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 2008

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 (the "PRC") 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/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.

Located at the entrance of Bohai Bay, with its proximity to major international shipping routes, as compared to other ports in Bohai Bay, and with its deep water and ice-free port conditions, Dalian Port is able to operate its terminal throughout the year.

The Group is one of the major oil and container terminal operators in the PRC. The Group is the largest oil terminal operator, largest container terminal operator, and the largest automobile terminal operator in the Three Northeastern Provinces of China (collectively, Heilongjiang Province, Jilin Province and Liaoning Province) in terms of annual throughput.

The Group operates a 300,000 dwt crude oil terminal which is one of the largest oil terminals in China. The oil terminal is the only one approved by the Ministry of Communication of the PRC to conduct trans-shipment services of imported crude oil for petrochemical enterprises in Dalian and Bohai Bay. The Dayao Bay port area in Dalian, the third bonded harbour area approved by the State Council, has had a positive impact on the Group's business. Dalian Port is one of the four automobile ports approved by the Chinese government to conduct import business. Backed by the automobile manufacturing base in the Three Northeastern Provinces, the automobile terminal business is expected to grow steadily in the future. The Group is the only port value-added services provider in Dalian Port offering services such as tugging, tallying and IT. The Group has the second largest tugging fleet in China, and has extended its services to other ports of China.

The Group intends to fully leverage on its favorable natural conditions and its competitive strengths in operations and management to develop and expand its business with an aim to become a major international port operator in northeast Asia and to maximize return for the shareholders of the Company.

* The business performance of the Group, as described in this report, is the aggregate of all operating entities in which the Group has equity interests irrespective of the percentage of equity interests held by the Group.

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Lu Jianmin
Mr. Xu Jian

Independent Non-executive Directors

Mr. Wang Zuwen
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

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
Rooms 1806-07, 18th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

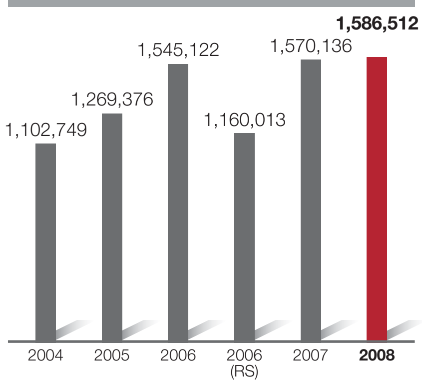
Principal Bankers

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

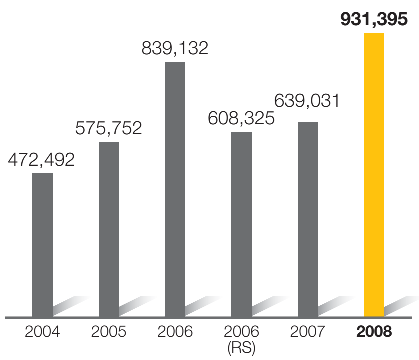
Financial Highlights

	2008 RMB'000	2007 RMB'000	Change (%)
Income Statement			
Revenue	**1,586,512**	1,570,136	1.0%
Gross profit	**698,601**	696,856	0.3%
Operating profit	**931,395**	639,031	45.8%
Profit attributable to equity holders	**779,614**	611,368	27.5%
Earnings per share – basic (RMB cents)	**26.64**	20.89	27.5%
Balance Sheet			
Bank balances and cash	**670,011**	532,154	25.9%
Net current assets	**445,612**	894,623	-50.2%
Total assets	**10,187,747**	9,524,699	7.0%
Borrowings	**2,220,110**	2,227,960	-0.4%
Gearing ratio	**23.7%**	28.6%	-17.1%
Net assets value per share (RMB)	**2.24**	2.03	10.3%
Return on equity	**12.85%**	10.99%	16.9%
Cash Flow Statement			
Net cash generated from operating activities	**561,493**	833,785	-32.7%
Net cash generated from (used in) investing activities	**30,308**	(1,266,060)	102.4%
Net cash used in financing activities	**(453,944)**	(448,205)	-1.3%
Net increase (decrease) in cash and cash equivalents	**137,857**	(880,480)	115.7%

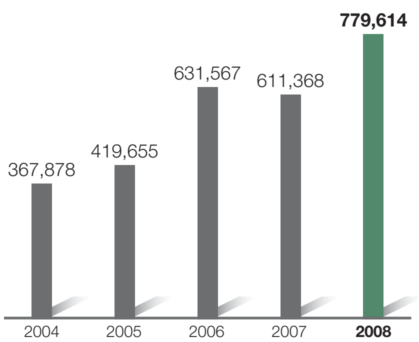
Revenue



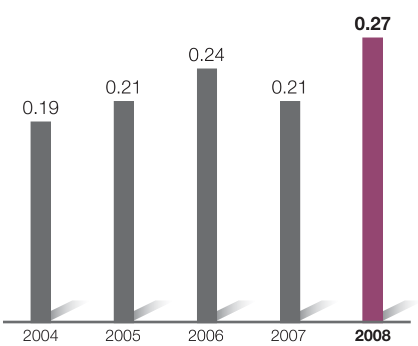
Operating profit



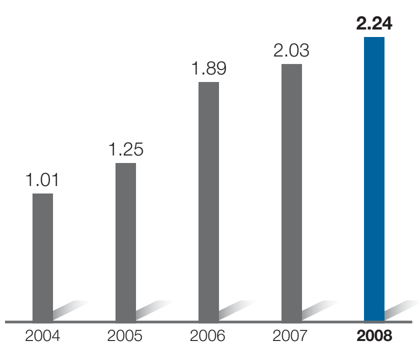
Profit attributable to equity holders



Earnings per share – basic



Net assets value per share



Chairman's Statement

Sun Hong
Chairman

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 2008 on behalf of the Board.

Operating Results and Dividend

In 2008, the global real economy was adversely affected by the subprime lending crisis in the United States. China's economic growth experienced a slow down and various industries were adversely affected in varying degrees. Faced with the great difficulty in dealing with the deteriorating operating environment, the Company has been actively and objectively analyzing the macro economic situations and has enhanced its logistics system in hinterland in northeastern China to improve the Group's operations. The Group has been continuously exploring cargo solicitation while maintaining quality of services to the existing customers. As a result, the Company has achieved stable growth in its operating results. For the year ended 31 December 2008, the profit attributable to equity holders of the Company was RMB779,614,000, representing an increase of 27.5% over 2007.

The Board has recommended the payment of a final dividend of RMB9 cents per share for 2008 (RMB8 cents per share for 2007).

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, tallying and IT services. The Group experienced sustainable and healthy growth in its principal businesses, and the Company has achieved satisfactory operating results in 2008.

In respect of oil/liquefied chemicals terminal and related logistics business, the Group paid attention to both maintaining the services to its existing customers and developing new services and providing value-added services so as to build closer co-operation relationships with its customers. At the same time, the Group developed new terminal facilities and storage tanks to increase its capacity to match its business expansion. The Group's 12 newly constructed crude oil storage tanks commenced operations in 2008, some of which were approved for storage of bonded oil which expanded the Group's storage and trans-shipment business for crude oil and enhanced profitability. The construction of the new 300,000 dwt crude oil terminal, jointly invested by the Group and PetroChina, commenced in 2008. In addition, the construction of the commercial crude oil reserve tanks invested by PetroChina also commenced in 2008 within the Group's oil terminal facilities. The operation of such tanks in the future will help increase the Group's oil terminal throughput.

In respect of container terminal and related logistics business, faced with the unfavorable market conditions, the Group expanded its hinterland logistics system in northeastern China, increased operational capacity, upgraded operational function and enhanced market development. The Group has put significant efforts in improving its hinterland logistics system in northeastern China. In 2008, the Group made significant progress on the construction of centre stations and inland depots, operation of hinterland railway in northeastern China and cross-border container railway services and so on. In order to match the growth in throughput, the Group expanded its terminal capacity. The first two berths of phase III container terminal in Dayao Bay of Dalian were put into trial operations in 2008.

In respect of automobile terminal and related logistics business, the unfavorable macro economy had a serious impact on the automobile industry. In addition, the Group's automobile terminal business for domestic trade was constrained by the shortage of the automobile shipping capacity.

The Group's port value-added services businesses which are closely linked with the overall growth of port services, shipbuilding and ocean engineering services at Dalian port recorded remarkable growth in 2008. Meanwhile, the Group's IT services also achieved rapid growth in 2008.

Prospects

Looking at the macro economic perspective, we expect a challenging year for most industries in 2009. However, the Chinese government has launched a series of large-scale stimulating fiscal policies and industrial revitalization programs in order to expand domestic demand, increase investments, and sustain economy growth. We believe that all these measures will help sustain economic growth and promote economic revitalization in the PRC.

Opportunities exist together with challenges. Faced with the operational uncertainties, we continue to be confident of the future. The Group will focus on improving its service system and functions, enhancing efficiency of its use of resources and will work even more closely with customers in order to increase revenue and reduce costs. Difficulty also breeds hope. The policies launched by the Chinese government are expected to bring new opportunities for the development of ports and logistics industries. The Group is well-prepared to seize any opportunity for business development and will be innovative to ensure the stable growth of its business performance and to demonstrate its competitive advantages within the industry.

Lastly, on behalf of the Board, I would like to express my gratitude to the Shareholders and business partners of the Group for their support and encouragement for the past year, and at the same time, my most sincere thanks to all the staff of the Group for their dedication and contribution.

Dalian Port (PDA) Company Limited
Chairman
Sun Hong

16 April 2009

Business Milestones in 2008

JAN

- The Company unloaded "New Spirit", a VLCC at speeds of 16,300 cubic meters per hour at the highest rate and 13,159 cubic meters per hour on average, which the Directors believe were far above the efficiency of other port operators with similar operations in China.
- The Group increased the tariff for foreign trade container handling services by 7% on the average with effect from 1 January 2008.
- The across-border container trains from Dalian to Russia through Manzhouli were put into operations by the Group.

FEB

- Two newly constructed tugboats were delivered and put into operation.

APR

- The Group's Container Operation and Control Centre was put into operation in Dayao Bay of Dalian.
- Announcement of annual results for 2007.

JUN

- The 100,000 tonnes of crude oil imported by Panjin Northern Asphalt Co., Ltd. ("Northern Asphalt") was unloaded at the Group's oil terminal. This is the first time Northern Asphalt has used the Group's port services. The Group has further developed its business relationship with Northern Asphalt since then.
- PetroChina International Co., Ltd. introduced shipping services for the trans-shipment of bonded crude oil between Dalian and Japan.
- The transfer of No. 13 and No. 14 container berths by the Company to Dalian Port Container Terminal Co., Ltd. was completed.

Business Milestones in 2008

JUL

- The Group handled the trans-shipment of crude oil for PetroChina Dalian Petrochemical Company, which were imported from Kuwait for the first time.
- No. 17 and No. 18 container berths of Phase-III container terminal in Dayao Bay were put into trial operation.

AUG

- The new 300,000 dwt crude oil terminal project was approved by the National Development and Reform Commission of the PRC.
- The Group established a joint venture with PetroChina International Dalian Co., Ltd. to develop, construct and operate the new 300,000 dwt crude oil terminal.
- The No. 1 Oil Terminal Operation Team of the Group was honoured by the State as Workers' Pioneer.
- The Group commenced container feeder service between Dalian and Jingtang in Hebei Province.
- Announcement of interim results for 2008.

SEP

- The Group implemented the containerization of bulk cargoes project for domestic trade and achieved scale operation of exporting bulk grains by containers.

NOV

- Six newly constructed crude oil storage tanks were put into trial operations.
- The Group's inland depots in Jilin city and Changchun City of Jilin Province commenced operations.

DEC

- Six newly constructed crude oil storage tanks were put into trial operations.
- The construction of the automobile inspection booths for imported vehicles at the Group's automobile terminal was completed.

Management Discussion and Analysis

Summary

In 2008, the global financial crisis triggered a global economic recession. The Chinese economy also encountered certain difficulties, particularly in the fourth quarter of 2008, which resulted in a slow down of the Chinese economy growth rate. In 2008, the Chinese GDP and foreign trade value increased by 9.0% and 17.8% over 2007, respectively.

The Group is principally engaged in four business segments, namely: the provision of oil/liquefied chemicals terminal and related logistics services ("Oil Segment"), the provision of container terminal and related logistics services ("Container Segment"), the provision of automobile terminal and related logistics services ("Automobile Terminal Segments"), and the provision of port value-added services ("Value-added Services Segment").

In 2008, the macro economy and industries which were relevant to the Group's core business were as follows:

Oil Segment: Crude oil price rose significantly in the first half year and fell sharply in the second half year. In 2008, China imported 179 million tonnes of crude oil, an increase of 9.6% over 2007. However, such growth rate was lower than the average growth rate of 13.2% for the past two years.

Container Segment: The GDP of Heilongjiang Province, Jilin Province and Liaoning Province (the "Three Northeastern Provinces") increased by 11.8%, 16.0% and 13.1% over 2007, respectively. The foreign trade value in the Three Northeastern Provinces increased by 32.4%, 29.5% and 21.8%, respectively.

The above data indicated that the development of the regional economy and foreign trade of the Group's hinterland, the Three Northeastern Provinces, was above China's average level in 2008. The Group's business also achieved steady growth and showed strong fundamentals. In 2008, in terms of oil/liquefied chemicals throughput, the Group handled a total of approximately 34.9 million tonnes, an increase of 1.3% over 2007. The Group handled a total of approximately 20.1 million tonnes of imported crude oil, an increase of 8.9% over 2007. In terms of container throughput, the Group handled approximately 5.45 million TEUs, an increase of 28.3% over 2007.

The Company's profit attributable to equity holders in 2008 was RMB779,614,000, an increase of 27.5% over 2007.

The business performance of the Group, as described in this report, is the aggregate of all operating entities in which the Group has equity interests irrespective of the percentage of equity interests held by the Group.

Overall analysis of results

In 2008, the Company's profit attributable to equity holders amounted to RMB779,614,000, representing an increase of 27.5% as compared with RMB611,368,000 in 2007. Such increase was mainly driven by gains relating to the disposal of fixed assets (including property, plant and equipment, as well as non-current assets held for sale), improved performance of the Group's associates and jointly controlled entities, and an increase in operating profit.

In 2008, the Company's basic earnings per share was RMB26.64 cents representing an increase of 27.5% as compared with RMB20.89 cents in 2007.

In 2008, the Group's revenue amounted to RMB1,586,512,000, representing an increase of 1.0% as compared with RMB1,570,136,000 in 2007. The revenue increase was mainly attributable to the increase in income of the Group's oil segment business resulting from the increased handling volume of imported crude oil, the increase of tugging revenue, and the newly consolidated container logistics business. However, the income from sales of land use rights by Dalian International Logistics Park Development Co., Ltd. ("Logistics Park") decreased in 2008. The Group's income from leasing storage tanks and handling oil trans-shipment also decreased as a result of the disposal of crude oil tanks with a total storage capacity of 450,000 cubic meters to accommodate a major customer's construction of crude oil tanks.

In 2008, the Group's cost of sales and services amounted to RMB887,911,000 which increased by 1.7% as compared with RMB873,280,000 in 2007. The increase of cost in the current year was mainly due to the recognition of the cost associated with the newly consolidated container logistics business, as well as the increase of labor costs, rental expenditure and fuel costs which were mainly caused by our business growth. However, Logistics Park's cost of sales in respect of disposal of land use rights decreased in 2008.

In 2008, the Group's gross profit reached RMB698,601,000 which increased by 0.3% as compared with RMB696,856,000 in 2007 and represented a gross margin of 44% which was approximately the same level as that of 2007.

In 2008, the Group's other income increased to RMB452,224,000 from RMB56,867,000 in 2007. The increase was mainly due to the disposal of container berths, oil tanks, land use rights and container vessels.

In 2008, the Group's income tax expense amounted to RMB209,321,000 which increased by 75.7% as compared with RMB119,134,000 in 2007. The significant increase in the Group's income tax expenses in 2008 was mainly due to an increase in the Group's pre-tax profit, as well as the fact that the preferential tax treatment which provided for a 50% reduction in applicable PRC income tax in 2007 had ceased to be available to the Company in 2008.

Assets and liabilities

As of 31 December 2008, the Group's total assets and net assets amounted to RMB10,187,747,000 and RMB6,550,592,000, respectively, and the net asset value per share was RMB2.24, representing an increase of 10.3% over that as at 31 December 2007.

As of 31 December 2008, the Group's total liabilities amounted to RMB3,637,155,000 of which total outstanding loans accounted for RMB2,220,110,000.

