in issue for the year ended 31 December 2006 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.

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 2007

18. 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 2006, as originally stated	189,062	2,413,251	534,460	480,806	90,334	1,779,088	5,487,001
Effect of change in accounting policy (see note 2)	(36,060)	(829,897)	(405,847)	(215,377)	(77,470)	(70,250)	(1,634,901)
At 1 January 2006, as restated	153,002	1,583,354	128,613	265,429	12,864	1,708,838	3,852,100
Additions	–	141,821	22,053	9,810	9,542	1,365,974	1,549,200
Reclassifications	12,561	695,634	54,547	231,927	120,336	(1,115,005)	–
Transfer to non-current assets held for sale	(38,949)	–	–	–	–	–	(38,949)
Transfer to intangible assets (note 21)	–	–	–	–	–	(1,005)	(1,005)
Disposals	(1,573)	(34,213)	(24,846)	(280)	(399)	–	(61,311)
At 31 December 2006 and 1 January 2007	125,041	2,386,596	180,367	506,886	142,343	1,958,802	5,300,035
Additions	18,480	168,791	36,438	5,615	54,595	803,349	1,087,268
Reclassifications	137,283	1,389,440	105,125	165,754	(127,093)	(1,670,509)	–
Transfer to intangible assets (note 21)	–	–	–	–	–	(1,728)	(1,728)
Transfer to non-current assets held for sale	(29,024)	(1,152,441)	(95,400)	–	–	–	(1,276,865)
Transfer to investment properties (note 20)	(6,410)	(158,691)	–	–	–	–	(165,101)
Disposals	(31,171)	(116,439)	(38,266)	(41,034)	(12,587)	–	(239,497)
At 31 December 2007	**214,199**	**2,517,256**	**188,264**	**637,221**	**57,258**	**1,089,914**	**4,704,112**

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	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
ACCUMULATED DEPRECIATION							
At 1 January 2006, as originally stated	30,213	392,086	185,156	208,636	29,567	–	845,658
Effect of change in accounting policy (see note 2)	(26,332)	(379,555)	(156,930)	(204,840)	(18,921)	–	(786,578)
At 1 January 2006, as restated	3,881	12,531	28,226	3,796	10,646	–	59,080
Provided for the year	11,300	101,589	10,778	28,824	15,124	–	167,615
Eliminated on transfer to non-current assets held for sale	(1,882)	–	–	(185)	–	–	(2,067)
Eliminated on disposals	(1,467)	(18,126)	(23,016)	(80)	(121)	–	(42,810)
At 31 December 2006 and 1 January 2007	11,832	95,994	15,988	32,355	25,649	–	181,818
Provided for the year	20,555	137,546	5,204	38,181	26,714	–	228,200
Eliminated on transfer to non-current assets held for sale	(7,149)	(33,841)	(9,643)	–	–	–	(50,633)
Reclassifications	516	(24)	5,352	–	(5,844)	–	–
Transfer to investment properties (note 20)	(4,794)	(29,303)	–	–	–	–	(34,097)
Eliminated on disposals	(7,509)	(7,741)	(4,729)	(7,287)	(1,635)	–	(28,901)
At 31 December 2007	13,451	162,631	12,172	63,249	44,884	–	296,387
CARRYING AMOUNT							
At 31 December 2007	**200,748**	**2,354,625**	**176,092**	**573,972**	**12,374**	**1,089,914**	**4,407,725**
At 31 December 2006, as restated	113,209	2,290,602	164,379	474,531	116,694	1,958,802	5,118,217

A subsidiary of the Company has pledged all of its property, plant and equipment with an aggregate carrying amount of approximately RMB102,021,000 (2006: RMB115,948,000, as restated) 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 2007

19. PREPAID LEASE PAYMENTS

	2007 RMB'000	2006 RMB'000 (restated)
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**298,848**	187,019
Analysed as:		
Non-current assets	**292,437**	182,428
Current assets	**6,411**	4,591
	298,848	187,019

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

20. INVESTMENT PROPERTIES

	Buildings RMB'000	Container terminals RMB'000	Total RMB'000
COST			
At 1 January 2006	30,556	889,523	920,079
Disposals	(6,145)	–	(6,145)
At 31 December 2006 and 1 January 2007	24,411	889,523	913,934
Additions	93	557	650
Transfer from property, plant and equipment (note 18)	6,410	158,691	165,101
Reclassification	4,397	(4,397)	–
Disposals	(8,903)	(98,669)	(107,572)
At 31 December 2007	**26,408**	**945,705**	**972,113**
ACCUMULATED DEPRECIATION			
At 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 and 1 January 2007	28	63,848	63,876
Charge for the year	1,395	16,227	17,622
Transfer from property, plant and equipment (note 18)	4,794	29,303	34,097
Eliminated on disposals	(916)	(50,250)	(51,166)
At 31 December 2007	5,301	59,128	64,429
CARRYING AMOUNT			
At 31 December 2007	**21,107**	**886,577**	**907,684**
At 31 December 2006	24,383	825,675	850,058

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

20. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties were approximately RMB944,463,000 and RMB921,787,000 as at 31 December 2007 and 2006, respectively.

The fair value of the Group's investment properties at 31 December 2007 has been determined by the directors of the Company by reference to the opinion of independent qualified professional valuers, in which the valuation was determined by the present value of discounted net cash inflow of related contracted and expected rental income over the remaining economic useful lives. The discount rate applied was 9.6%.

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 building elements cannot be made reliably.

Property rentals rendered from its investment properties amounted to approximately RMB100,918,000 and RMB78,951,000 for the years ended 31 December 2007 and 2006, respectively. Direct operating expenses which were included in cost of services amounted to approximately RMB24,691,000 and RMB20,028,000 for the years ended 31 December 2007 and 2006, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

21. 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 2006, as originally stated	–	10,795	533	11,328
Effect of change in accounting policy (see note 2)	–	(3,090)	(385)	(3,475)
At 1 January 2006, as restated	–	7,705	148	7,853
Additions	46,660	273	6	46,939
Transfer from property, plant and equipment (note 18)	–	1,005	–	1,005
Disposals	–	(1,130)	–	(1,130)
At 31 December 2006 and 1 January 2007	46,660	7,853	154	54,667
Additions	–	1,221	1,240	2,461
Transfer from property, plant and equipment (note 18)	–	1,728	–	1,728
Disposals	–	(96)	–	(96)
At 31 December 2007	**46,660**	**10,706**	**1,394**	**58,760**
ACCUMULATED AMORTISATION				
At 1 January 2006, as originally stated	–	3,227	83	3,310
Effect of change in accounting policy (see note 2)	–	(1,133)	(64)	(1,197)
At 1 January 2006, as restated	–	2,094	19	2,113
Charge for the year	1,458	2,118	28	3,604
Eliminated on disposals	–	(1)	–	(1)
At 31 December 2006 and 1 January 2007	1,458	4,211	47	5,716
Charge for the year	2,916	1,378	67	4,361
Eliminated on disposals	–	(55)	–	(55)
At 31 December 2007	4,374	5,534	114	10,022
CARRYING AMOUNTS				
At 31 December 2007	**42,286**	**5,172**	**1,280**	**48,738**
At 31 December 2006, as restated	45,202	3,642	107	48,951

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

21. INTANGIBLE ASSETS *(Continued)*

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.

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2007 **RMB'000**	2006 RMB'000
Cost of unlisted investments in jointly controlled entities (note)	**680,749**	662,681
Share of post-acquisition profits, net of dividends received	**37,649**	39,973
	718,398	702,654

Note: Included in the cost of unlisted investments in jointly controlled entities is an amount of RMB30,600,000 which represents, for the purpose of the acquisition of additional interests in Odfjell Terminals (Dalian) Ltd. ("OTD"), the excess amount paid over the share of the additional interest in the fair value of the net assets of OTD in anticipation of a government grant to be received by OTD. This amount was reclassified from rights to receive government grant to interest in jointly controlled entity in the current year upon the adoption of the equity method of accounting for jointly controlled entities.

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2007 **RMB'000**	2006 RMB'000
Current assets	**168,044**	175,126
Non-current assets	**1,396,964**	1,352,550
Current liabilities	**388,269**	448,419
Non-current liabilities	**290,038**	181,832
Income	**489,691**	474,894
Expenses	**290,382**	266,713

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

23. INTERESTS IN ASSOCIATES

	2007 RMB'000	2006 RMB'000 (restated)
Cost of investments in associates	**767,193**	146,134
Share of post-acquisition results, net of dividends received	**(49,648)**	(14,761)
	717,545	131,373

Included in the cost of investments in associates is goodwill of RMB28,820,000 (2006: RMB2,181,000) arising on acquisitions of associates in prior years.

The summarised financial information in respect of the Group's associates which are accounted for using the equity method is set out below:

	2007 RMB'000	2006 RMB'000 (restated)
Revenue	**412,411**	409,023
Profit for the year	**44,296**	19,769
Group's share of results of associates for the year	**992**	1,227
Total assets	**972,722**	888,361
Total liabilities	**599,836**	497,429
Net assets	**372,886**	390,932
Group's share of net assets of associates	**709,593**	129,192

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

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

24. AVAILABLE-FOR-SALE INVESTMENTS

	2007 RMB'000	2006 RMB'000
Unlisted equity securities, at cost (note 1)	102,076	54,076
Equity securities listed in Hong Kong, at fair value (note 2)	58,483	–
	160,559	54,076

Notes:

1. They 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 amount is an investment of a 45% equity interest in Dalian PG&JF Logistics Co., Ltd. ("Dalian Baogong") of RMB1,233,000 (2006: RMB1,233,000). In the opinion of the directors, the Group cannot exercise any significant influence on Dalian Baogang and hence has classified it as available-for-sale investments for both years.