Financial resources and liquidity

In 2008, the Group's net cash flows generated from operating activities amounted to RMB561,493,000 and net cash generated from investing activities amounted to RMB30,308,000 of which RMB1,566,384,000 was net proceeds from disposal of fixed assets. These cash inflow will fund the Group's capital expenditure and other investments. The Group maintained a sound financial position throughout 2008.

As of 31 December 2008, the Group had a balance of cash and cash equivalents of RMB670,011,000 which represented an increase of RMB137,857,000 as compared with that as of 31 December 2007.

In 2008, the Group obtained new loans of RMB971,110,000 and repaid loans of RMB978,961,000. As of 31 December 2008, the Group's loans from banks and advance from Dalian Port Corporation Limited amounted to RMB2,220,110,000 of which RMB2,023,377,000 are due after one year, and RMB196,733,000 are due within one year. Gearing, as measured by net debts to equity, was 23.7% as at 31 December 2008 (28.6% as at 31 December 2007).

As of 31 December 2008, the Group's unutilized banking facilities amounted to RMB2,500,000,000.

As of 31 December 2008, the Group had net current assets of RMB445,612,000, representing a decrease of RMB449,011,000 as compared with that at 31 December 2007. The Group's current ratio was 1.5 times as at 31 December 2008 (1.7 times as at 31 December 2007).

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 2008.

During 2008, the Group did not have any significant exposure to fluctuations in exchange rates and did not enter into any foreign exchange hedging contracts.

Use of proceeds

Net proceeds of the Group's global offering of H shares in 2006, after deducting related expenses, amounted to approximately RMB2,385,343,000. As at 31 December 2008, the Group had utilized approximately RMB2,242,343,000 of the net proceeds, and the balance of the net proceeds was RMB143,000,000.

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 2008, the details of the use of proceeds were as follows:

Projects	Proceeds from IPO	Use of proceeds as of 31 December 2008	Balance	Completion of construction/ purchase
Construction of four new container berths at Dayaowan	400,000,000	400,000,000	0	two container berths
Construction of twelve crude oil storage tanks in Xingang	680,000,000	550,000,000	130,000,000	twelve crude oil storage tanks
Purchase of eight tugboats	270,000,000	257,000,000	13,000,000	eight 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	2,242,343,000	143,000,000	

The Group does not expect any change in the proposed use of the remaining proceeds from the global offering.

Capital expenditure

In 2008, the Group's capital expenditure amounted to RMB1,253,946,000 which was mainly funded by surplus cash generated from operating activities, the proceeds from disposal of fixed assets and the proceeds of the global offering of H shares.

Business Review

The performance analysis of each business segment in 2008 is as follows.

Oil Segment

The following table sets out the oil/liquefied chemicals throughput handled by the Group in 2008 and its comparative results in 2007:

	2008 ('000 tonnes)	2007 ('000 tonnes)	Increase/ (Decrease)
Crude Oil	**23,426**	22,882	2.4%
– Imported Crude Oil	**20,117**	18,473	8.9%
Refined Oil	**10,294**	10,345	(0.5%)
Liquefied Chemicals	**1,143**	1,175	(2.7%)
Total	**34,863**	34,402	1.3%

In 2008, in terms of oil/liquefied chemicals throughput, the Group handled a total of approximately 34.9 million tonnes, an increase of 1.3%.

In 2008, the Group's crude oil throughput was approximately 23.4 million tonnes, an increase of 2.4% over 2007, of which approximately 20.1 million tonnes was imported crude oil, an increase of 8.9%. The Group maintained good relationships with its major customers. The increase in the Group's imported crude oil throughput was linked closely with the increase in the customers' production volume. Due to the high crude oil price on the international market together with the Group's shortage of crude oil storage tanks, the Group's trans-shipment volume decreased sharply in the first three quarters of 2008 as compared with the same period of 2007. In the fourth quarter, owing to the commencement of operations of the new crude oil storage tanks and the significant reduction in crude oil price, the Group's trans-shipment volume increased rapidly.

In 2008, the Group's refined oil throughput amounted to approximately 10.3 million tonnes, a decrease of 0.5% over 2007. For most of 2008, crude oil price in the international market remained high, which adversely affected production levels at the majority of refineries in the Group's hinterland in northeastern China. Moreover, the increase in refined oil consumption in the Group's hinterland in northeastern China also caused a decrease in trans-shipment volume of refined oil via Dalian Port.

Business Review

In 2008, the Group's liquefied chemicals throughput was approximately 1.1 million tonnes, a decrease of 2.7% over 2007. One of the Group's major customers adjusted its products portfolio which resulted in a reduction of shipping volume via Dalian Port. In addition, the high crude oil price caused an increase in the refineries' production cost which in turn constrained their production of liquefied chemicals. All these factors resulted in a decrease in liquefied chemicals throughput of the Group.

In 2008, the crude oil imported through the Group's terminals accounted for 99.5% (100% in 2007) of the total amount of crude oil imported in Dalian and 96% (97% in 2007) of the total amount of crude oil imported in the Three Northeastern Provinces. The total oil/liquefied chemicals throughput accounted for 71% (72% in 2007) of the total throughput of Dalian and 52% (54% in 2007) of the total oil throughput of the Three Northeastern Provinces. In 2008, the Group's total throughput of oil products ranked the third among all the public port operators in China.

In 2008, the revenue from the oil/liquefied chemicals terminal and logistics services amounted to RMB670,025,000, representing a decrease of RMB3,682,000 which amounted to a 0.5% decrease as compared with that in 2007. The decrease of the Group's income from leasing storage tanks and handling oil trans-shipment was mainly caused by a shortage of storage tanks after the disposal of crude oil tanks with a total storage capacity of 450,000 cubic meters to accommodate a major customer's construction of crude oil tanks. However, the oil handling revenue increased as a result of the throughput growth of imported crude oil.

In 2008, the revenue from the oil/liquefied chemicals terminal and logistics services accounted for 42.2% (42.9% in 2007) of the Group's total revenue.

In 2008, the gross profit from the oil/liquefied chemicals terminal and logistics services amounted to RMB377,840,000, a decrease of 4.9% as compared with RMB397,457,000 in 2007, and accounted for 54.1% (57.0% in 2007) of the Group's total gross profit in 2008, representing a gross margin of 56.4% (59.0% in 2007). Such decrease in gross margin was mainly caused by the cost of lease-back of certain crude oil tanks, increased labor cost and depreciation charges. The shortage of crude oil storage capacity resulted from the disposal of tanks with a storage capacity of 450,000 cubic meters necessitated the lease-back of certain oil tanks during 2008.

In 2008, the Group's major measures and projects undertaken were as follows:

- The Group's 12 newly constructed crude oil storage tanks (with a capacity of 100,000 cubic meters each) were put into operations in November and December 2008, respectively, of which nine storage tanks have been granted approval by the relevant government authority to store bonded crude oil. Such approval will be beneficial for the Group's throughput growth in trans-shipment crude oil in 2009. These 12 crude oil storage tanks have been leased to customers with terms of one to three years. The leasing fees of such storage tanks were higher than those tanks which were put into operation earlier.

- Currently the Group owns 21 bonded crude oil storage tanks (including the nine tanks newly granted with such status). Taking advantage of favourable policies for bonded crude oil storage tanks, the Group has attracted more trans-shipment business. In 2008, although faced with a shortage of storage tanks, the volume of trans-shipment bonded crude oil handled by the Group still increased to approximately 3.4 million tonnes, an increase of 98.9%, of which international bonded crude oil was approximately 322,000 tonnes.

- The new 300,000 dwt crude oil terminal project was approved by the National Development and Reform Commission of the PRC (the "NDRC"). The Group established a joint venture with PetroChina International Dalian Co., Ltd. on 22 August 2008 to develop, construct and operate such new 300,000 dwt crude oil terminal. The construction of the terminal commenced in 2008.

- The Group transferred certain crude oil storage tanks with a total capacity of 450,000 cubic meters to PetroChina Company Limited ("PetroChina") for its construction of crude oil storage tanks. The construction of 14 commercial crude oil storage tanks (with a total capacity of 1,400,000 cubic meters) have commenced within the Group's terminal area. These storage tanks are expected to be put into operation by PetroChina by the end of 2009.

- The Group will continue to conduct feasibility studies on the Caofeidian liquefied chemicals terminal project with the Group's business partners.

Container Segment

The following table sets out the container throughput handled by the Group in 2008 and its comparative results in 2007:

		2008 ('000 TEUs)	2007 ('000 TEUs)	Increase
Foreign Trade Throughput	Dalian	**3,767**	3,328	13.2%
	Other Ports (note)	**109**	27	303.7%
	Sub-total	**3,876**	3,355	15.5%
Domestic Trade Throughput	Dalian	**632**	396	59.6%
	Other Ports (note)	**944**	497	89.9%
	Sub-total	**1,576**	893	76.5%
Total Throughput	Dalian	**4,399**	3,724	18.1%
	Other Ports (note)	**1,053**	524	101.0%
	Total	**5,452**	4,248	28.3%

Note: The throughput at other ports for 2007 refers to the aggregate of the full year throughput of Jinzhou New Age Container Terminal Co., Ltd. (which is owned as to 15% by the Company) and the two-month throughput of Qinhuangdao Port New Harbour Container Terminal Co., Ltd. (which is owned as to 15% by the Company) as it commenced operation at the end of October 2007. The throughput at other ports for 2008 refers to the aggregate of the full year throughput of such two ports.

In 2008, in terms of container throughput, the Group handled a total of approximately 5.5 million TEUs, an increase of 28.3% over 2007. The container throughput for foreign trade was approximately 3.9 million TEUs, an increase of 15.5%, and the container throughput for domestic trade was approximately 1.6 million TEUs, an increase of 76.5%. In Dalian, the Group handled approximately 4.4 million TEUs, an increase of 18.1%. The container throughput for foreign trade was approximately 3.8 million TEUs, an increase of 13.2%, and the container throughput for domestic trade was approximately 632,000 TEUs, an increase of 59.6%. The growth of the Group's container throughput was linked closely with China's macro economy and the economic development in the Group's hinterland in northeastern China in 2008. Due to the global financial turmoil, the growth of China's foreign trade value slowed down in 2008 and its impact on foreign trade in northeastern China lagged behind slightly. The Group achieved sound growth in container throughput for foreign trade through enhancing communications with customers and providing higher quality terminal services. In terms of its domestic trade container business, the Group made significant progress by enhancing cargo solicitation in northeastern China and attracting shipping lines to expand shipping services in Dalian Port.

The Group's volume of sea-to-rail inter-modal transportation reached approximately 235,000 TEUs in Dalian, an increase of 30.6% over 2007. The volume of trans-shipment containers was approximately 336,000 TEUs, an increase of 12.4% over 2007.

In 2008, the Group's container business represented 97% (97% in 2007) of the market share in Dalian and 68% (72% in 2007) of that in the Three Northeastern Provinces. The Group's container throughput for foreign trade accounted for 100% (100% in 2007) of Dalian's total volume for foreign trade and 96% (94% in 2007) of that in the Three Northeastern Provinces.

In 2008, the revenue from the container terminal and logistics services amounted to RMB572,798,000, representing a decrease of RMB70,286,000 or 10.9% as compared with that in 2007. Such decrease was mainly due to the decrease in the sales of land use rights by Logistics Park and in freight income after the disposal of two container vessels.

In 2008, the revenue from the container terminal and logistics services accounted for 36.1% (41.0% in 2007) of the Group's total revenue.

In 2008, the gross profit from the container terminal and logistics services amounted to RMB162,688,000, which was approximately the same level as RMB162,622,000 in 2007, accounting for 23.3% (23.3% in 2007) of the Group's total gross profit, and represented a gross margin of 28.4% (25.3% in 2007). Such increase in gross margin was mainly due to the decrease of small margined land sales.

In 2008, the progress of the Group's major measures and the core projects in this business were as follows:

- The Group increased the tariff for foreign trade container handling services by 7% on average with effect from 1 January 2008.

- No. 17 and No. 18 container berths (the first two berths of Dayao Bay phase-III container terminals) owned by Dalian International Container Terminal Co., Ltd. were put into trial operations in July 2008. The annual handling capacity of the Group's container terminal increased to 5.05 million TEUs.

- The transfer of No. 13 and No. 14 container berths by the Company to Dalian Port Container Terminal Co., Ltd. was approved by the NDRC. Such transfer was completed on 26 June 2008.

- The Group's cross-border container trains from Dalian Port to Russia through Manzhouli were put into operations in January 2008, which is expected to attract more container business.

- The Group enhanced the construction of inland container logistics system in northeastern China. The Group proceeded with the construction of Dalian Railway Container Centre as planned and undertook the preliminary preparation work of Harbin Railway Container Centre. In addition, the inland depots in Changchun City and Jilin City of Jilin Province invested by the Group were put into operations in 2008. At the same time, the Group continuously improved inland container rail service system by co-operating with other parties to maintain the Group's leading position in sea-to-rail business.

Automobile Terminal Segment

In 2008, the Group handled a total of 16,143 vehicles, a decrease of 40.3% over 2007. The number of vehicles for foreign trade was 9,815, a decrease of 56.2% over 2007, and 6,328 for domestic trade, an increase of 37.5% over 2007. In addition, the Group handled a total of 8,512 pieces of equipment with a total weight of 55,743 tonnes, an increase of 177.0% over 2007. The Group's vehicle throughput accounted for 67% of the total volume handled by all ports in the Three Northeastern Provinces.

In 2008, due to the uncertainty of demand in automobile shipping market in the Group's hinterland and the significant fluctuation of international trans-shipment business, the volume of foreign trade vehicles handled by the Group dropped sharply as compared to 2007. In terms of domestic trade, although the Group continued to suffer from the shortage of shipping capacity for the cars for the domestic trade, the Group achieved sound growth through continuously monitoring market demand and strengthening cargo solicitation. In terms of equipment business, the Group closely monitored customer needs and enhanced business expansion, hence the volume of equipment increased significantly.

In 2008, the Group's share of loss in relation to its automobile terminal and logistics services amounted to RMB10,336,000, representing an increase of RMB7,627,000 from RMB2,709,000 in 2007.

In 2008, the Group took the following major measures:

- The Group was approved to extend the preferential policies of bonded port area to its automobile terminal to attract importers to store and distribute their vehicles at the automobile terminal so as to increase the Group's revenue.

- The construction of the automobile inspection booths for imported vehicles was completed. The inspection booths will be put into operations in the first half of 2009. The operations of the automobile inspection booths for imported vehicles will further improve the Group's port ancillary services function so as to increase its revenue.

- The Group continued to participate in automobile shipping projects for domestic trade. The Group made an order of two 2,300-car RO-RO vessels, which will be put into operations for the domestic trade automobile shipping business once the construction is completed.

Value-added Services Segment

The Group's port value-added services businesses which are closely linked with the overall growth of port services, shipbuilding and ocean engineering services at Dalian port achieved remarkable progress in 2008. Meanwhile, the Group's IT services also achieved rapid growth in 2008.

Tugging

- The Group expanded its tugging business in ports outside Dalian. By the end of 2008, the Group leased 12 tugboats to the ports outside Dalian.

- The last two of eight tugboats, purchased with proceeds from the H share global offering, were delivered and put into operations in the first half of 2008. By the end of 2008, the Group owned 32 fully reversible tugboats in total.

Tallying

- The total throughout handled by the Group was 33.5 million tonnes, an increase of 9.4% over 2007.

In 2008, the revenue from port value-added services amounted to RMB338,573,000, which increased by 34.3% as compared with RMB86,483,000 in 2007. Such increase was mainly caused by the growth of our tugging business and IT business. The growth of tugging business was mainly attributable to the throughput growth of Dalian port, the business development in nearby shipyards, as well as an increase in the number of tugboats on long-term lease and increased leasing fees.

In 2008, the revenue from port value-added services accounted for 21.3% (16.1% in 2007) of the Group's total revenue.

In 2008, the gross profit from port value-added services amounted to RMB153,561,000, an increase of by 13.3% from RMB135,592,000 in 2007, which accounted for 22.0% (19.5% in 2007) of the Group's total gross profit and represented a gross margin of 45.4% (53.8% in 2007) in 2008. Such decrease in gross margin was mainly caused by the growth of IT business which had a low gross margin in 2008.

Prospects for 2009

In 2009, with the deepening impact of the global financial crisis, the global economy is expected to face more serious challenges. The World Bank forecasted in its report published in March 2009 that in 2009, the global economy would experience the first negative growth since the Second World War. In order to stimulate the economic growth, Chinese government has adjusted macro control policies and introduced a series of policies to increase domestic demands and investments in order to sustain growth. According to "The 2009 Forecasts and Prospects for China's Economy" published by the Center for Forecasting Science, CAS, China's GDP is expected to increase by about 8.3% in 2009.