2. They represent an investment in approximately 0.24% shareholding of Sinotrans Shipping Limited, a company incorporated and listed in Hong Kong. The investment was pledged to financial institutions to secure general banking facilities granted to the Group.

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

25. DEFERRED TAX ASSETS/LIABILITIES

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

	Accelerated tax depreciation RMB'000	Unrealised profits RMB'000	Allowance for doubtful debts RMB'000	Tax losses RMB'000	Other deductible temporary differences RMB'000	Other taxable temporary differences RMB'000	Total RMB'000
At 1 January 2006, originally stated	78,463	–	664	–	–	–	79,127
Effect of change in accounting policy (see note 2)	–	–	(845)	–	–	–	(845)
At 1 January 2006, as restated	78,463	–	(181)	–	–	–	78,282
Credit to income statement for the year	–	–	860	–	–	–	860
At 31 December 2006 and 1 January 2007	78,463	–	679	–	–	–	79,142
Credit to income statement for the year	(3,239)	10,202	(5)	441	8,372	(6,897)	8,874
Charge to equity for the year	(17,515)	–	–	–	–	–	(17,515)
At 31 December 2007	57,709	10,202	674	441	8,372	(6,897)	70,501

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been net off.

The Group has unused tax losses of approximately RMB1,764,000 and RMB453,000 as 31 December 2007 and 2006, respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of such losses.

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

25. DEFERRED TAX ASSETS/LIABILITIES *(Continued)*

The expiry dates of these tax losses are as follows:

	2007	2006
	RMB'000	RMB'000
		(restated)
With expiry in:		
2008	**1,764**	–
2010	**–**	453
	1,764	453

26. PROPERTIES HELD FOR SALE

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

27. TRADE AND OTHER RECEIVABLES

	2007	2006
	RMB'000	RMB'000
		(restated)
Trade receivables	**55,562**	55,841
Less: allowance for doubtful debts	**(2,648)**	(2,790)
	52,914	53,051
Other receivables	**328,911**	253,333
Total trade and other receivables	**381,825**	306,384

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables before the allowance for doubtful debts at the balance sheet date:

	2007	2006
	RMB'000	RMB'000
		(restated)
0-90 days	**54,800**	50,263
91-180 days	**77**	1,361
Over 180 days	**685**	4,217
	55,562	55,841

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB556,000 (2006: RMB1,490,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The age of these receivables ranged from 91 to 365 days for both years.

Ageing of trade receivables which are past due but not impaired:

	2007 RMB'000	2006 RMB'000 (restated)
91-180 days	**73**	1,142
181 - 365 days	**483**	348
Total	**556**	1,490

The Group provided in full for all receivables that are not recoverable.

Movement in allowance for doubtful debts:

	2007 RMB'000	2006 RMB'000 (restated)
Balance at beginning of the year	**2,790**	3,650
Amounts written off as uncollectible	**–**	(200)
Impairment losses reversed	**(142)**	(660)
Balance at end of the year	**2,648**	2,790

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB2,648,000 (2006: RMB2,790,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not held any collateral over these balances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

28. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES

	2007 RMB'000	2006 RMB'000 (restated)
Due from jointly controlled entities:		
Dalian China Oil Dock Management Co., Ltd.	4,506	–
Dalian Yidu Jifa Cold Logistics Co., Ltd. ("Dalian Yidu")	–	508
DCT	52,759	76,544
DCT Logistics Co., Ltd. ("DCTL")	775	88
Liaoning Con-Rail International Logistics Co., Ltd.	–	1,027
	58,040	78,167
Representing:		
0 - 90 days	57,808	77,659
91 - 180 days	8	508
Over 180 days	224	–
	58,040	78,167
Due to jointly controlled entities:		
Dalian Yidu	20	–
DCT	814	126
DCTL	727	967
	1,561	1,093
Representing:		
0 - 90 days	1,521	1,093
91 - 180 days	40	–
	1,561	1,093

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

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

29. AMOUNTS DUE FROM (TO) ASSOCIATES

	2007 **RMB'000**	2006 RMB'000 (restated)
Due from associates:		
Dalian Jiyi Logistics Co., Ltd. ("Dalian Jiyi")	**5,300**	60
Dalian Dagang China Shipping Container Terminal Co., Ltd. ("DDCT. CS")	**–**	75
Dalian Port Container Terminal Co., Ltd. ("DPCM")	**1,297**	22,601
Dalian Jilong Logistics Co., Ltd. ("Dalian Jilong")	**3**	–
Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile")	**64,000**	–
Dalian International Container Terminal Co., Ltd. ("Dalian International")	**2,707**	–
Dalian Singamas International Container Co., Ltd. ("Dalian Singamas")	**1,148**	–
	74,455	22,736
Representing:		
0 – 90 days	**5,822**	22,036
91 – 180 days	**1,510**	700
Over 180 days	**67,123**	–
	74,455	22,736
Due to associates:		
Dalian Jilong	**20**	149
Dalian Jiyi	**409**	155
Dalian Singamas	**4,067**	4,270
DDCT. CS	**8**	134
DPCM	**120**	–
Dalian International	**117**	–
Dalian Shunda Logistics Services Corporation	**20**	–
	4,761	4,708
Representing:		
0 – 90 days	**417**	378
91 – 180 days	**60**	–
Over 180 days	**4,284**	4,330
	4,761	4,708

Except for due from Dalian Automobile of RMB64,000,000, the amounts are of trade nature and they are unsecured, non-interest bearing and repayable on demand. The amount due from Dalian Automobile is unsecured, interest bearing at market prevailing rate and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

30. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2007 RMB'000	2006 RMB'000 (restated)
Due from a jointly controlled entity of PDA representing over 360 days		
Dalian Golden Name Commercial Tower Co., Ltd.	**80**	80
Due to associates of PDA:		
Dalian Port New Harbour Construction Engineering Co.	**24,609**	13,472
大連港口設計研究院有限公司	**305**	–
大連港日與鍋爐安裝有限公司	**14,466**	24,244
	39,380	37,716
Due to jointly controlled entities of PDA:		
Dalian Port Machinery and Electric Co., Ltd.	**11,760**	5,808
大連港隆科技有限公司 (Dalian Gang Long Ke Ji Co., Ltd.)	**85**	70
大連港萬鵬基礎有限公司 (Dalian Port Wan Peng Ji Chu Co., Ltd.)	**1,235**	4,271
Dalian Ri Xing Property Co., Ltd.	**54**	214
Dalian Port Communication Engineering Co., Ltd.	**2,709**	1,893
Dalian Port Construction Engineering Company	**39,233**	43,624
Dalian Port Machinery Co.	**2,227**	110
	57,303	55,990
Total	**96,683**	93,706
Representing:		
0 – 90 days	**38,548**	1,280
91 – 180 days	**5**	13,250
Over 180 days	**58,130**	79,176
	96,683	93,706

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

31. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES

	2007 RMB'000	2006 RMB'000 (restated)
Due from a fellow subsidiary within 90 days:		
Dalian Port Construction Engineering Company	–	3
Dalian Port Harbour Construction Superintendence and Consulting Company Limited	2,679	–
	2,679	3
Due to fellow subsidiaries		
大連港新港電力公司	2,472	2,123
大連港口建設管理諮詢有限公司	2,290	253
大連港口建設管理有限公司	129	–
大連保税區永德信房地產開發建設有限公司	–	4,006
	4,891	6,382
Representing:		
0 – 90 days	585	4,119
Over 180 days	4,306	2,263
	4,891	6,382

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

32. ADVANCE TO (FROM) PDA

	2007 RMB'000	2006 RMB'000 (restated)
Advance to PDA:		
Trade	14	546
Non-trade	23	1,386
	37	1,932
Aging analysis of trade balance, representing:		
0 – 90 days	–	546
Over 180 days	14	–
	14	546
Advance from PDA:		
Trade, due within 90 days	89	4
Non-trade	16,458	8,804
	16,547	8,808

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

33. BANK BALANCES

Bank balances carry interest at market rates which range from 0.72% to 4.27%.

34. NON-CURRENT ASSETS HELD FOR SALE

	2007 RMB'000	2006 RMB'000 (restated)
Container berths and related facilities (note 1)	1,036,293	–
Non-movable assets situated in Siergou (note 2)	–	104,200
	1,036,293	104,200

Notes to the **Consolidated Financial Statements**

For the year ended 31 December 2007

34. NON-CURRENT ASSETS HELD FOR SALE *(Continued)*

Notes:

1. Pursuant to an agreement dated 25 September 2005 between the Group and its associate, DPCM, the Group 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 and related facilities have been completed in the first half of 2007. In the opinion of the directors, the transaction will be completed in 2008.

2. At the request of Finance Bureau of Dalian Municipal (大連市財政局), Siergou, a division of the Group, which is engaged in the provision of loading and discharging services for refined oil, has to be relocated. Under the relevant agreements, Finance Bureau of Dalian Municipal will compensate Siergou for those non-movable assets which have to be retained in their original locations. Therefore no impairment loss was made for the non-current assets held for sale, which had been reclassified for the above purposes. At the balance sheet date, the relocation was completed and the respective non-current assets held for sale were disposed of and were derecognised from the balance sheet.