Faced with the declining port and shipping business caused by the global financial crisis, the management will take necessary measures to minimize the impacts of such crisis in 2009. In respect of stabilizing the market, the Company will enhance co-operation with its strategic business partners and maintain good relationships with its customers in various business segments to maintain and expand its market share so as to sustain stable business growth. In respect of financial control, the Company will take measures to reduce operational costs, control expenses and to avoid any unreasonable expense. In respect of the Group's financing, because the current loan interest rate is relatively low, the Company will seek to refinance the current bank loans and issue corporate bonds to reduce financial costs and ensure good cash flow. In respect of the constructions of port and logistics facilities, the Company will revisit the planned investment projects and commence the construction only when stable market demand arises so as to achieve a high utilization rate. At the same time, the Company will capture opportunities arising from relatively low construction and financing costs to proceed with the projects under construction and the major projects in preparation, to expand its port and logistics capacity for the Company's development after the economic recovery.

In 2009, in terms of the oil/liquefied chemicals terminal and related logistics services business, while maintaining the existing core business, the Group will provide value-added services and continue to develop its international trans-shipment services brand. In terms of the container terminal and related logistics services business, the Group will focus on stabilizing and expanding its market share. The Group will not only rely on a comprehensive structured port logistics system to attract customers and stabilize customer base, but the Group also intends to assess customers' needs to customize individualized port logistics service solutions. The Group will focus on "increasing volume by lanes" to expand its foreign trade container business. For the development of its domestic trade container business, the Group will focus on "increasing lanes by volume". With regard to its automobile terminal and related logistics services business, the Group will take measures to expand its market share and enhance cargo solicitation on a stable and continuous basis. In respect of value-added services business, the Group will focus its efforts to expand market share outside Dalian while continuing to provide high quality services to its existing customers.

Oil Segment

- The recent capacity expansion of the refineries in the Group's hinterland is nearly completed and is expected to lead to an increase in demand for imported crude oil. With the increase in the consumption of refined oil, the volume of crude oil imported via the Group's oil terminals is expected to increase accordingly.

- With the commencement of operation of the national strategic oil reserve base and PetroChina's commercial storage tanks which are currently under construction, the volume of crude oil imported via the Group's oil terminals is expected to increase.

- The expected commencement of operation of the Group's additional 300,000 dwt crude oil terminal by the end of 2009 will help reduce its overall operating cost in respect of imported crude oil and improve its trans-shipment service capability in the Bohai Rim region of China.

- The Group will enhance its co-operation with its strategic partners by expanding existing relationships in order to strengthen their stable and comprehensive business relationship and to attract more customers to participate in the development of the Group's port facilities.

- Relying on the advantages of its sizable bonded storage business, the Group will enhance marketing activities. At the same time, the Group will strive for more policy support from the government so as to increase the volume of its international trans-shipment of crude oil.

- In the first quarter of 2009, the Company entered into a joint venture contract with PetroChina and Dalian Construction Investment Company for the formation of a joint venture enterprise to invest in, construct, manage and operate an LNG terminal and a receiving station in Xingang, Dalian, the PRC. The project is expected to commence trial operation in 2011.

Container Segment

- In terms of container transportation for foreign trade, the Group will maintain the existing trunk routes, enhance co-operation with shipping lines, seek opportunities to develop new trunk routes and at the same time focus its efforts to promote international trans-shipment business.

- In terms of container transportation for domestic trade, the Group will fully leverage on the government's policies for sea lanes to attract the shipping lines to introduce more shipping lanes directly connecting Dalian with the ports in southern China. At the same time, the Group will establish a system for market development, continuously enhance cargo solicitation in its hinterland and implement the dry bulk cargo containerization project to increase the domestic trade volume.

- The Group will further improve inland logistics system in its hinterland in northeastern China and continue the construction of the railway container logistics centres and inland depots in Dalian and other junctions in its hinterland in northeastern China. Dalian Railway Container Centre is expected to commence trial operations in 2009, and Harbin Railway Container Centre is planned to commence constructions in 2009. The Group will study the co-operation modal network with the relevant local governments, the customers and the railway departments for the development of inland depots.

- The Group will proceed with the construction of the proposed container berths based on market demand and its business development plan.

Automobile Terminal Segment

- In March 2009, the Group introduced sea lanes for domestic trade cars connecting Dalian with Guangdong in southern China to expand domestic trade automobile Ro-Ro shipping market.

- The Group will capture the current opportunity of relatively low-loaded shipping space for foreign lanes to expand the exported automobile market and to promote Dalian as a basis port of shipping lanes for foreign trade automobile shipping business.

- The automobile inspection booths for imported vehicles will be put into operations in April 2009, which will help expand its port services for automobile importation business.

Value-added Services Segment

- The Group has placed an order for the construction of eight more tugboats, of which three tugboats will be put into operations in 2009.

- The Group will continue to leverage on the advantages of its sizable tugboat fleet and expertise to expand its market outside Dalian.

- The Group will enhance the informatization management in Oil Segment and Value-added Services Segment and promote the application of IT related products and services in its various business segments.

Others

Human Resources

Human resource is essential for a company's competitiveness. In 2008, in order to satisfy management needs for its internationalized business development, the Group has enhanced its human resource management based on its development strategies and the human-oriented policies. The Group provided various training programmes to its employees with a focus on stimulating creativity and improving professional knowledge and management skills to cope with its sustained and fast business development.

As at 31 December 2008, the Group had a total of 2,381 full-time employees. The Group undertakes review of its employee remuneration policy annually by taking into account the Group's financial performance, staff annual appraisal results, the labor market in Dalian and changes in regional consumer index.

To face the difficult business situation in 2009, the Company will strictly control its labor cost. Due to the fact that staff training in the port industry requires relatively longer training time, the Company has decided not to lay off its employees to ensure its normal business operations with stable labor force. However, the Company will take steps to avoid unnecessary expenses. At the same time it will enhance its training to improve its employees' skills in order to strengthen its competitiveness in the industry and to maximize returns for its shareholders.

Investor Relations

The Company pays particular attention on communicating with its shareholders and the capital market in a timely manner. The Company adheres to the principles of regularity, fairness and transparency to allow its shareholders and the capital market to have a good understanding of the Company's operations and strategies for future development, which will enhance their understanding and recognition of the Company.

The Company provides to its shareholders and investors information and business performance data mainly in the following manners:

- The Company delivers interim and annual reports to its shareholders;

- In accordance with the continuing disclosure requirements under the Listing Rules, the Company publishes announcements and circulars on both the Stock Exchange's website and the Company's website; and

- The Company arranges annual general meetings and extraordinary general meetings.

In 2008, the Company maintained effective and regular communications with its shareholders and the capital market through the following channels:

- Following the annual result announcement for financial year 2007 and the interim result announcement for the first half of 2008, our management conducted roadshows, respectively. The management introduced the Company's business results to the market and answered investors' questions by organizing analyst presentations, press releases and one-on-one meetings;

- In 2008, the Company's management participated in six investment conferences hosted by different investment banks, to provide a better understanding of the Company's operations; and

- The management met with more than 130 investors in Dalian and arranged various site visits.

Corporate Social Responsibility

The Group is committed to supporting environmental protection and safety initiatives in its daily operations and abides by the relevant PRC laws and regulations to fulfill its corporate social responsibilities.

While developing and constructing the terminal facilities, the Group engaged professionals to conduct environmental studies to ensure that the Group's future development of the port business would not produce any negative effects to the environment.

In 2008, tugboats have been replaced with pilot traffic boats for transportation of pilots, which not only eliminated unnecessary waste of the Group's tugging resources but also significantly reduced its fuel consumption at the same time. Moreover, in order to improve efficiency and reduce pollution, the Group focused its efforts on technical improvements to its central boiler station in the oil terminal, which not only saved energy but also reduced air pollution caused by the waste discharge. In order to save more energy, the Group intends to use electricity instead of fuel for some major equipment in its container terminals, such as its yard cranes. In 2008, the Group completed the trial for one of the yard cranes and will apply to convert more yard cranes to the use of electricity in 2009. All the above measures were part of the Group's energy conversation and environmental protection program.

In addition, the Group participated in the society's poverty alleviation works mainly through donations to the local poor areas.

Report of the Directors

The board of directors (the "Board") hereby presents its report and the audited financial statements of the Group ("financial statements") for the year ended 31 December 2008.

Principal activities and geographical analysis of operations

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 7 to the financial statements.

Details of the analysis of the Group's operating results by business segments for the year ended 31 December 2008 are set out in note 7 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement of the financial statements.

The Board now recommends the payment of a final dividend of RMB9 cents per share for the year, aggregating to approximately RMB263,340,000, to shareholders whose names appear on the registers of members of the Company on 25 May 2009.

Pursuant to the provisions of the Articles of Association (the "Articles") of the Company, the annual profit distribution plan of the Company is subject to approval of the annual general meeting for 2008. Accordingly, the aforesaid profit distribution proposal will be implemented following the 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 2008, the Company's reserves available for distribution were RMB3,434,846,000, 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 2008, the total amount of outstanding bank loans of the Group was RMB1,431,733,000. Details of the relevant loans are set out in note 35 to the financial statements.

Capitalisation of interest

As at 31 December 2008, the total amount of interest capitalised of the Group was approximately RMB63,514,000.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2008 are set out in note 15 to the financial statements.

Investment properties

Details of the properties held for investment purpose of the Group during the year ended 31 December 2008 are set out in note 17 to the financial statements.

Share capital

The share capital structure of the Company as at 31 December 2008 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 39 to the financial statements.

Pre-emption rights

There are no provisions for pre-emption rights under the Articles 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 ended 31 December 2008, 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.

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)
Mr. Zhang Fengge
Mr. Jiang Luning
Ms. Su Chunhua

Non-executive directors

Mr. Lu Jianmin	
Mr. Xu Jian	(appointed on 18 June 2008)

Independent non-executive directors

Mr. Yang Zan	(term expired on 18 June 2008)
Mr. Wang Zuwen	(appointed on 18 June 2008)
Mr. Zhang Xianzhi	
Mr. Ng Ming Wah, Charles	

The Company has received, from each of the independent non-executive directors, Mr. Wang Zuwen, 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.

Supervisors

Mr. Fu Bin
Mr. Zhang Guofeng
Mr. Diao Chengbao
Ms. Fu Rong
Ms. Xu Jinrong
Ms. Gui Yuchan

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

Directors' and supervisors' service contracts

During the year ended 31 December 2008, each of the directors and supervisors of the Company has 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).

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 2008, none of the directors, supervisors, senior management and their respective 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 was the Company or its subsidiaries or its holding company or the subsidiaries of the Company's holding company, 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 in or debentures of the Company or any other body corporate. In addition, none of the directors and the supervisors of the Company was granted any right to subscribe for the securities of the Company or had exercised any such right during the year.

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 12(a) to the financial statements.

Five highest paid individuals

For the year ended 31 December 2008, information in respect of the five highest paid individuals of the Group is set out in note 12(b) to the financial statements.

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 nor any such contract subsisted at any time during the year.

Connected transactions

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

Non-exempt connected transaction under Listing Rules 14A.31

On 31 March 2008, Asia Pacific Ports Co., Ltd. ("APP"), a wholly owned subsidiary of the Company, and Pacific Logistics Cn-Net Limited (note 1) ("PLC") entered into an Equity Acquisition Agreement for the acquisition by APP from PLC of a 35% equity interest in Dalian Portnet Co., Ltd. (note 2) ("DPN"). The cash consideration of the transaction, RMB36,750,000 was arrived at after arm's length negotiations with reference to the net asset book value and profit of DPN as at 31 December 2007.

DPN is primarily engaged in operation of the EDI platform and has been providing database services to the relevant government authorities in support of its carrying out customs administration function. As the government policy has changed to require that such services can only be provided by companies controlled by PRC entities and the acquisition of the 35% equity interests from PLC and converting DPN into a subsidiary of the Company will benefit the business development of DPN and strengthen the Group's position in the logistic services market in Dalian, APP entered into such transaction.

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

The following continuing connected transactions which have been entered into between the Group and Dalian Port Corporation Limited (note 3) ("PDA") and/or its relevant associates (collectively referred to as "PDA Group") during its preparation of Listing on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been granted by the Stock Exchange 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. With the continuing development of the business of the Group, the relevant annual caps were proposed to be revised. The Company made an announcement in relation to the revised annual caps for the year 2008 in respect of the continuing connected transaction on 10 January 2008 according to Rules 14A.36 and 14A.45 to 14A.47 of the Listing Rules. As each of the applicable percentage ration in respect of the revised caps for the year 2008 for the transactions under the Terminal Facilities Design and Construction Services Agreement and the Comprehensive Services Agreement is on annual basis more than 2.5% and the proposed annual caps are more than HK$10,000,000, requiring independent shareholders' approval, the Company convened an extraordinary shareholders meeting on 20 March 2008 and approved such revised caps.

The following table sets out a summary of the Group's non-exempt continuing connected transactions in 2008.

	Connected transactions	Connected Persons	Cap for 2008 (RMB'000)	Actual amount for 2008 (RMB'000)
A	Construction management services	Dalian Port Harbour Construction Superintendence and Consulting Company Limited	7,000	5,975
B	Terminal facilities design and construction services	PDA Group	299,740	217,786
C	Maintenance services	PDA Group	1,310	793
D	Comprehensive services	PDA Group	41,750	30,951
E	Property leasing	PDA Group	6,800	6,473
F	Steam and heat supply services	PDA Group	6,400	1,987
G	Security services	PDA Group	6,500	6,063
H	Project management services	Dalian Port Construction Management Company Limited	13,850	6,125
Total			383,350	276,153

The actual amount of these transactions did not exceed the respective caps.

A. Construction management services

On 23 March 2006, Dalian Port Harbour Construction Superintendence and Consulting Company Limited (note 4) ("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). As disclosed in the Company's prospectus, the cap for the construction management services for the year ended 31 December 2008 was RMB7,000,000. The actual amount of transaction was RMB5,975,000.

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 has a term of three years ended on 31 December 2008.

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).

As disclosed in the Company's prospectus, the original cap granted for the terminal facilities design and construction services for the year ended 31 December 2008 was RMB25,000,000. With the continuing development of the business of the Group and commencement of new terminal facilities, the Company proposed to revise the annual cap and made an announcement on 10 January 2008. The revised cap of RMB299,740,000 has been approved by the shareholders at the extraordinary general meeting held on 20 March 2008. The actual amount of transaction for the year ended 31 December 2008 is RMB217,786,000.

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;

- 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 has a term of three years ended on 31 December 2008.

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.

As disclosed in the Company's prospectus, the original cap granted for the maintenance services for the year ended 31 December 2008 was RMB1,130,000. With the continuing development of the business of the Group, the Company proposed to revise the annual cap and made an announcement on 10 January 2008. The revised cap for the year ended 31 December 2008 is RMB1,310,000 and the actual amount of transaction is RMB793,000.

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 term of the Maintenance Services Agreement is three years ended on 31 December 2008.

D. 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 2008 was RMB27,500,000. With the continuing development of the business of the Group, the Company proposed to revise the annual cap and made an announcement on 10 January 2008. The revised annual cap of RMB41,750,000 for the year ended 31 December 2008 has been approved by the shareholders at the extraordinary general meeting held on 20 March 2008. The actual amount of transaction is RMB30,951,000.

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 term of the Comprehensive Services Agreement is three years ended on 31 December 2008.

E. 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.

As disclosed in the Company's prospectus, the original cap for the property leasing for the year ended 31 December 2008 was RMB3,040,000. With the continuing development of the business of the Group, the Company proposed to revise the annual cap and made an announcement on 10 January 2008. The revised annual cap for the year ended 31 December 2008 is RMB6,800,000 and the actual amount of transaction is RMB6,473,000.

The main terms and conditions of the property leasing agreement are as follows:

- The rental for the leased properties were agreed by the parties by reference to market price;

- The Properties Leasing Agreement has a term of three years ended on 31 December 2008.

On 10 January 2008, the Company made a public announcement in relation to the following three continuing connected transactions:

F. Steam and heat supply services

On 3 January 2008, the Company and PDA (for itself and on behalf of its relevant associates) entered into a Steam and Heat Supply Agreement pursuant to which the Company provided steam and heat supply to PDA and/or its relevant associates for one year from 1 January 2008 to 31 December 2008 with an annual cap of RMB6,400,000, The actual amount of the transaction was RMB1,987,000.

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

The main terms and conditions of the Steam and Heat Supply Agreement are as follows:

- 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 from independent third parties.

G. Security Services

On 3 January 2008, the Company and PDA (for itself and on behalf of its relevant associates) entered into a Security Services Agreement pursuant to which PDA and/or its relevant associates provided security services to the company for one year from 1 January 2008 to 31 December 2008 with an annual cap of RMB6,500,000. The actual amount of the transaction was RMB6,063,000.