35. 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:

	2007 **RMB'000**	2006 RMB'000 (restated)
Trade payables		
0-90 days	**61,931**	31,990
91-180 days	**383**	48,659
Over 180 days	**230**	35
	62,544	80,684
Other payables	**313,311**	409,961
	375,855	490,645

36. AMOUNT DUE TO A MINORITY SHAREHOLDER

	2007 **RMB'000**	2006 RMB'000 (restated)
Pacific Bulk Maritime Holdings Limited	**22,059**	22,618

The amount is of non-trade nature. It is unsecured, non-interest bearing and is repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

37. BANK BORROWINGS

	2007 RMB'000	2006 RMB'000 (restated)
Secured	**65,960**	281,282
Unsecured	**2,162,000**	2,126,500
	2,227,960	2,407,782

The above amounts are repayable as follows:

	2007 RMB'000	2006 RMB'000 (restated)
Floating-rate borrowings:		
On demand or within one year	**698,060**	446,098
In the second year	**186,855**	162,931
In the third year	**174,045**	328,084
In the fourth year	**210,000**	315,071
In the fifth year	**209,000**	280,000
After five years	**750,000**	875,598
	2,227,960	2,407,782
Less: Amount due for settlement within one year shown under current liabilities	**(698,060)**	(446,098)
Amount due for settlement after one year	**1,529,900**	1,961,684

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

	2007	2006 (restated)
Floating-rate borrowings	**5.53% p.a.**	7.46% p.a.

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

	2007 RMB'000	2006 RMB'000 (restated)
Hong Kong dollars	**65,961**	60,282

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

38. GOVERNMENT GRANTS

	2007 RMB'000	2006 RMB'000 (restated)
Construction of vessels (note 1)	**9,982**	8,994
Compensation for the relocation (note 2)	**776,560**	724,904
	786,542	733,898
Less: Amount associated with non-current assets held for sale shown under current liabilities	**–**	(104,200)
Amount related to depreciable assets to be released to income in the following year	**(38,020)**	–
Amount shown under non-current liabilities	**748,522**	629,698

Notes:

(1) The amount was received in relation to the subsidy for the construction of vessels. The amount has been treated as deferred income and will be recognised to the income statement over the useful lives of the relevant assets. The amount credited to the income statement for the current year is RMB9,013,000 (2006: RMB632,000).

(2) The amount was received in respect of the compensation for the relocation of the terminals. The amounts will be released over the estimated useful lives of the new terminals upon the commencement of operations of the new terminals. As the condition was fulfilled in the current year, RMB23,360,000 (2006: RMB nil) was credited to the income statement.

39. DERIVATIVE FINANCIAL LIABILITIES

	2007 RMB'000	2006 RMB'000
Derivative not under hedge accounting	**2,911**	–

During the year, the Group entered into a contract with a bank, under which the Group is required to pay interest at each specified date calculated by reference to a fixed interest rate based on a notional amount of RMB410,000,000 whereas the bank is also required to pay interest at each specified date calculated by reference to a variable interest rate based on the same notional amount. The variable interest rate to be paid by the bank will depend on a formula, of which parameters will involve 30-year Constant Maturity Swap ("CMS") rate and 2-year CMS rate. The contract will expire on 24 December 2015.

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

40. PAID-IN CAPITAL

	Number of shares		
	Domestic shares	**H shares**	**Registered, issued and fully paid**
	’000	’000	RMB’000
At 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 January 2007 and 31 December 2007	1,863,400	1,062,600	2,926,000

41. RELATED PARTY TRANSACTIONS

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

Trading transactions

	2007	2006
	RMB’000	RMB’000
		(restated)
Rental income received		
PDA	**–**	1,507
Associates	**75,862**	69,618
Jointly controlled entities	**136,797**	92,966
	212,659	164,091
Service income received (Note)		
PDA	**500**	2,236
Subsidiaries and jointly controlled entities of PDA	**6,182**	606
Associates	**28,929**	11,727
Jointly controlled entities	**31,667**	20,356
	67,278	34,925

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

41. RELATED PARTY TRANSACTIONS *(Continued)*

Trading transactions *(Continued)*

	2007 RMB'000	2006 RMB'000 (restated)
Comprehensive services paid		
PDA	**13,911**	11,526
Subsidiaries and jointly controlled entities of PDA	**9,907**	8,259
Associates	**2,366**	200
Jointly controlled entities	**526**	3,666
	26,710	23,651
Sales of properties		
Associates	**92,081**	–
Maintenance services paid		
Subsidiaries and jointly controlled entities of PDA	**5,450**	5,084
Agency services paid		
Subsidiaries and jointly controlled entities of PDA	**–**	2,223
Jointly controlled entities	**2,846**	–
	2,846	2,223
Property leasing expenses paid		
PDA	**943**	2,677
Subsidiaries and jointly controlled entities of PDA	**1,109**	774
Jointly controlled entities	**803**	909
	2,855	4,360
Purchase of raw materials and spare parts		
PDA	**20,751**	25,572