PDA possesses extensive experiences in provision of terminal related security services and has retained a large number of experienced staff. In addition, pursuant to the Security Services Agreement, the security services provided by PDA and/or its relevant associates to the Company are on terms no less favourable to the Company than those offered by independent third parties. Therefore, outsourcing the security services to PDA is commercially reasonable for the Group and is beneficial for the Group and the shareholders of the Company as a whole.

The major terms of the Security Services Agreement are as follows:

- The Company has the right to terminate by giving at least 60 days' prior notice;
- The security services mainly include construction and maintenance of security services facilities and provision of security services in connection with the Company's operations of oil terminals at Xin Gang, Dalian; arranging training services and domestic and international exchange services for security staff of the Company;
- The terms and conditions (including the pricing and payment terms) are no less favorable to the Company than terms available from independent third parties.

H. Project Management Services

Dalian Port Construction Management Company Limited (note 5) ("DCM") was established in 2007 as a result of the restructuring of the project management business of PDA Group. DCM provides project management services (including management of project bidding and requisition). On 3 January 2008, the Company (for itself and on behalf of its subsidiaries) and DCM entered into the Project Management Services Agreement with an annual cap of RMB13,850,000, pursuant to which DCM provided the Company and its subsidiaries with project management services in 2008. The actual amount of the transaction was RMB6,125,000.

The major terms of the Project Management Service Agreement are as follows:

- The Company has the right to terminate by giving at least 60 days' prior notice;
- The project management services mainly include provision of management of construction process, budget control services and quality control services in connection with the Company's development of terminals and other related projects;
- The terms and conditions (including the pricing and payment terms) are no less favorable to the Company than terms available from independent third parties.

Notes:

Note 1 Pacific Logistic Cn-Net Limited is an associate of a substantial shareholder and director of a non wholly-owned subsidiary of the Company and is therefore a connected person of the Company.

Note 2 Dalian Portnet Co., Ltd., a Sino-foreign equity joint venture established on 31 August 2000, is owned as to 36.4% by Dalian Port Jifa Logistics Co., Ltd., 35% by APP and 28.6% by Dalian Construction Investment Company after the completion of the transaction.

Note 3 PDA is the controlling shareholder of the Company and holds 62.09% of the Company's shares.

Note 4 Dalian Port Harbour Construction Superintendence and Consulting Company Limited is a subsidiary of PDA which holds 75% of its shares.

Note 5 Dalian Port Construction Management Company Limited is a wholly owned subsidiary of PDA.

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 H above for the year ended 31 December 2008. The auditors have reported their factual findings on these procedures to the Board of Directors with a letter and made a confirmation in accordance with Rule 14A.38 of the Listing Rules.

The Directors confirm that the Company has compiled 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	4.9%
The top five suppliers as a percentage of the Group's purchases	15.3%
The largest customer as a percentage of the Group's turnover	16.1%
The top five customers as a percentage of the Group's turnover	39.6%

None of the directors, supervisors, their respective 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 or suppliers 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 2008, so far as known to the Directors of the Company, the following persons (other than the directors or supervisors) had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	As a % of relevant class of share capital[1]	As a % of total share capital[2]
Dalian Port Corporation Limited	Domestic shares	1,816,815,000 (long position)	Beneficial owner	97.5%	62.09%
Nippon Yusen Kabushiki Kaisha	H shares	114,800,000 (long position)	Interest of controlled corporation	10.80%	3.92%
N.Y.K. Line Group (Hong Kong) Limited	H shares	114,800,000 (long position)	Interest of controlled corporation	10.80%	3.92%
N.Y.K. Line (Hong Kong) Limited	H shares	114,800,000 (long position)	Beneficial owner	10.80%	3.92%
Capital Research and Management Company	H shares	95,634,000 (long position)	Beneficial owner	9.00%	3.27%
The National Social Security Fund Council of the PRC	H shares	82,426,000 (long position)	Beneficial owner	7.76%	2.82%
FIL Limited	H shares	77,080,000 (long position)	Beneficial owner	7.25%	2.63%
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%
China Shipping Terminal Development (Hong Kong) Company Limited	H shares	73,610,000 (long position)	Beneficial owner	6.92%	2.52%
Indus Capital Partners, LLC	H shares	64,341,200 (long position)	Interest of controlled corporation	6.06%	2.20%

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	As a % of relevant class of share capital[1]	As a % of total share capital[2]
Kasowitz Sheldon Fenton	H shares	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%
Schroder Investment Management (Hong Kong) Limited	H shares	53,250,000 (long position)	Beneficial owner	5.01%	1.82%

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 2008, so far as 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.

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 three consecutive years.

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 PDA provided certain non-competition undertakings in favor of the Company and granted certain first rights of refusal and option to the Company in respect of the business of PDA and future business opportunities. Under the same agreement, the independent non-executive directors of the Company was granted with the right on behalf of the Company to review at least on an annual basis the implementation of said agreement and determine the exercise of any of the aforesaid first rights or options.

The independent non-execution directors have conducted a review and made necessary enquiries for the year 2008 and confirm that PDA has been in compliance with the provisions of the Non-Competition Agreement and there was no breach on the side of PDA.

LNG Receiving Station

In the first quarter of 2009, the Company entered into a joint venture contract with PetroChina Company Limited and Dalian Construction Investment Company for the establishment of a joint venture company to invest, construct, manage and operate an LNG terminal and a receiving station in Xingang, Dalian, the PRC. The Company will hold 20% equity interest in the Joint venture company.

As LNG is a relatively clean energy, the consumption of LNG is encouraged by the PRC government, and the LNG terminal business has significant growth potential in China. Investing in the joint venture company allows the Company to better utilize its port facilities and services and diversify its business so as to generate additional profit for the Group.

By Order of the Board

Sun Hong
Chairman

Dalian, PRC
16 April 2009

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.

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, two non-executive director and three independent non-executive directors. They were elected or re-elected at the annual general meeting of the Company on 18 June 2008. 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
– Mr. Xu Jian

Independent non-executive directors
– Mr. Wang Zuwen
– 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, Senior Management" of this annual report. The executive and non-executive directors of the Company have expertise, extensive experiences and skills in management, operation, finance and other port businesses related areas. They are instrumental in mapping out the Company's strategy. The three independent non-executive directors of the Company are highly qualified professionals with extensive experiences 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 considers such directors to be independent during the reporting period.

The Company believes that the board composition is reasonable and adequate for safeguarding 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 time and adequate capacity 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 for the directors to have opportunity to attend Board meetings, a notice of at least 14 days shall be given to every director for a regular Board meeting. For an extraordinary Board meeting, a notice of at least 5 days shall be given to each director. The notice shall state the time, place and means by which the Board meeting will be conducted.

The quorum for a Board meeting is the presentation of at least half of the total number of the directors. The directors may attend the board meeting in person, or appoint another director 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 nine 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 (approximately)
Mr. Sun Hong	9/9	100%
Mr. Zhang Fengge	8/9	89%
Mr. Jiang Luning	9/9	100%
Ms. Su Chunhua	9/9	100%
Mr. Lu Jianmin	8/9	89%
Mr. Xu Jian (Note 1)	5/5	100%
Mr. Zhang Xianzhi	9/9	100%
Mr. Ng Ming Wah, Charles	9/9	100%
Mr. Yang Zan (Note 2)	2/4	50%
Mr. Wang Zuwen (Note 3)	4/5	80%

Notes:

1. On 18 June 2008, Mr. Xu Jian was appointed as a director of the Company. During the reporting period and after his appointment, the Board held a total of five meetings.

2. The term of office of Mr. Yang Zan had expired on 18 June 2008 and during his term of office within the reporting period, the Board held a total of four meetings.

3. On 18 June 2008, Mr. Wang Zuwen was appointed as a director of the Company. During the reporting period and after his appointment, the Board held a total of five meetings.

3. Powers exercised by the Board and the management

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

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

The Board is also responsible for the preparation of the accounts for each financial period to give a true and fair view of the financial status, the results and the cash flows of the Company for that period. In preparing the accounts for the year ended 31 December 2008, 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 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 organizing 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. Nomination 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 approval of the shareholders at the Company's general meetings.

Removal of members of the Board and their remuneration are also subject to the approval of the shareholders at the Company's 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 two independent non-executive directors and one non-executive director, namely Mr. Zhang Xianzhi, Mr. Ng Ming Wah Charles and Mr. Lu Jianmin. 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. The attendance of Audit Committee is set out below:

Member of the Audit Committee	Attendance/ Total number of meetings	Attendance rate
Mr. Zhang Xianzhi	6/6	100%
Mr. Ng Ming Wah, Charles	6/6	100%
Mr. Lu Jianmin	6/6	100%

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of two independent non-executive directors and one executive director. As at the date of this report, the members of The Nomination and Remuneration Committee are Mr. Wang Zuwen, Mr. Ng Ming Wah, Charles and Mr. Sun Hong. Mr. Wang Zuwen 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 and remuneration system.

During the reporting period, the Nomination and Remuneration Committee held two meetings. The attendance of the Nomination and Remuneration Committee is set out below:

Member of the Nomination and Remuneration Committee	Attendance/ Total number of meetings	Attendance rate
Mr. Wang Zuwen (Note 4)	1/1	100%
Mr. Ng Ming Wah, Charles	2/2	100%
Mr. Sun Hong	2/2	100%
Mr. Yang Zan (Note 4)	1/1	100%

Note 4: Please refer to the aforesaid Note 2 and Note 3. During the term of office of Mr. Wang and Mr. Yang, the Nomination and Remuneration Committee held one meeting, respectively.

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 currently consists of three directors, namely Mr. Xu Jian, Mr. Wang Zuwen and Mr. Jiang Luning. During the reporting period, Mr. Xu Jian replaced Mr. Sun Hong to serve 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 one meeting. The attendance of the Strategy Development Committee is set out below:

Member of the Strategy Development Committee	Attendance/ Total number of meetings	Attendance Rate
Mr. Xu Jian	1/1	100%
Mr. Wang Zuwen	1/1	100%
Mr. Jiang Luning	1/1	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 management, financing, investment and other capital operations of the Company.

During the reporting period, the Financial Management Committee held three meetings. The attendance of the Financial Management Committee is set out below:

Member of the Financial Management Committee	Attendance/ Total number of meetings	Attendance Rate
Mr. Zhang Fengge	3/3	100%
Mr. Zhang Xianzhi	3/3	100%
Ms. Su Chunhua	3/3	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 have 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 shareholders at the annual general meeting for the year 2007.

During the reporting period, the fees payable to the auditors for audit service are approximately RMB 3,040,715.

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.

During the reporting period, the Company appointed a professional consultant to review the internal control system of the Company in respect of corporate governance and operation process. A report has been issued by the consultant to assist the Board in considering the effectiveness of the internal control system of the Company. The Board considers that the internal control system of the Company is adequate. The Board requested the management of the Company to further improve the internal control system to maintain the Company's corporate governance standard.

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 also set up an internal audit function by appointing qualified personnel to strengthen the internal control of the Company. The role of the internal auditor is to assist the Audit Committee in ensuring the Company to maintain a sound internal control system by reviewing all aspects of the Company's activities and internal controls, conducting regular audits of the practices and procedures of the Company and its subsidiaries. The internal auditor has conducted an internal audit of the Company and its subsidiaries according to the annual plan 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" providing the responsibilities and procedure for disclosure of the significant matters and price sensitive information of the Company to ensure that the disclosures 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 eliminate the financial management risks of the Company and to improve its internal controls system as necessary. Details of Financial Management Committee are set out in Part B. 6 of this report.

In order to effectively avoid any operation risks resulting from misconduct and corruption in the ordinary course of business and allow the Board to obtain necessary information about the Company in timely manner, 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 that any person who has the right to obtain the Company's relevant records and documents can promptly obtain such records and documents.

The shareholders of the Company are encouraged to contact the secretary to the Board whenever they have such needs.

When the Company convenes an annual general meeting, any shareholder holding 5% or more of the total voting shares of the Company has the right to propose new motions in writing for consideration, and the Company shall place such proposals on the agenda if they fall under the authority of the general meeting.

The Articles of Association of the Company provides all the rights of shareholders of the Company, including those rights which have been mentioned above. The Company has taken necessary steps to comply with all provisions of the relevant laws, regulations and the Listing Rules to secure the rights of the shareholders.

H. General meeting

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

During the reporting period, the annual general meeting for the year 2007 was held on 18 June 2008, at which the following resolutions are considered and approved:

a. The report of the Board of Directors for the year 2007.

b. The report of the Supervisory Committee for the year 2007.

c. The report of the auditors and audited financial statements of the Company for the year ended 31 December 2007.

d. The final dividend distribution for the year ended 31 December 2007.

e. The appointment of Deloitte Touche Tohmatsu CPA Ltd. as the PRC auditors of the Company and Deloitte Touche Tohmatsu as the international auditors of the Company, both of which shall hold office until the conclusion of the next annual general meeting, and authorising the Board of Directors to fix their remunerations, respectively.

f. The election or re-election of the directors and approval of their remuneration.

g. The re-election of the supervisors and approval of their remuneration.

h. The general mandate for the board of directors to issue shares.

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

The Company sets out the following contact details for the shareholder to communicate with the Company:

Joint Company Secretaries:	Ms. Ma Jinru	(Tel: 86 411 82798466)
	Mr. Lee Kin Yu, Arthur	(Tel: 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 2008.

I. Work undertaken by the Supervisory Committee for the year 2008

1. In 2008, all the members of the Supervisory Committee strictly abided by 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 other applicable laws and regulations and the principles of integrity and diligence in performing their duties and discharging their supervisory functions to safeguard the interests of all the shareholders and the Company.

2. In 2008, the Supervisory Committee held one meeting at which the Supervisory Committee approved the Report of the Supervisory Committee for the year 2007 and the proposal on the candidates for supervisors of the Company and the proposed remunerations thereof.

II. The Supervisory Committee has the following opinions on the work undertaken by the Company in 2008

1. The company has complied with the applicable laws and regulations in all material aspects and been operated in accordance with procedures and requirement applicable to the companies listed on the Stock Exchange. All the decision making procedures which the Company underwent during the year was in compliance with the Articles of Association and the applicable laws, regulations and the Listing Rules.

2. The directors and the senior management of the Company have been acting diligently and committed to their work and have duly implemented the resolutions approved by the shareholders at the general meetings and by the board of directors. None of the directors and the senior management has violated the Company Law, the Listing Rules and the Articles of Association nor impaired the interests of the Company.

3. During the reporting period, the financial positions of the Company were sound. The Company has fully implemented its comprehensively structured financial management system and continuously enhanced its functions to ensure its normal operations.

4. During the reporting period, the connected transactions (including the continuing connected transactions) of the Company were conducted in accordance with the relevant written contracts the terms of which, including the prices, are normal commercial terms and fair and reasonable. The transactions are not detrimental to the interests of the shareholders nor led to any loss of the Company's assets.

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

Dalian, China
16 April 2009

Profiles of Directors, Supervisors and Senior Management

Executive Directors

Mr. Sun Hong (孫宏先生), aged 46, 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, and also serves as the chairman of the board of Dalian Port Container Co., Ltd., Dalian International Logistics Park Development Co., Ltd., Dalian Port Jifa Logistics Co., Ltd. and Dalian Portnet Co., Limited. He is a representative to the Eleventh National People's Congress. 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. Mr. Sun also obtained a master's degree in port management from the Antwerp Port Engineering and Consulting Centre in Belgium. He is a senior economist. Mr. Sun has nearly twenty-five years of experience in managing port business and extensive experience in business and management. He was honoured as one of the "Ten Outstanding Young Entrepreneur in Liaoning Province" and "the First National Labor Models of the Logistics Industry in 2007".

Mr. Zhang Fengge (張鳳閣先生 (alias) 張風閣先生), aged 55, 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. Mr. Zhang also serves as the chairman of the supervisory committee of Dalian China Oil Dock Management 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 has more than thirty-two 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" and was honoured as a pioneer of accountant of the State in 2008.

Mr. Jiang Luning (姜魯寧先生), aged 46, 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., a director and the chairman of Dalian Port Contaeiner Co., Ltd.. He currently 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. Dalian 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 nearly twenty-five 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.

Ms. Su Chunhua (蘇春華女士), aged 46, 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 Company Limited. She also acts as a supervisor of Dalian International Container Terminal Co., Ltd. and China United Tally Col., Ltd. Dalian respectively. She serves as a member and deputy secretary general of the third standing committee of the Dalian Association of Chief Financial Officers. 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 and has more than twenty years of experience in finance and financial management.

Non-executive Directors

Mr. Lu Jianmin (盧建民先生), aged 57, has been appointed as a non-executive Director of the Company since 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 and also serves as the deputy chairman of Dalian China Oil Bunker Transportation and Sail Co., Ltd.. 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-two years of experience in port business and extensive experience in finance, financing, corporate management and operation.

Mr. Xu Jian (徐健先生), aged 44, has been appointed as a non-executive Director of the Company since June 2008. After joining Port of Dalian Authority in 1988, he held the positions of a deputy manager of Dalian Harbour Construction Superintendence and Consulting Co., Ltd., the general manager of Dalian Gangwan Engineering Company, the commander in chief for the Key Engineering Projects of Dalian Port and the assistant to the general manager of Dalian Port Corporation Limited. He is currently a deputy general manager of Dalian Port Corporation Limited and a deputy president of China Water Transportation Construction Association. Mr. Xu graduated from Tianjing University majoring port and sea-route engineering. He is a senior engineer of port engineering and has extensive experience in port planning and construction. He was awarded with "2006 Dalian 5.1 Labor Medal".

Independent Non-executive Directors

Mr. Zhang Xianzhi (張先治先生), aged 52, has been appointed as an independent non-executive Director of the Company since 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 (a key research base in Liaoning Province for human and social sciences) and also serves as an independent non-executive director of Lingyuan Iron & Steel Co., Ltd. (stock code: 600231). He is also a visiting professor of Dongwu University (Taiwan), a part-time professor of Dalian University of Technology, Shandong University of Science and Technology and Hangzhou Dianzi University. Mr. Zhang is a common chairman of the Annual Conference of Finance of China, a deputy chairman of Liaoning Institute of Chief Accountants and the chairman of Dalian Enterprises Finance Researching Association. He is a non-practicing member of China Institute of Certified Public Accountants, and has more than twenty-six years of experiences in finance and financial management and obtained a number of research findings in the areas of analysis of financial statement and internal control. Mr. Zhang is an expert entitled to special allowance of the State Council. He was honoured as a State Self-reliance Model, a pioneer of accountant of the State, a labor model of Liaoning Province, and an excellent expert of Dalian City.

Mr. Wang Zuwen (王祖溫), aged 54, has been appointed as an independent non-executive Director of the Company since June 2008. Mr. Wang graduated from Harbin University of Technology with a master's degree in engineering. In 1987, he studied in Japan and graduated from Sophia University with a doctor's degree in engineering, majoring in mechanical engineering. He is a professor, a tutor of doctorate postgraduates. Mr. Wang is currently the president of Dalian Maritime University, and also holds a number of community positions, including as the chairman of the International Association of Maritime Universities, a director of the board of World Maritime University, an communication academician of International Eurasian Academy of Sciences, the deputy chairman of China Institute of Navigation, a member of Chinese M echanical Engineering Society, the chief commissioner of the Fluid Power Transmission & Control Committee of Chinese Mechanical Engineering Society, and a member of the editor committee of "Chinese Journal of Mechanical Engineering" and a director of its board. Mr. Wang is currently a representative to the Eleventh National People's Congress. He was honoured as one of the "Ten Most Outstanding Young People in Harbin", "Outstanding Returnees of State", "the Outstanding Expert in Liaoning Province", and "Dalian 5.1 Special Award for Laborers".

Mr. Ng Ming Wah, Charles, aged 59, was appointed to the Board as an independent non-executive Director in November 2005. He is a director of Somerley Limited, the principal business of which is the provision of corporate financial advisory services. He 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. 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. Mr. Ng has over 30 years of experience in corporate finance and investment banking.

Supervisors

Mr. Fu Bin (付彬先生), aged 51, has been appointed as a supervisor and the chairman of the supervisory committee of the Company since November 2005. He joined Port of Dalian Authority in 1980. He is currently a director and a deputy general manager of Dalian Port Corporation Limited, and also serves as the chairman of the board of Dalian Jingangwan Grains and Logistics Company Limited, China United Tally Co., Ltd. Dalian, Dalian Ocean Shipping Tally Co., Ltd., Odfjell Terminals (Dalian) Ltd., Changxing Island Terminal Co., Ltd. and China Shipping Ganglian Maritime Co., Ltd., the deputy chairman of Dalian China Oil Dock Management Co., Ltd.. Mr. Fu obtained a master of business administration degree from the Hong Kong Baptist University. 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 54, has been appointed as a supervisor of the Company since November 2005. He joined Port of Dalian Authority in 1975. Mr. Zhang is currently a supervisor and the head of financial planning department of Dalian Port Corporation Limited. He also holds the positions of a director of Dalian Harbour Construction Superintendence and Consulting Co., Ltd., Dalian China Oil Dock Management Co., Ltd., Dalian Port Industrial Company Limited, Dalian Port Rixing Industrial Company Limited and Dalian Port Real Estate Group Company Limited, and the positions of a supervisor of Dalian Port Wantong Shipping Company Limited, Dalian Changxing Island Terminal Co., Ltd., Dalian Port PetroChina International Terminal Co., Ltd., Dalian Wantong Ronghai Shipping Company Limited, China Shipping Ganglian Maritime Co., Ltd., Dalian Port Construction and Management Co., Ltd. and Weihai Port Joint-Stock Company, respectively. Mr. Zhang 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 honoured as a pioneer of internal audit of the State and pioneer of internal audit of Liaoning Province.

Mr. Diao Chengbao (刁成寶先生), aged 63, has been appointed as a supervisor of the Company since 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 and Dalian and North-eastern Asia Regional Cooperation Research Centre, respectively. He is currently a deputy head of Dalian Charity Federation and 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 Technology and a consultant of Dalian Social and Economic Research Institute under Dalian University. He is 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, 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.

Ms. Fu Rong (傅榮女士), aged 51, has been appointed as a supervisor of the Company since November 2005. Ms. Fu is the dean of the accountancy department of the Accountancy College at Dongbei University of Finance and Economics, she is a commissioner of Accounting Principle Professional Committee of Accounting Society of China and a member of Account Society of Liaoning. Mr. Fu has a Ph.D. in management and is a professor of Dongbei University of Finance and Economics. She is a non-practicing member of the China Institute of Certified Public Accountants. 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. Xu Jinrong (徐錦蓉女士), aged 41, has been appointed as a supervisor of the Company since November 2005. She was a technician of Dalian Port Dalian Bay Stevedoring Company. She worked in the audit and finance department of Port of Dalian Authority and was the head of the management section of the audit department of Dalian Port Corporation Limited and the audit manager of Dalian Port Container Co., Ltd., respectively. 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 from Lanzhou Jiaotong University.

Ms. Gui Yuchan (桂玉嬋女士), aged 39, has been appointed as a supervisor of the Company since 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 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.

Senior Management

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

Mr. Xu Fangsheng (徐芳盛先生), aged 45, has been appointed as a deputy general manager of the Company since January 2007. After joining Port of Dalian Authority in 1983, he held the positions of a deputy secretary to the Youth League of Dalian Port Services Company, head of league propaganda department and general office of Port of Dalian Authority, as well as the party secretary, the secretary to disciplinary committee and a supervisor of Dalian Ocean Shipping Tally Co., Ltd.. He is currently a director of Dalian Port PetroChina International Terminal Co., Ltd. and Taicang Xinggang Tugboat Co., Ltd.. Mr. Xu graduated from the Party School of Dalian Municipal Commission majoring in economics and management and has a professional qualification for political works (政工師).

Mr. Wang Yi (王毅先生), aged 55, has been appointed as a deputy general manager of the Company since 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 as the general manager of Dalian Port Oil Terminal Company, the chairman of Dalian Port Tongli Shipping Agency Co.,Ltd., and a director of the board of Dalian Port PetroChina International Terminal Co., Ltd.. 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 progect. Mr. Wang has more than thirty-five years of experience in port business and extensive experience in corporate and human resources management. Mr. Wang was honoured as a labor model of Dalian City and one of the "Top Ten Annual Economic Figures of Dalian City in 2008".

Mr. Sun Qian (孫謙先生), aged 43, has been appointed as a deputy general manager of the Company since November 2005. Mr. Sun jointed Port of Dalian Authority in 1991. He is currently the chairman of Dalian Jifa Bohai Rim Container Lines Co., Ltd. and deputy chairman of Dalian Dagang China Shipping Container Terminal Co., Ltd., as well as 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. Mr. Sun graduated from the faculty of civil engineering of Dalian University of Technology with a master's degree in engineering, majoring in port and channel engineering. He has also obtained a master of business administration degree from China Europe International Business School. He is a senior engineer. Mr. Sun has nearly twenty years of experience in corporate management and container terminal and logistics business operation.

Mr. Guo Ziying (郭子英先生), aged 53, has been appointed as a deputy general manager of the Company since January 2009. After joining Port of Dalian Authority in 1982, he had been a lecturer in Dalian Port Water Transportation Technical School until he joined Dalian Port Tugboat Company in 1984. He held various positions including the chief engineer of Dalian Port Tugboat Company and currently is its general manager. Mr. Guo graduated from Dalian Maritime University with a bachelor degree. He is a senior engineer and has more than twenty years of experience in port tugging business.

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

Ms. Ma Jinru (馬金儒女士), aged 43, has been appointed the secretary to the Board and a joint company secretary of the Company since November 2005. After joining Port of Dalian Authority in 1990, she was responsible for assessments of feasibility study and project economic analysis and evaluation in Dalian Port Design Institute. She subsequently held the positions of 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., and a director of Dalian Port Container Co., Ltd. and Dalian Port Jifa Logistics Co., Ltd.. She is currently an Affiliate Person of the Hong Kong Institute of Chartered Secretaries. 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 nearly twenty years of experience in corporate management, finance and capital operation.

Mr. Lee Kin Yu, Arthur (李健儒先生), aged 49, has been appointed as a joint company secretary and the qualified accountant of the Company since 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 sixteen 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 50 to 125, which comprise the consolidated balance sheet as at 31 December 2008, 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 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 2008 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
3 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue		**1,586,512**	1,570,136
Cost of sales and services		**(887,911)**	(873,280)
Gross profit		**698,601**	696,856
Other income	8	**452,224**	56,867
Selling and administrative expenses		**(160,306)**	(111,781)
Changes in fair value of derivative financial liabilities		**(6,123)**	(2,911)
Impairment loss on available-for-sale investments		**(53,001)**	–
Share of results of jointly controlled entities		**179,466**	167,306
Share of results of associates		**8,925**	992
Finance costs	9	**(87,761)**	(57,813)
Profit before tax		**1,032,025**	749,516
Income tax expense	10	**(209,321)**	(119,134)
Profit for the year	11	**822,704**	630,382
Attributable to:			
Equity holders of the Company		**779,614**	611,368
Minority interests		**43,090**	19,014
		822,704	630,382
Dividend	13	**234,080**	175,560
Earnings per share – basic (RMB)	14	**0.27**	0.21

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	15	**5,444,571**	4,407,725
Prepaid lease payments	16	**290,700**	292,437
Investment properties	17	**877,498**	907,684
Intangible assets	18	**133,415**	48,738
Goodwill	19	**16,035**	–
Interests in jointly controlled entities	20	**893,697**	718,398
Interests in associates	21	**951,265**	717,545
Available-for-sale investments	22	**118,642**	160,559
Deferred tax assets	23	**55,158**	70,501
Amount due from a jointly controlled entity	26	**3,588**	–
Amount due from an associate	27	**64,000**	–
		8,848,569	7,323,587
Current assets			
Properties held for sale	24	**9,655**	84,207
Inventories – finished goods, at cost		**7,699**	24,931
Trade and other receivables	25	**487,398**	381,825
Prepaid lease payments	16	**6,480**	6,411
Amounts due from jointly controlled entities	26	**30,318**	58,040
Amounts due from associates	27	**122,091**	74,455
Amounts due from related companies	28	**–**	80
Amount due from a fellow subsidiary	29	**351**	2,679
Advance to Dalian Port Corporation Limited ("PDA")	30	**5,175**	37
Bank balances and cash	31	**670,011**	532,154
		1,339,178	1,164,819
Non-current assets held for sale	32	**–**	1,036,293
		1,339,178	2,201,112
Current liabilities			
Trade and other payables	33	**446,871**	375,855
Amounts due to jointly controlled entities	26	**3,587**	1,561
Amounts due to associates	27	**2,594**	4,761
Amounts due to related companies	28	**88,789**	96,683
Amounts due to fellow subsidiaries	29	**2,892**	4,891
Advance from PDA	30	**31,634**	16,547
Amount due to a minority shareholder	34	**–**	22,059
Tax liabilities		**82,086**	48,052
Bank borrowings – due within one year	35	**196,733**	698,060
Government grants	36	**38,380**	38,020
		893,566	1,306,489
Net current assets		**445,612**	894,623
Total assets less current liabilities		**9,294,181**	8,218,210

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current liabilities			
Bank borrowings – due after one year	35	**1,235,000**	1,529,900
Government grants	36	**711,178**	748,522
Derivative financial liabilities	37	**9,034**	2,911
Loan from PDA	38	**788,377**	–
		2,743,589	2,281,333
Net assets		**6,550,592**	5,936,877
Capital and reserves			
Paid-in capital	39	**2,926,000**	2,926,000
Share premium and reserves		**3,434,846**	2,850,425
Equity attributable to equity holders of the Company		**6,360,846**	5,776,425
Minority interests		**189,746**	160,452
Total equity		**6,550,592**	5,936,877

The consolidated financial statements on pages 50 to 125 were approved and authorised for issue by the Board of Directors on 3 April 2009 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 2008

	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)	Enterprise development fund RMB'000 (Note b)	Discretionary reserve fund RMB'000 (Note c)	Special reserve RMB'000 (Note d)	Other reserve RMB'000 (Note e)	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 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 and 1 January 2008	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
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	(38,446)	–	–	–	(38,446)	–	(38,446)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(3,699)	–	–	(3,699)	–	(3,699)
Net expense recognised directly in equity	–	–	–	–	–	–	–	–	(38,446)	(3,699)	–	–	(42,145)	–	(42,145)
Impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	53,001	–	–	–	53,001	–	53,001
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	779,614	779,614	43,090	822,704
Total recognised income and expense for the year	–	–	–	–	–	–	–	–	14,555	(3,699)	–	779,614	790,470	43,090	833,560
Contribution by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	1,185	1,185
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	9,787	9,787
Fair value adjustment on acquisition of additional equity interest of subsidiaries	–	–	–	–	–	–	–	28,544	–	–	–	–	28,544	16,673	45,217
Transfer	–	–	–	–	–	–	–	75,161	–	–	–	(75,674)	(513)	(51)	(564)
Dividend paid	–	–	–	–	–	–	–	–	–	–	(234,080)	–	(234,080)	(41,390)	(275,470)
Proposed final dividend	–	–	–	–	–	–	–	–	–	–	263,340	(263,340)	–	–	–
Appropriations	–	–	–	72,862	–	–	–	–	–	–	–	(72,862)	–	–	–
At 31 December 2008	**2,926,000**	**1,460,941**	**866,025**	**291,989**	**415**	**216**	**15,666**	**(480,245)**	**–**	**(10,453)**	**263,340**	**1,026,952**	**6,360,846**	**189,746**	**6,550,592**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

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) 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.

(c) 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.

(d) Special reserve arose from the measurement of the non-interest bearing advance from PDA in prior year at fair value, in accordance with its accounting policies adopted for initial recognition of financial instruments.