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

41. RELATED PARTY TRANSACTIONS *(Continued)*
Non trading transactions

	2007 RMB'000	2006 RMB'000 (restated)
Acquisition of associates		
PDA	**108,792**	–
Acquisition of jointly controlled entities		
PDA	**5,588**	–
Acquisition of property, plant and equipment		
PDA	**3,927**	65,240
Subsidiaries and jointly controlled entities of PDA	**135,332**	127,712
	139,259	192,952
Disposal of property, plant and equipment		
PDA	**48,837**	11,243
Subsidiaries and jointly controlled entities of PDA	**–**	20
Associates	**1,237**	2,144
	50,074	13,407
Acquisition of intangible assets		
Subsidiaries and jointly controlled entities of PDA	**83**	38
Associates	**678**	–
	761	38

Note: The amounts mainly represent income in relation to the provision of tugging, pilotage, provision of 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:

	2007 RMB'000	2006 RMB'000 (restated)
Short-term benefits	**4,551**	5,196
Post-employment benefits	**320**	116
	4,871	5,312

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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

	2007 **RMB'000**	2006 RMB'000 (restated)
Nature of transactions		
Payment for:		
Purchase of raw materials and other services	**1,455**	5,322
Purchase of fuels	**422**	82
Provision of services	**716,359**	628,177
Acquisition of:		
Priority right for using the rail transportation	**–**	46,660
Construction-in-progress	**193,242**	405,018
Intangible assets	**–**	215

(b) Material balances

	2007 **RMB'000**	2006 RMB'000 (restated)
Trade and other receivables	**18,092**	4,480
Trade and other payables	**172,334**	194,510

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

42. MATERIAL TRANSACTIONS AND BALANCES WITH OTHER STATE-CONTROLLED ENTITIES *(Continued)*

(b) Material balances *(Continued)*

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.

43. OPERATING LEASES

The Group as lessee

	2007 RMB'000	2006 RMB'000 (restated)
Minimum lease payments under operating leases during the year	**23,982**	10,777

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:

	2007 RMB'000	2006 RMB'000 (restated)
Within one year	**1,635**	2,967
In the second to fifth year inclusive	**1,741**	8,244
After five years	**–**	17,261
	3,376	28,472

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

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

43. OPERATING LEASES *(Continued)*

The Group as lessor

Rental income earned during the year was RMB408,599,000 (2006: RMB307,756,000, as restated). The Group rents out its plant and equipment and investment properties in PRC under operating leases and included in revenue.

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

	2007 **RMB'000**	2006 RMB'000 (restated)
Within one year	**118,141**	138,195
In the second to fifth year inclusive	**363,174**	372,358
After five years	**586,198**	762,120
	1,067,513	1,272,673

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

44. CAPITAL COMMITMENTS

	2007 **RMB'000**	2006 RMB'000 (restated)
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– authorised but not contracted for	**71**	–
– contracted but not provided for	**427,061**	294,398
Capital expenditure in respect of the acquisition of equity interests contracted for but not provided in the financial statements	**80,410**	140,939

45. RETIREMENT BENEFITS SCHEMES

The Group's full-time employees are covered by a government-sponsored defined 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.

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

46. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired property, plant and equipment amounting to approximately RMB55,950,000 (2006: RMB123,535,000) which remained unsettled and was included in trade and other payables.

During the year, the Group acquired the interests in associates amounting to approximately RMB103,138,000 (2006: RMB1,540,000) by way of the transfer of property, plant, and equipment.

During the year, the Group disposed of property, plant and equipment and the related proceeds amounting to approximately RMB174,371,000 (2006: RMB4,228,000) which remained unsettled and was included in trade and other receivables and current accounts with related parties.

During the year, dividend earned from jointly controlled entities amounting to approximately RMB13,310,000 (2006: RMB74,765,000) remained unsettled and was included in trade and other receivables.

During the year, dividend declared to minority shareholders of certain subsidiaries amounting to approximately RMB16,038,000 (2006: nil) remained unsettled and was included in trade and other payables.

47. POST BALANCE SHEET EVENT

Subsequent to 31 December 2007, the Group completed its negotiation with DCT for the acquisition of 60% interest in DCTL. The transaction was completed on 30 January 2008 and the acquisition cost of RMB58,800,000 was satisfied in cash. Details of the acquisition are set out in the Group's circular dated 5 February 2008.