(e) 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 in prior year and the difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the acquisition of additional interest of subsidiaries amounting to RMB28,544,000. Other reserve in relation to the reversal of the revaluation surplus would be released to retained earnings upon the depreciation of those capital assets.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000 (restated)
Operating activities		
Profit before tax	**1,032,025**	749,516
Adjustments for:		
Bank interest income	**(14,380)**	(18,566)
Changes in fair value of derivative financial liabilities	**6,123**	2,911
Changes in fair value of financial assets classified as held for trading	**–**	(4,981)
Depreciation and amortisation	**217,898**	178,677
Government grants released to consolidated income statement to offset depreciation	**(38,380)**	(23,360)
Finance costs	**87,761**	57,813
Gain from acquisition of interest of associates	**(1,570)**	–
(Gain) loss on disposal of investment properties	**(13,543)**	253
Gain on disposal of non-current assets held for sale	**(120,515)**	–
Gain on disposal of prepaid lease payments	**(136,595)**	(1,831)
Gain on disposal of property, plant and equipment	**(140,606)**	(6,869)
Gain on disposal of properties held for sale	**(17,213)**	(20,692)
Government grants released to consolidated income statement	**(16,060)**	(220)
Impairment of available-for-sale investments	**53,001**	–
Net interest income from derivative financial liabilities	**(2,342)**	(1,749)
Loss on disposal of intangible assets	**155**	1
Release of prepaid lease payments to consolidated income statement	**6,907**	4,911
Share of results of associates	**(8,925)**	(992)
Share of results of jointly controlled entities	**(179,466)**	(167,306)
Operating cash flows before movements in working capital	**714,275**	747,516
Increase in properties held for sale	**(4,924)**	124,581
Decrease (increase) in inventories	**18,368**	(1,845)
(Increase) decrease in trade and other receivables	**(3,498)**	236,914
Decrease (increase) in amounts due from jointly controlled entities	**2,722**	(4,873)
(Increase) decrease in amounts due from associates	**(1,636)**	12,281
Decrease (increase) in amounts due from related companies	**2,408**	(2,676)
(Increase) decrease in advance to PDA	**(290)**	1,895
Decrease in trade and other payables	**(19,204)**	(229,485)
Increase in amounts due to jointly controlled entities	**2,026**	468
(Decrease) increase in amounts due to associates	**(2,167)**	53
(Decrease) increase in amounts due to related companies	**(5,069)**	1,486
Release of government grant to consolidated income statement	**38,380**	23,360
(Decrease) increase in advance from PDA	**(15,586)**	7,739
Proceeds from disposal of financial assets classified as held for trading	**–**	6,945
Cash generated from operations	**725,805**	924,359
Interest received	**13,803**	18,566
Income tax paid	**(178,115)**	(109,140)
Net cash generated from operating activities	**561,493**	833,785

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(1,165,365)**	(776,457)
Acquisition of associates		**(206,818)**	(494,569)
Acquisition of jointly controlled entities		**(177,000)**	(6,686)
Advance to associates		**(110,000)**	(64,000)
Acquisition of subsidiaries	40	**(73,757)**	–
Loan to a jointly controlled entity		**(3,588)**	–
Purchase of intangible assets		**(938)**	(2,018)
Proceeds from disposal of non-current assets held for sale		**1,183,734**	–
Proceeds from disposal of property, plant and equipment		**236,576**	31,356
Dividend received from jointly controlled entities		**165,101**	176,631
Proceed from disposal of prepaid lease payments		**124,817**	2,331
Proceed from disposal of investment properties		**21,257**	46,311
Repayment of loan from jointly controlled entities		**25,000**	25,000
Dividend received from associates		**8,947**	6,185
Net interest received from derivative financial liabilities		**2,342**	1,749
Acquisition of available-for-sale investments		**–**	(122,155)
Addition of prepaid lease payments		**–**	(82,255)
Acquisition of additional interest in subsidiaries		**–**	(6,873)
Purchase of investment properties		**–**	(650)
Proceed from disposal of intangible assets		**–**	40
Net cash generated from (used in) investing activities		**30,308**	(1,266,060)
Financing activities			
Repayment of bank loans		**(978,961)**	(1,150,885)
Dividend paid		**(234,080)**	(175,560)
Interest paid		**(121,609)**	(122,072)
Dividend paid to minority shareholders		**(51,494)**	(8,902)
Repayment to a minority shareholder		**(22,059)**	–
Loan from PDA		**787,670**	–
New bank loans raised		**147,733**	970,504
Government grant received		**17,456**	19,318
Contribution from minority shareholder		**1,400**	–
Expenses refunded in connection with issue of new H shares in prior year		**–**	19,392
Net cash used in financing activities		**(453,944)**	(448,205)
Net increase (decrease) in cash and cash equivalents		**137,857**	(880,480)
Cash and cash equivalents at 1 January		**532,154**	1,412,634
Cash and cash equivalents at 31 December, represented by bank balances and cash		**670,011**	532,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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.

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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC-Int 11	HKFRS 2: Group and Treasury Share Transactions
IFRIC-Int 12	Service Concession Arrangements
IFRIC-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

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

The Group has early applied IFRS 8 "Operating Segments" in advance of its effective date, with effect from 1 January 2008. Amounts reported for prior year have been restated on the new basis. Details are set out in note 7.

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

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 7 (Amendment)	Improvement Disclosures about Financial Instruments[2]
IFRIC – Int 9 & IAS 39 (Amendments)	Embedded Derivatives[4]
IFRIC – Int 13	Customer Loyalty Programmes[5]
IFRIC – Int 15	Agreements for the Construction of Real Estate[2]
IFRIC – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
IFRIC – Int 17	Distribution of Non-cash Assets to Owners[3]
IFRIC – Int 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5 effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

The directors of the Company anticipate that the application of these new and revised standards, amendments 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.

3. 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. 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Prepaid lease payments

Payments for obtaining land use rights are 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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets 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. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. 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.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. When a development property is sold 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 other than goodwill (see the accounting policy in respect of goodwill above)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

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).

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 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

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

Revenue from oil/liquefied chemicals terminal logistics services and container terminal logistics services, automobile terminal logistics services 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, when the significant risks and rewards of ownership of the properties are transferred to buyers.

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.

Dividend income from investments is recognised when shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

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. 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.

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.

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.

4. 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 twelve months are disclosed below.

Useful lives and impairment assessment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives or recognise impairment losses as appropriate.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Useful lives and impairment assessment of intangible assets

Intangible assets with finite useful lives are stated at cost less accumulated amortisation and identified impairment losses. As at 31 December 2008, the carrying amount of intangible assets is approximately RMB133,415,000 (2007: RMB48,738,000). The estimation of their useful lives impacts the level of annual amortisation expense recorded. The estimated useful life and dates that the Group places the intangible assets into use reflects the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's assets. Intangible assets are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. The process requires management estimate of future cash flows generated by each assets or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to their recoverable amount and the amount of the write-down is charged against the results of operations.

Fair value of derivatives financial instruments

As described in note 6c, for derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value of derivative financial instruments is valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The carrying amount of the derivative financial liabilities is RMB9,034,000 (2007: RMB2,911,000).

5. 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 35, loan from PDA in note 38 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.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2008 RMB'000	2007 RMB'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**1,382,932**	1,049,270
Available-for-sale investments	**118,642**	160,559
Financial liabilities		
Liabilities at amortised cost	**2,796,477**	2,750,317
Derivative financial instruments	**9,034**	2,911

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. 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, bank borrowings and loan from PDA. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest 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.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan from PDA (see note 38 for details of the loan) and cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings (see note 35 for details of the bank borrowings) which carry prevailing market interest rates. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure closely.

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 denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for 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 RMB1,817,000 and RMB2,825,000 for the years ended 31 December 2008 and 2007, 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% lower/higher, the Group's investment revaluation reserve would decrease/increase by approximately RMB2,924,000 as a result of the changes in fair value of the listed available-for-sale investments for the year ended 31 December 2007 .

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Other price risk *(Continued)*

If the prices of the listed available-for-sale investments had been 5% lower, the Group's profit would decrease by approximately RMB828,000 as a result of the changes in fair value of the listed available-for-sale investments for the year ended 31 December 2008.

If the prices of the listed available-for-sale investments had been 5% higher, the Group's investment revaluation reserve would increase by approximately RMB828,000 as a result of the changes in fair value of the listed available-for-sale investments for the year ended 31 December 2008.

Credit risk

As at 31 December 2008, 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 and the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 41.

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 two largest customers accounted for a total of 28% and 27% of the Group's total sales for the year ended 31 December 2008 and 2007 respectively. The failure of any of these customers to make required payments could have a substantial negative impact on the Group's profits. The Group manages this risk by applying a limit on the credit to these customers.

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 the balances listed below, the Group does not have any other significant concentration of credit risk.

	2008 **RMB'000**	2007 RMB'000
Other receivables		
– Dalian Municipal Bureau of Finance (Note 1)	**172,596**	172,596
– Dalian Petrochemical Co., Ltd. (Note 2)	**74,872**	–

Notes:

(1) The amount represents receivable in respect of compensation for terminal relocation. As the debtor is a government organization, the directors of the Company consider that the credit risk is low.

(2) The amount represents receivable in respect of disposal of oil tanks and prepaid lease payments. As the Group has implemented necessary policies and follow up actions to ensure the credit quality of the debtor, the directors of the Company consider that the credit risk is low.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

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 loan from PDA and ensures compliance with loan covenants.

The Group relies on bank borrowings and loan from PDA as a significant source of liquidity. As at 31 December 2008 and 2007, the Group has total available unutilised overdraft and short-term bank loan facilities of approximately RMB2,500,000,000 and RMB2,690,000,000, 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables

	Weighted average 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	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December RMB'000
2008								
Non-derivative financial liabilities								
Trade and other payables	–	111,515	57,988	277,368	–	–	446,871	446,871
Amounts due to jointly controlled entities	–	2,022	1,545	20	–	–	3,587	3,587
Amounts due to associates	–	12	145	2,437	–	–	2,594	2,594
Amounts due to related companies	–	66	1,132	87,591	–	–	88,789	88,789
Amounts due to fellow subsidiaries	–	–	38	2,854	–	–	2,892	2,892
Advance from PDA	–	344	554	30,736	–	–	31,634	31,634
Bank borrowings – floating rate	6.40	15,057	43,350	242,981	1,071,151	532,877	1,905,416	1,431,733
Loan from PDA – fixed rate	5.47	–	–	30,507	168,713	968,530	1,167,750	788,377
		129,016	104,752	674,494	1,239,864	1,501,407	3,649,533	2,796,477
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	1,006	–	–	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	942,702	1,051,621	790,500	3,182,847	2,750,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. 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.

7. SEGMENT INFORMATION

The Group has adopted IFRS 8 "Operating Segments" in advance of its effective date, with effect from 1 January 2008. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was analysed based on components of the business that are exposed to similar risks and that generate similar rates of return. However, information reported to Chief Executive Officer for the purposes of resources allocation and assessment of performance is more specifically focused on the operating divisions for different products and services.

The Group's reportable segments under IFRS 8 are therefore oil/liquefied chemicals terminal and logistics services, container terminal and logistics services, automobile terminal and logistics services and port value-added service. These divisions are the basis on which the Group reports its segment information and no operating segments under IAS 14 have been aggregated.

Principal activities are as follows:

Oil/liquefied chemicals terminal and logistics services	–	Loading and discharging, storage and transhipment of oil products and liquefied chemicals and port management services;
Container terminal and logistics services	–	Loading and discharging, storage and transhipment of containers, leasing of terminals and related facilities and various container logistics services and sales of properties;
Automobile terminal and logistics services	–	Loading and discharging of automobile and related logistics services;
Port value-added services	–	Tallying, tugging and information technology services.

7. SEGMENT INFORMATION *(Continued)*

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Port value-added services RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	670,025	572,798	–	338,573	5,116	1,586,512
Cost of sales and services	(292,185)	(410,110)	–	(185,012)	(605)	(887,911)
Gross profit	377,840	162,688	–	153,561	4,511	698,601
Other income	211,386	222,166	–	1,820	2,471	437,843
Interest income	661	9,062	–	499	4,159	14,381
Selling and administrative expenses	(35,573)	(78,843)	(47)	(22,620)	(23,224)	(160,306)
Changes in fair value of derivative financial liabilities	–	–	–	–	(6,123)	(6,123)
Impairment loss on available-for-sale investments	–	–	–	–	(53,001)	(53,001)
Share of results of jointly controlled entities	20,031	146,579	41	12,815	–	179,466
Share of results of associates	1,875	16,938	(10,330)	442	–	8,925
Finance costs	–	(57,240)	–	(307)	(30,214)	(87,761)
Profit (loss) before tax	576,220	421,350	(10,336)	146,210	(101,419)	1,032,025
Income tax (expense) credit	(125,787)	(63,044)	–	(32,595)	12,105	(209,321)
Profit (loss) for the year	450,433	358,306	(10,336)	113,615	(89,314)	822,704

Segment profit after tax represents the profit earned by each segment. This is the measure reported to Chief Executive Officer for the purposes of resources allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. SEGMENT INFORMATION *(Continued)*

BALANCE SHEET

AT 31 DECEMBER 2008

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Port value-added services RMB'000	Unallocated RMB'000	Total RMB'000
Assets						
Segment assets	4,363,778	2,519,434	173,560	830,522	455,491	8,342,785
Interests in jointly controlled entities	220,440	646,401	4,078	22,778	–	893,697
Interests in associates	18,060	848,850	80,365	3,990	–	951,265
Consolidated total assets	4,602,278	4,014,685	258,003	857,290	455,491	10,187,747
Liabilities						
Segment liabilities	920,982	1,251,239	–	25,396	1,439,538	3,637,155

7. SEGMENT INFORMATION *(Continued)*

OTHER INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2008

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Port value-added services RMB'000	Unallocated RMB'000	Total RMB'000
Capital additions	672,244	357,884	173,559	49,195	1,064	1,253,946
Depreciation and amortisation	137,089	44,924	–	34,675	1,210	217,898
Government grant related to depreciation	(37,603)	(777)	–	–	–	(38,380)
Release of prepaid lease payments to consolidated income statement	3,488	3,419	–	–	–	6,907
Loss on disposal of intangible assets	–	155	–	–	–	155
Gain on disposal of non-current assets held for sale	–	(120,515)	–	–	–	(120,515)
Gain on disposal of prepaid lease payments	(136,595)	–	–	–	–	(136,595)
Gain on disposal of property, plant and equipment	(74,649)	(65,246)	–	(711)	–	(140,606)
Gain on disposal of properties held for sale	–	(17,213)	–	–	–	(17,213)
Gain on disposal of investment properties	–	(13,543)	–	–	–	(13,543)
Inter-segment sales	(116)	(654)	–	(4,542)	–	(5,312)

Inter-segment sales are charged at prevailing market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. SEGMENT INFORMATION *(Continued)*

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007 (Restated)

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Port value-added services RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	673,707	643,084	–	252,090	1,255	1,570,136
Cost of sales and services	(276,250)	(480,462)	–	(116,498)	(70)	(873,280)
Gross profit	397,457	162,622	–	135,592	1,185	696,856
Other (expense) income	(2,466)	32,755	–	1,113	6,899	38,301
Interest income	547	9,171	–	79	8,769	18,566
Selling and administrative expenses	(29,738)	(38,709)	–	(17,467)	(25,867)	(111,781)
Changes in fair value of derivative financial liabilities	–	–	–	–	(2,911)	(2,911)
Share of results of jointly controlled entities	20,785	137,546	(203)	9,178	–	167,306
Share of results of associates	–	582	(2,506)	2,916	–	992
Finance costs	–	(26,053)	–	(9)	(31,751)	(57,813)
Profit (loss) before tax	386,585	277,914	(2,709)	131,402	(43,676)	749,516
Income tax (expense) credit	(52,661)	(54,786)	–	(18,894)	7,207	(119,134)
Profit (loss) for the year	333,924	223,128	(2,709)	112,508	(36,469)	630,382

7. SEGMENT INFORMATION *(Continued)*

BALANCE SHEET

AT 31 DECEMBER 2007 (Restated)

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Port value-added services RMB'000	Unallocated RMB'000	Total RMB'000
Assets						
Segment assets	3,623,891	3,492,162	–	629,602	343,101	8,088,756
Interests in jointly controlled entities	129,063	578,088	4,037	7,210	–	718,398
Interests in associates	20,289	600,777	85,996	10,483	–	717,545
Consolidated total assets	3,773,243	4,671,027	90,033	647,295	343,101	9,524,699
Liabilities						
Segment liabilities	998,000	1,026,421	–	8,525	1,564,876	3,587,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. SEGMENT INFORMATION *(Continued)*

OTHER INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2007 (Restated)

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Port value-added services RMB'000	Unallocated RMB'000	Total RMB'000
Capital additions	839,969	243,839	–	123,354	899	1,208,061
Depreciation and amortisation	112,482	41,285	–	23,486	1,424	178,677
Government grant related to depreciation	(23,360)	–	–	–	–	(23,360)
Release of prepaid lease payments to consolidated income statement	2,228	2,683	–	–	–	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
Gain on disposal of prepaid lease payment	(1,831)	–	–	–	–	(1,831)
Gain on disposal of properties held for sale	–	(20,692)	–	–	–	(20,692)
Loss on disposal of investment properties	–	253	–	–	–	253
Inter-segment sales	(69)	(475)	–	(2,302)	–	(2,846)

REVENUE FROM MAJOR PRODUCES AND SERVICES

The Group's revenue from major products and services were as follows:

	2008 RMB'000	2007 RMB'000
Loading services	**404,997**	320,937
Logistics services	**395,446**	310,587
Leasing services	**209,201**	252,751
Storage services	**190,923**	193,716
Sales of properties held for sale	**47,287**	238,777
Port management services	**82,919**	80,120
Information technology services	**69,886**	37,543
Others	**185,853**	135,705
	1,586,512	1,570,136

7. SEGMENT INFORMATION *(Continued)*

REVENUE FROM MAJOR PRODUCES AND SERVICES *(Continued)*

The Group's sales to customers which accounted for 10% or more of its sales are as follows:

	2008 **RMB'000**	2007 RMB'000
Customer A	**255,120**	250,016
Customer B	**195,312**	180,698
	450,432	430,714

Both customers are in the segment of oil/liquefied chemicals terminal and logistics services.

Geographical segments

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

8. OTHER INCOME

	2008 **RMB'000**	2007 RMB'000
Gain on disposal of property, plant and equipment		
– oil storage tanks	**74,731**	–
– vessels	**63,437**	–
– others	**2,438**	6,869
	140,606	6,869
Gain on disposal of prepaid lease payments	**136,595**	1,831
Gain on disposal of non-current assets held for sale	**120,515**	–
Gain on disposal of properties held for sale (note 24)	**17,213**	20,692
Government grants	**16,060**	220
Bank interest income	**14,380**	18,566
Changes in fair value of financial assets classified as held for trading	**–**	4,981
Others	**6,855**	3,708
	452,224	56,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

9. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest on bank borrowings	**119,895**	123,112
Interest on loan from PDA	**31,380**	–
Less: amount capitalised and included in the cost of property, plant and equipment	**(63,514)**	(65,299)
	87,761	57,813

The weighted average capitalisation rate is 7.1% per annum calculated on the general borrowing pool (2007: 6.3% per annum).

10. INCOME TAX EXPENSE

	2008 RMB'000	2007 RMB'000
The charge comprises:		
Current tax:		
Charge for the year	**210,312**	128,759
Under(over)provision in prior years	**289**	(751)
	210,601	128,008
Deferred tax (note 23)	**(1,280)**	(8,874)
	209,321	119,134

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 16.5% to 25% for the Company and from 33% to 25% for the subsidiaries from 1 January 2008 except for specific concessions set out below. 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).

The income tax rate of major subsidiaries of the Group is as follows:

(1) Dalian Port Logistic Technology Co., Ltd ("PLT") is a software enterprise located in Dalian high-tech industrial development park, pursuant to Cai Shui [2008] No. 1 "Circular of the Ministry of Finance and the State Administration of Taxation Concerning Several Preferential Policies Relevant to Enterprise Income Tax", after approved by Tax Bureau, software enterprise can be entitled to income tax exemption for two years commencing from its first profit making year of operation and thereafter, entitled to a 50% relief from income tax for the following next three years. 2008 is the second year entitled to a 50% relief from income tax, hence the applicable income tax rate is 12.5% (2007: 7.5%).

10. INCOME TAX EXPENSE *(Continued)*

(2) Dalian Portnet Co., Ltd. is a high-tech enterprise located in Dalian high-tech industrial development park, which is an entity qualified for preferential income tax rate. Pursuant to Guo Fa [2007] No. 39, the income tax rate of the company will be transmitted to legal tax rate in the next 5 years from 1 January 2008. The applicable income tax rate during 2008 is 18%. Furthermore, According to "Bao Shui Guo Exemption [2006] No. 65" issued by the Dalian Branch State Administration of Taxation, Dalian Portnet Co., Ltd. is entitled to exemptions from income tax for two years commencing from its first profit making year of operation and thereafter, entitled to a 50% relief from income tax for the next three years. 2008 is the second 50% relief year, hence the applicable income tax rate is 9%.

(3) Dalian Tech Port Service Co., Ltd ("TPS") is a high-tech enterprise engaged in software development which is located in Dalian high-tech industrial development park. Pursuant to the regulation of Income Tax Law, the income tax is 15%. Meanwhile, pursuant to Cai Shui [2008] No. 1 "Circular of the Ministry of Finance and the State Administration of Taxation Concerning Several Preferential Policies Relevant to Enterprise Income Tax", after approved by Tax Bureau, software enterprise can be entitled to income tax exemption for two years commencing from its first profit making year of operation and thereafter, entitled to a 50% relief from income tax for the following next three years. 2008 is the first year entitled to a 50% relief from income tax, hence the applicable income tax rate is 7.5%.

(4) The applicable income tax rate of other major subsidiaries of the Company is 25% (2007: 33%).

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

	2008 RMB'000	2007 RMB'000
Profit before tax	**1,032,025**	749,516
Tax at PRC income tax rate of 25% (2007: 33%)	**258,006**	247,340
Tax effect of expenses not deductible for tax purposes	**7,374**	5,107
Tax effect of income not taxable for tax purposes	**(6,517)**	(17,133)
Tax effect of share of results of jointly controlled entities	**(44,867)**	(55,211)
Tax effect of share of results of associates	**(2,231)**	(327)
Effect of tax concessions/exemptions granted	**(857)**	(56,930)
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**(1,876)**	(2,967)
Under(over)provision in prior years	**289**	(751)
Others	**–**	6
Tax charge for the year	**209,321**	119,134

Details of movements in deferred tax have been set out in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

11. PROFIT FOR THE YEAR

	2008 RMB'000	2007 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration (note 12):		
– Salaries, wages and other benefits	**178,410**	126,751
– Retirement benefits scheme contributions	**41,358**	28,437
Total staff costs	**219,768**	155,188
Depreciation for property, plant and equipment	**184,278**	156,694
Depreciation for investment properties	**21,950**	17,622
Amortisation of intangible assets	**11,670**	4,361
	217,898	178,677
Less: Government grants related to depreciable assets released to consolidated income statements	**(38,380)**	(23,360)
Total depreciation and amortisation	**179,518**	155,317
Recovery of allowance for bad and doubtful debts, net	**(160)**	(1,405)
Auditor's remuneration	**3,042**	3,701
Release of prepaid lease payments to consolidated income statement	**6,907**	4,911
Foreign exchange loss, net	**4,331**	2,594
Loss on disposal of intangible assets	**155**	1
(Gain) loss on disposal of investment properties	**(13,543)**	253
Interest income from jointly controlled entities and associates	**994**	413

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments paid or payable to the 10 (2007: 8) directors are as follows:

	2008 **RMB'000**	2007 RMB'000
Fees	**–**	–
Salaries and other allowances	**1,117**	1,039
Retirement benefits scheme contributions	**86**	86
	1,203	1,125

Details of emoluments of individual directors are as follows:

	2008 **RMB'000**	2007 RMB'000
Salaries and other allowances:		
Executive Directors		
Sun Hong	**–**	–
Zhang Fengge	**–**	–
Jiang Luning	**409**	390
Su Chunhua	**372**	307
Non-executive Directors		
Lu Jianmin	**–**	–
Xu Jian (Note)	**–**	N/A
Independent Non-executive Directors		
Yang Zan (Note)	**37**	80
Wang Zuwen (Note)	**43**	N/A
Zhang Xianzhi	**80**	80
Ng Ming Wah, Charles	**176**	182
	1,117	1,039

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

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

	2008 RMB'000	2007 RMB'000
Retirement benefits scheme contributions:		
Executive Directors		
Sun Hong	**–**	–
Zhang Fengge	**–**	–
Jiang Luning	**43**	43
Su Chunhua	**43**	43
Non-executive Directors		
Lu Jianmin	**–**	–
Xu Jian (Note)	**–**	N/A
Independent Non-executive Directors		
Yang Zan (Note)	**–**	–
Wang Zuwen (Note)	**–**	N/A
Zhang Xianzhi	**–**	–
Ng Ming Wah, Charles	**–**	–
	86	86

No emoluments were paid by the Group to the supervisors in both years.

No directors waived any emoluments in both years.

Note: Mr. Xu Jian was appointed as a non-executive director on 18 June 2008. Mr. Wang Zuwen was appointed to replace Mr. Yang Zan as an independent non-executive director on 18 June 2008.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, there were 2 (2007: 2) directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2007: 3) individuals were as follows:

	2008 RMB'000	2007 RMB'000
Salaries and other allowances	**2,522**	2,410
Retirement benefits scheme contributions	**44**	43
	2,566	2,453

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

(b) Employees' emoluments *(Continued)*

Their emoluments were within the following bands:

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1

13. DIVIDEND

On 18 June 2008, a dividend of RMB8 cents per share amounting to RMB234,080,000 in aggregate was approved as the final dividend for 2007 (for the year ended 31 December 2007: RMB6 cents per share amounting to RMB175,560,000 in aggregate for 2006 final dividend).

A final dividend of RMB9 cents (2007: RMB8 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company and the number of 2,926,000,000 shares in issue for both years.

No diluted earnings per share is presented as the Company did not have any potential dilutive ordinary shares outstanding for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Terminal facilities	Terminal equipment	Vessels and motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 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 18)	–	–	–	–	–	(1,728)	(1,728)
Transfer to non-current assets held for sale (Restated and note)	(21,875)	(1,190,106)	(85,757)	–	–	–	(1,297,738)
Transfer to investment properties (Note 17)	(6,410)	(158,691)	–	–	–	–	(165,101)
Disposals	(31,171)	(116,439)	(38,266)	(41,034)	(12,587)	–	(239,497)
At 31 December 2007 and 1 January 2008 (Restated and note)	221,348	2,479,591	197,907	637,221	57,258	1,089,914	4,683,239
Acquired upon acquisition of subsidiaries (Note 40)	3,122	64,929	17,437	116	5,114	–	90,718
Additions	3,252	1,692	16,062	5,618	2,580	1,208,290	1,237,494
Transfer from properties held for sales	56,760	–	–	–	–	–	56,760
Reclassifications	62,687	750,511	48,840	136,653	55,352	(1,054,043)	–
Transfer to intangible assets (Note 18)	–	–	–	–	–	(6,690)	(6,690)
Disposals	(19,276)	(24,878)	(19,623)	(112,079)	(1,520)	(3,331)	(180,707)
At 31 December 2008	**327,893**	**3,271,845**	**260,623**	**667,529**	**118,784**	**1,234,140**	**5,880,814**

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

	Buildings	Terminal facilities	Terminal equipment	Vessels and motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ACCUMULATED DEPRECIATION							
At 1 January 2007	11,832	95,994	15,988	32,355	25,649	–	181,818
Provided for the year (Restated and note)	20,555	66,040	5,204	38,181	26,714	–	156,694
Eliminated on transfer to non-current assets held for sale (Restated and note)	–	–	–	–	–	–	–
Reclassifications	516	(24)	5,352	–	(5,844)	–	–
Transfer to investment properties (Note 17)	(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 and 1 January 2008 (Restated and note)	20,600	124,966	21,815	63,249	44,884	–	275,514
Provided for the year	9,340	108,987	18,087	41,577	6,287	–	184,278
Reclassifications	5,708	(16,888)	7,712	(19)	3,487	–	–
Eliminated on disposals	(72)	(3,417)	(7,650)	(11,075)	(1,335)	–	(23,549)
At 31 December 2008	**35,576**	**213,648**	**39,964**	**93,732**	**53,323**	**–**	**436,243**
CARRYING AMOUNT							
At 31 December 2008	**292,317**	**3,058,197**	**220,659**	**573,797**	**65,461**	**1,234,140**	**5,444,571**
At 31 December 2007	200,748	2,354,625	176,092	573,972	12,374	1,089,914	4,407,725

Note: The movement of property, plant and equipment for the year ended 31 December 2007 had been restated to reflect certain reclassification errors. The reclassification had no effect on the total carrying amounts of property, plant and equipment as at 31 December 2007, and no effect on total depreciation expenses recognised in the consolidated income statement for the year ended 31 December 2007. Details are set out in the 2008 interim report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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

In 2007, a subsidiary of the Company had pledged its vessels with an aggregate carrying amount of approximately RMB102,021,000 to secure banking facilities granted to it. The vessels have been disposed of and related pledge have been released during the year.

As at 31 December 2008, the Group is in the process of obtaining the building certificates for certain buildings with net book value of approximately RMB29,816,000 (31 December 2007: RMB42,009,000).

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

16. PREPAID LEASE PAYMENTS

	2008 **RMB'000**	2007 RMB'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**297,180**	298,848
Analysed as:		
Non-current assets	**290,700**	292,437
Current assets	**6,480**	6,411
	297,180	298,848

17. INVESTMENT PROPERTIES

	Buildings RMB'000	Container terminals RMB'000	Total RMB'000
COST			
At 1 January 2007	24,411	889,523	913,934
Additions	93	557	650
Transfer from property, plant and equipment (note 15)	6,410	158,691	165,101
Reclassification	4,397	(4,397)	–
Disposals	(8,903)	(98,669)	(107,572)
At 31 December 2007 and 1 January 2008	26,408	945,705	972,113
Disposals	(261)	(10,947)	(11,208)
At 31 December 2008	**26,147**	**934,758**	**960,905**
ACCUMULATED DEPRECIATION			
At 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 15)	4,794	29,303	34,097
Eliminated on disposals	(916)	(50,250)	(51,166)
At 31 December 2007 and 1 January 2008	5,301	59,128	64,429
Charge for the year	1,177	20,773	21,950
Eliminated on disposals	(138)	(2,834)	(2,972)
At 31 December 2008	**6,340**	**77,067**	**83,407**
CARRYING AMOUNT			
At 31 December 2008	**19,807**	**857,691**	**877,498**
At 31 December 2007	21,107	886,577	907,684

The fair value of the Group's investment properties were approximately RMB914,009,000 and RMB944,463,000 as at 31 December 2008 and 2007, respectively.

The fair value of the Group's investment properties at 31 December 2008 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% per annum. The investment properties are erected on land held under medium-term leases in the PRC.

Property rentals from investment properties amounted to approximately RMB121,980,000 and RMB100,918,000 for the years ended 31 December 2008 and 2007, respectively. Direct operating expenses which were included in cost of sales and services amounted to approximately RMB29,080,000 and RMB24,691,000 for the years ended 31 December 2008 and 2007, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

18. INTANGIBLE ASSETS

	Priority right for using the rail transportation RMB'000	Computer software RMB'000	Customer relationship RMB'000	Port information platform RMB'000	Others RMB'000	Total RMB'000
COST						
At 1 January 2007	46,660	7,853	–	–	154	54,667
Additions	–	1,221	–	–	1,240	2,461
Transfer from property, plant and equipment (note 15)	–	1,728	–	–	–	1,728
Disposals	–	(96)	–	–	–	(96)
At 31 December 2007 and 1 January 2008	46,660	10,706	–	–	1,394	58,760
Acquired upon acquisition of subsidiaries (note 40)	–	9,115	15,970	64,310	–	89,395
Additions	–	417	–	–	–	417
Transfer from property, plant and equipment (note 15)	–	6,690	–	–	–	6,690
Disposals	–	(350)	–	–	–	(350)
At 31 December 2008	**46,660**	**26,578**	**15,970**	**64,310**	**1,394**	**154,912**
ACCUMULATED AMORTISATION						
At 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 and 1 January 2008	4,374	5,534	–	–	114	10,022
Charge for the year	2,916	3,428	1,441	3,751	134	11,670
Eliminated on disposals	–	(195)	–	–	–	(195)
At 31 December 2008	**7,290**	**8,767**	**1,441**	**3,751**	**248**	**21,497**
CARRYING AMOUNTS						
At 31 December 2008	**39,370**	**17,811**	**14,529**	**60,559**	**1,146**	**133,415**
At 31 December 2007	42,286	5,172	–	–	1,280	48,738

18. INTANGIBLE ASSETS *(Continued)*

Customer relationship and port information platform were purchased as part of a business combination during the year. The fair value of these intangible assets has been determined by independent qualified professional valuers, in which the valuation was determined by the present value of discounted net cash inflow over the estimated useful lives based on assumptions toward market situations and industry growth rate.

Customer relationship represents a portfolio of customers with business relationship with the subsidiaries acquired. These customers are expected to trade with the Group as a result of the efforts of these subsidiaries in building the customer relationship and loyalty.

Port information platform is an EDI data transmission system to provide digital port integration service to international shipping centers in Northeast Asia.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Priority right for using the rail transportation	15 years
Computer software	2 – 10 years
Customer relationship	10 years
Port information platform	10 years
Other intangible assets	10 years

19. GOODWILL

	RMB'000
Cost	
At 1 January 2007, 31 December 2007 and 1 January 2008	–
Arising upon acquisition of subsidiaries (note 40)	16,035
At 31 December 2008	**16,035**

For the purposes of impairment testing, goodwill has been allocated to three individual cash generating units ("CGUs"). The purchase consideration were determined by reference to the price earnings multiple of the related subsidiaries. The carrying amounts of goodwill with indefinite useful life as at 31 December 2008 allocated to three units are as follows:

	2008 RMB'000
DCT Logistics Co., Ltd. ("DCTL")	**6,218**
Dalian Portnet Co., Limited ("DPN")	**7,420**
Dalian Jiyi Logistics Co., Ltd. ("Dalian Jiyi")	**2,397**
	16,035

19. GOODWILL *(Continued)*

The goodwill arising on the acquisitions of DCTL, DPN and Dalian Jiyi are attributable to the anticipated profitability of container terminal and port value-added services business and the anticipated operating synergies from the combination. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The basis of determining the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

DCTL and Dalian Jiyi

The recoverable amount of DCTL and Dalian Jiyi has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a ten-year period, which approximates to the number of years when stable cash inflows are expected by the management based on market situations, at discount rate of 16% per annum. DCTL's and Dalian Jiyi's budgeted cash flows beyond the one-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation related to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin, which is determined based on DCTL's and Dalian Jiyi's past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions will not cause the aggregate carrying amounts of DCTL's and Dalian Jiyi's to exceed the aggregate recoverable amounts of DCTL's and Dalian Jiyi's.