The Group also has entered into the agreement for the acquisition of 35% interest in Dailian Portnet Co., Ltd from Pacific Logistic Ca-Net Limited for the consideration of RMB36,750,000. Details of the acquisition are set out in the Group's announcement dated 31 March 2008.

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

On 18 April 2008, the Company's board of directors passed a resolution approving that Dalian Port Container Co., Ltd. ("DPC"), its subsidiary, would utilise RMB1,000,000,000 of PDA's proceeds from its recent issuance of corporate bonds. The amount bears interest at 5.4733% per annum with a term of ten years. As of the date of this report, DPC had not entered in an agreement with PDA.

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

48. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries indirectly held, unless otherwise stated, by the Company at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Group 2007	2006	Principal activities
# Dalian Port Container Co., Ltd.	PRC	RMB1,366,210,000	**91.34% (directly)**	90.99% (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) 13.70%**	85.00% (directly) 13.65%	Provision of depot leasing business and a wide range of other container related logistics services
Dalian Jifa Shipping Agency Co., Ltd.	PRC	RMB500,000	**92.82%**	92.58%	Provision of port logistics and supporting services
Dalian Port Logistics Technology Co., Ltd.	PRC	RMB10,000,000	**92.08%**	91.75%	Development and sales of computer software
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	PRC	RMB35,000,000	**95.03%**	94.98%	Provision of port logistics and supporting services
* Dalian International Container Services Co., Ltd.	PRC	US$1,440,000	**72.63%**	72.59%	Provision of port logistics and supporting services
Dalian Port Jihuo Logistics Co., Ltd.	PRC	RMB2,000,000	**98.23%**	98.37%	Provision of port logistics and supporting services
Dalian International Logistics Park Development Co., Ltd. ("DPL")	PRC	RMB150,000,000	**88.83%**	88.78%	Operation of a bonded logistics park
Dalian Jifa International Freight Co., Ltd.	PRC	RMB5,000,000	**96.83%**	96.78%	Provision of port logistics and supporting services
Dalian TBT Consulting Co., Ltd.	PRC	RMB1,000,000	**92.08%**	63.42%	Development of software and ERP system

Notes to the
Consolidated Financial Statements

For the year ended 31 December 2007

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Group 2007	2006	Principal activities
Dalian TechPort Service Co., Ltd.	PRC	RMB2,100,000	**87.30%**	86.73%	Development of software and ERP system
Dalian Jifa Port Engineering Co., Ltd.	PRC	RMB3,000,000	**93.55%**	93.29%	Provision of port logistics and supporting services
Dalian ETDZ Jin Xin Petrochemistry Company Limited	PRC	RMB5,000,000	**98.23%**	98.37%	Provision of agency services and trading of oil and other related products
Dalian Jifa Shipping Management Co., Ltd.	PRC	RMB80,000,000	**97.60%**	97.55%	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)**	100% (directly)	Investment holding
Asia Pacific Carrier Ltd.	BVI	50,000 ordinary shares of US$1 each	**60%**	60%	Investment holding
Pacific Huanghai Shipping Co., Ltd.	HK	10,000 ordinary shares of HK$1 each	**60%**	60%	Provision of vessel and chartering services
Pacific Donghai Shipping Co., Ltd.	HK	10,000 ordinary shares of HK$1 each	**60%**	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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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 2007 are as follows:

Name	Place of incorporation/ registration	Registered capital	Attributable equity interest to the Group 2007	Attributable equity interest to the Group 2006	Principal activities
Dalian Container Terminal Co., Ltd.	PRC	RMB1,350,000,000	**46.58%**	46.40%	Provision of container terminal and logistics services
Dalian United International Shipping Agency	PRC	RMB2,000,000	**45.67%**	45.49%	Provision of port logistics and supporting services
Liaoning Con-Rail International Logistics Co., Ltd.	PRC	RMB15,000,000	**49.35%**	49.32%	Provision of port logistics and supporting services
DCT Logistics Co., Ltd.	PRC	RMB63,330,000	**63.98%**	63.85%	Provision of port logistics and supporting services
Dalian Yidu Jifa Cold Logistics Co., Ltd.	PRC	RMB40,000,000	**49.35%**	49.32%	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
大連港灣東車物流有限公司	PRC	RMB1,000,000	**50%**	–	Provision of automobile terminal and logistics services
大連港通利船務代理有限公司	PRC	RMB600,000	**50%**	–	Provision of agency services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

50. PARTICULARS OF THE ASSOCIATES

Particulars of the associates at 31 December 2007 are as follows:

Name	Place of incorporation/ registration	Registered capital	Attributable equity interest to the Group 2007	2006	Principal activities
Dalian Dagang China Shipping Container Terminal Co., Ltd.	PRC	RMB30,000,000	**36.40%**	36.26%	Provision of container terminal and logistics services
Dalian Port Container Terminal Co., Ltd.	PRC	RMB240,000,000	**31.97%**	31.85%	Provision of container terminal and logistics services
Dalian Jiyi Logistics Co., Ltd.	PRC	RMB6,500,000	**39.48%**	39.46%	Provision of port logistics and supporting services
Dalian Singamas International Container Co., Ltd.	PRC	US$2,000,000	**31.39%**	31.33%	Provision of port logistics and supporting services
Dalian Shunda Logistic Services Corporation	PRC	US$5,800,000	**49.35%**	49.32%	Provision of bonded goods warehousing, processing and consultation services
Dalian Jilong Logistics Co., Ltd.	PRC	RMB25,000,000	**29.61%**	29.59%	Provision of port logistics and supporting services
Dalian Portnet Co., Limited	PRC	US$2,800,000	**35.96%**	35.91%	Provision of logistics data transmission, conversion and processing services
Dalian ETOZ Wan Da Customs Broker Co., Ltd.	PRC	RMB1,500,000	**34.24%**	34.20%	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	**39.48%**	39.46%	Provision of container terminal and logistics services

Notes to the
Consolidated Financial Statements
For the year ended 31 December 2007

50. PARTICULARS OF THE ASSOCIATES *(Continued)*

Name	Place of incorporation/ registration	Registered capital	Attributable equity interest to the Group 2007	2006	Principal activities
Dalian Automobile Terminal Co., Ltd	PRC	RMB80,000,000	**40%**	–	Provision of automobile terminal and logistics services
Dalian International Container Terminal Co., Ltd	PRC	RMB1,400,000,000	**36.54%**	–	Provision of container terminal and logistics services
大連普集置業發展有限公司	PRC	RMB40,000,000	**35.53%**	–	Development of a bonded logistics park
大連中石油國際儲運有限公司	PRC	RMB100,000,000	**20%**	–	Provision of storage and loading and discharging services of refined oil and liquefied chemicals
太倉興港拖輪有限公司	PRC	RMB3,000,000	**30%**	–	Provision of tallying services

Financial Highlights for **the Past 5 Financial Year**

	2007 RMB'000	2006 (restated) RMB'000	2005 RMB'000	2004 RMB'000	2003 RMB'000
Throughput Data					
Oil throughput ('000 tonns)	**34,402**	32,737	31,970	30,372	27,683
Container throughput ('000 TEU)	**4,175**	3,457	2,598	2,172	1,644
Revenue and Profit					
Revenue	**1,570,136**	1,160,013	1,269,376	1,102,749	941,821
Gross profit	**696,856**	584,558	645,612	556,322	481,893
Operating profit	**639,031**	608,325	575,752	472,492	423,230
Profit before tax	**749,516**	685,444	475,688	420,506	393,591
Net profit	**630,382**	645,162	432,988	379,895	363,661
Profit attributable to equity holders	**611,368**	631,567	419,655	367,878	354,784
Basic earnings per share - basic (RMB)	**0.21**	0.24	0.21	0.19	0.18
Assets and Liabilities					
Bank balances and cash	**532,154**	1,412,634	357,695	194,799	110,179
Current assets	**2,201,112**	2,165,224	936,569	529,203	326,790
Non-current assets	**7,323,587**	7,166,899	6,102,682	4,727,665	3,500,606
Bank borrowings	**2,227,960**	2,407,782	4,141,552	2,875,316	1,766,516
Current liabilities	**1,306,489**	1,207,442	1,031,035	867,635	529,926
Non-current liabilities	**2,281,333**	2,591,382	3,564,334	2,411,497	1,648,336
Total assets	**9,524,699**	9,332,123	7,039,251	5,256,868	3,827,396
Net assets	**5,936,877**	5,533,299	2,443,882	1,977,736	1,649,134
Capital and Reserves					
Share capital	**2,926,000**	2,926,000	1,960,000	558,822	558,822
Reserves	**2,850,425**	2,434,049	383,139	1,330,064	1,012,532
Equity attributable to equity holders of the Company	**5,776,425**	5,360,049	2,343,139	1,888,886	1,571,354
Minority interests	**160,452**	173,250	100,743	88,850	77,780
Total equity	**5,936,877**	5,533,299	2,443,882	1,977,736	1,649,134
Net assets per share(RMB)	**2.03**	1.89	1.25	1.01	0.84

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)

Address : No. 1, Gangwan Street, Zhongshan District, Dalian, China (P.C.:116004)
地址：大連市中山區港灣街1號（郵編：116004）

Tel 電話：86-0411-82798566
Fax 傳真：86-0411-82798108
Website 網址：www.dlport.cn