DPN

The recoverable amount of DPN has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a nineteen-year period, which approximates to the aggregate of 10-year period when stable cash inflows are expected by the management based on market situations and are reduced by an additional 25% per annum decrement for every three years after the ten-year period, at discount rate of 16% per annum. DPN's budgeted cash flows beyond the ten-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation related to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin, which is determined based on the unit's past performance and managements' expectation for the market development. Management believes that any reasonably possible change in any of these assumptions will not cause the aggregate carrying amounts of DPN to exceed the aggregate recoverable amounts of DPN.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008 RMB'000	2007 RMB'000
Cost of unlisted investments in jointly controlled entities	**841,075**	680,749
Share of post-acquisition profits, net of dividends received	**52,622**	37,649
	893,697	718,398

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:

	2008 RMB'000	2007 RMB'000
Balance sheet		
Current assets	**297,074**	168,044
Non-current assets	**1,111,005**	1,396,964
Current liabilities	**(344,420)**	(388,269)
Non-current liabilities	**(169,962)**	(290,038)
Income statement		
Total income	**473,328**	489,691
Total expenses	**293,862**	290,382

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

21. INTERESTS IN ASSOCIATES

	2008 RMB'000	2007 RMB'000
Cost of unlisted investments in associates	**1,077,406**	767,193
Share of post-acquisition results, net of dividends received	**(126,141)**	(49,648)
	951,265	717,545

21. INTERESTS IN ASSOCIATES *(Continued)*

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

	2008 RMB'000	2007 RMB'000 (restated)
Balance sheet		
Total assets	**6,655,135**	3,158,046
Total liabilities	**(3,887,381)**	(1,271,749)
Net assets	**2,767,754**	1,886,297
Group's share of net assets of associates	**951,265**	717,545
Income statement		
Revenue	**806,571**	412,411
Profit for the year	**39,698**	44,296
Group's share of results of associates for the year	**8,925**	992

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

22. AVAILABLE-FOR-SALE INVESTMENTS

	2008 RMB'000	2007 RMB'000
Unlisted equity securities, at cost (note 1)	**102,076**	102,076
Equity securities listed in Hong Kong, at fair value (note 2)	**16,566**	58,483
	118,642	160,559

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. As at 31 December 2008, the directors of the Company do not intend to dispose the investments in the foreseeable future.

2. They represent an investment in approximately 0.24% shareholding of Sinotrans Shipping Limited, a company incorporated and listed in Hong Kong. In 2008, an impairment loss on the investment of approximately RMB53,001,000 (2007: Nil) has been charged to the consolidated income statement as the directors of the Company are of the opinion that the investment is impaired by reference to the quoted market price listed in the SEHK.

23. 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:

	Property, plant and equipment and prepaid lease payments RMB'000	Intangible assets RMB'000	Unrealised profit RMB'000	Allowance for doubtful debts RMB'000	Tax loss RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2007	78,463	–	–	679	–	–	79,142
Credit to consolidated income statement for the year	(3,239)	–	10,202	(5)	441	1,475	8,874
Charge to equity for the year	(17,515)	–	–	–	–	–	(17,515)
At 31 December 2007 and 1 January 2008	57,709	–	10,202	674	441	1,475	70,501
Acquired upon acquisition of subsidiaries (note 40)	(3,199)	(13,639)	–	179	–	36	(16,623)
(Charge) credit to income statement for the year	(16,686)	923	16,410	(15)	(441)	1,089	1,280
At 31 December 2008	**37,824**	**(12,716)**	**26,612**	**838**	**–**	**2,600**	**55,158**

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

At 31 December 2007, the Group had unused tax losses of approximately RMB1,764,000 available for offset against future profits. A deferred tax asset had been recognised in respect of such losses in 2007 which was expired during the year ended 31 December 2008. As at 31 December 2008, there was no unused tax losses available for offset against future profits.

The expiry dates of these tax losses are as follows:

	2008 RMB'000	2007 RMB'000
With expiry in:		
2008	**–**	1,764

24. 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, and is expected to be sold within twelve months.

In addition to the sale of properties in the ordinary course of business, properties with aggregate carrying amount of approximately RMB82,337,000 (2007: RMB64,902,000) was used to acquire interest of associates amounting to RMB99,550,000 (2007: RMB85,594,000), resulting in a gain of approximately RMB17,213,000 (2007: RMB20,692,000) which is included in other income in the current year.

25. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables	**85,571**	55,562
Less: allowance for doubtful debts	**(3,088)**	(2,648)
	82,483	52,914
Other receivables		
Receivable in respect of disposal of oil tanks and prepaid lease payments	**74,873**	–
Receivable in respect of compensation for terminal relocation	**172,596**	172,596
Dividends receivable from jointly controlled entities	**135,686**	145,066
Others	**21,760**	11,249
	404,915	328,911
Total trade and other receivables	**487,398**	381,825

The Group allows an average credit period of 90 days to its trade customers. Trade receivables that were neither past due nor impaired are related to a number of independent customers that have a good track record with the Group. The following is an aged analysis of trade receivables before the allowance for doubtful debts at the balance sheet date:

	2008 RMB'000	2007 RMB'000
0 – 90 days	**75,114**	54,800
91 – 180 days	**5,234**	77
181 – 365 days	**4,458**	–
Over 365 days	**765**	685
	85,571	55,562

25. TRADE AND OTHER RECEIVABLES *(Continued)*

Before accepting any new customer, the Group 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 receivables balance are debtors with aggregate carrying amounts of approximately RMB7,369,000 (2007: RMB556,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the management considered that there has not been a significant change in credit quality and that they are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 217 days (2007: 153 days).

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

	2008 **RMB'000**	2007 RMB'000
91 – 180 days	**4,194**	73
181 – 365 days	**2,896**	–
Over 365 days	**279**	483
Total	**7,369**	556

The Group provided in full for all receivables that are past due and considered to be irrecoverable after assessing their recoverability on an ongoing basis.

Movement in allowance for doubtful debts for trade receivables:

	2008 **RMB'000**	2007 RMB'000
Balance at beginning of the year	**2,648**	2,790
Addition upon acquisition of subsidiaries	**687**	–
Impairment losses reversed	**(247)**	(142)
Balance at end of the year	**3,088**	2,648

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,088,000 (2007: RMB2,648,000). The Group does not held any collateral over these balances.

26. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES

	2008 RMB'000	2007 RMB'000
Due from jointly controlled entities:		
Current:		
Dalian China Oil Dock Management Co., Ltd.	**3,464**	4,506
Dalian Container Terminal Co., Ltd. ("DCT")	**26,324**	52,759
DCTL	**–**	775
Others	**530**	–
	30,318	58,040
Non-current:		
Dalian Harbour ECL Logistics Co., Ltd. ("Dalian Harbour")	**3,588**	–
	33,906	58,040
Representing:		
Trade (Note)	**5,275**	7,070
Non-trade	**28,631**	50,970
	33,906	58,040

Except for amount due from Dalian Harbour of RMB3,588,000, the amounts are unsecured, non-interest bearing and repayable on demand. The amount due from Dalian Harbour is unsecured, interest-bearing at 3% per annum and repayable in full on 14 February 2010.

Note: The Group allows a credit period of 90 days to its jointly controlled entities.

26. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES *(Continued)*

The following is an aged analysis of trade receivables due from jointly controlled entities at the balance sheet date:

	2008 RMB'000	2007 RMB'000
0 – 90 days	**5,163**	6,838
91 – 180 days	**–**	8
181 – 365 days	**112**	–
Over 365 days	**–**	224
	5,275	7,070

Amounts due from jointly controlled entities of trade nature with aggregate carrying amounts of approximately RMB112,000 (2007: RMB232,000) are past due at the balance sheet date for which the Group has not provided for impairment loss as the management considered that there has not been a significant change in credit quality and that they are recoverable.

	2008 RMB'000	2007 RMB'000
Due to jointly controlled entities:		
Dalian Assembling Transportation Logistics Co., Ltd.	**1,997**	–
DCT	**1,437**	814
Dalian Yidu Jifa Cold Logistics Co., Ltd	**20**	20
DCTL	**–**	727
Liaoning Con-Rail International Logistics Co., Ltd	**133**	–
	3,587	1,561

The following is an aged analysis of trade payables due to jointly controlled entities:

	2008 RMB'000	2007 RMB'000
0 – 90 days	**3,567**	1,521
91 – 180 days	**20**	40
	3,587	1,561

The amounts due to jointly controlled entities are of trade nature, unsecured, non-interest bearing and repayable on demand.

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27. AMOUNTS DUE FROM (TO) ASSOCIATES

	2008 RMB'000	2007 RMB'000
Due from associates:		
Current:		
China Unite Northeast Rail Containers Co., Ltd. ("China Unite")	110,019	–
Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile")	–	64,000
Dalian International Container Terminal Co., Ltd. ("Dalian International")	9,596	2,707
Dalian Jiyi	–	5,300
Dalian Port Container Terminal Co., Ltd. ("DPCM")	1,484	1,297
Dalian Singamas International Container Co., Ltd. ("Dalian Singamas")	935	1,148
Others	57	3
	122,091	74,455
Non-current:		
Dalian Automobile	64,000	–
	186,091	74,455
Representing:		
Trade (Note)	12,029	9,076
Non-trade	174,062	65,379
Total	186,091	74,455

Except for an amount due from Dalian Automobile and China Unite at 31 December 2008 of RMB64,000,000 (2007: RMB64,000,000) and RMB110,000,000 (2007: Nil) respectively, the amounts 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 in full on 24 April 2011. The amount due from China Unite is unsecured, interest bearing at 5.913% and 5.427% per annum, and repayable on demand.

Note: The Group allows a credit period of 90 days to its associates.

27. AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

The following is an aged analysis of trade receivables due from associates at the balance sheet date:

	2008 RMB'000	2007 RMB'000
0 – 90 days	**10,299**	4,521
91 – 180 days	**479**	1,510
181 – 365 days	**169**	3,045
Over 365 days	**1,082**	–
	12,029	9,076

Amounts due from associates of trade nature with aggregate carrying amounts of approximately RMB1,730,000 (2007: RMB4,555,000) are past due at the balance sheet date for which the Group has not provided for impairment loss as the management considered that there has not been a significant change in credit quality and that they are recoverable.

	2008 RMB'000	2007 RMB'000
Due to associates:		
Dalian Singamas	**175**	4,067
Dalian Port Communication Engineering Co., Ltd.	**2,387**	–
Others	**32**	694
	2,594	4,761

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

The following is an aged analysis of trade payables due to associates:

	2008 RMB'000	2007 RMB'000
0 – 90 days	**1,379**	417
91 – 180 days	**5**	60
181 – 365 days	**1,159**	–
Over 365 days	**51**	4,284
	2,594	4,761

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For the year ended 31 December 2008

28. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2008 RMB'000	2007 RMB'000
Due from a jointly controlled entity of PDA		
Dalian Golden Name Commercial Tower Co., Ltd.	–	80
Due to associates of PDA:		
Dalian Port Design & Research Institute Co., Ltd.	610	305
Dalian Port New Harbour Construction Engineering Co., Ltd.	12,442	24,609
大連港日興鍋爐安裝有限公司	8,378	14,466
	21,430	39,380
Due to jointly controlled entities of PDA:		
Dalian Port Machinery and Electric Co., Ltd.	14,429	11,760
大連港萬鵬基礎有限公司	6,056	1,235
Dalian Port Communication Engineering Co., Ltd.	–	2,709
Dalian Port Construction Engineering Co., Ltd.	45,048	39,233
Dalian Port Machinery Co., Ltd	675	2,227
Others	1,151	139
	67,359	57,303
Total due to related companies	88,789	96,683

The following is an aged analysis of trade payables to related companies:

	2008 RMB'000	2007 RMB'000
0 – 90 days	1,725	38,548
91 – 180 days	10,923	5
181 – 365 days	74,821	57,362
Over 365 days	1,320	768
	88,789	96,683

The amounts due from (to) related companies are of trade nature. They are unsecured, non-interest bearing and repayable on demand.

29. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES

	2008 RMB'000	2007 RMB'000
Due from fellow subsidiaries:		
Dalian Golden Name Commercial Tower Co., Ltd.	80	–
Dalian Port Harbour Construction Superintendence and Consulting Co., Ltd	–	2,679
大連港口集裝箱貨運公司	271	–
	351	2,679
Representing:		
Trade	271	–
Non-trade	80	2,679
Total	351	2,679

The amounts due from fellow subsidiaries of trade nature are unsecured, non-interest bearing and aged within the credit period of 90 days.

	2008 RMB'000	2007 RMB'000
Due to fellow subsidiaries:		
大連港新港電力公司	2,701	2,472
Dalian Port Habour Construction Superintendence and Consulting Co., Ltd.	191	2,290
Dalian Port Construction Management Co., Ltd.	–	129
	2,892	4,891
Representing:		
0 – 90 days	–	585
91 – 180 days	600	–
181 – 365 days	2,249	4,190
Over 365 days	43	116
	2,892	4,891

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

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For the year ended 31 December 2008

30. ADVANCE TO (FROM) PDA

	2008 RMB'000	2007 RMB'000
Advance to PDA:		
Trade	**305**	14
Non-trade	**4,870**	23
	5,175	37

The Group allows a credit period of 90 days to PDA. The following is an aged analysis of trade balance at the balance sheet date:

	2008 RMB'000	2007 RMB'000
0 – 90 days	**305**	–
Over 365 days	**–**	14
	305	14
Advance from PDA:		
Trade, due within 90 days	**200**	89
Non-trade	**31,434**	16,458
	31,634	16,547

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

31. BANK BALANCES

Bank balances carry interest at market rates which range from 0.36% to 3.78% (2007: 0.72% to 4.27%) per annum.

32. NON-CURRENT ASSETS HELD FOR SALE

	2008 RMB'000	2007 RMB'000
Property, plant and equipment		
Container berths and related facilities	–	1,036,293

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 construction of the container berths and related facilities have been completed in the first half of 2007 and the sale was completed in June 2008 at a consideration of approximately RMB1,255 million. After deducting the related cost to sell and eliminating the gain on disposal attributable to the Group's interest in the relevant associate, the gain on disposal to the Group of approximately RMB121 million was credited to consolidated income statement and included in other income. The consideration has been fully received during the year ended 31 December 2008.

33. TRADE AND OTHER PAYABLES

The 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:

	2008 RMB'000	2007 RMB'000
Trade payables		
0 – 90 days	36,974	61,931
91 – 180 days	47,738	383
181 – 365 days	185	230
Over 365 days	237	–
	85,134	62,544
Other payables		
Construction payables	204,313	206,703
Others	157,424	106,608
	361,737	313,311
	446,871	375,855

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34. AMOUNT DUE TO A MINORITY SHAREHOLDER

	2008 RMB'000	2007 RMB'000
Pacific Bulk Maritime Holdings Limited	–	22,059

The amount was of non-trade nature. It was unsecured, non-interest bearing and was fully repaid during the year.

35. BANK BORROWINGS

	2008 RMB'000	2007 RMB'000
Secured	–	65,960
Unsecured	1,431,733	2,162,000
	1,431,733	2,227,960

The above amounts are repayable as follows:

	2008 RMB'000	2007 RMB'000
Floating-rate borrowings:		
On demand or within one year	196,733	698,060
In the second year	115,000	186,855
In the third year	145,000	174,045
In the fourth year	145,000	210,000
In the fifth year	405,000	209,000
After five years	425,000	750,000
	1,431,733	2,227,960
Less: Amount due for settlement within one year shown under current liabilities	(196,733)	(698,060)
Amount due for settlement after one year	1,235,000	1,529,900

The weighted average effective interest rate on the Group's borrowings is as follows:

	2008	2007
Floating-rate borrowings	6.40% p. a.	5.53% p. a.

36. GOVERNMENT GRANTS

	2008 RMB'000	2007 RMB'000
Construction of vessels (note 1)	**9,205**	9,982
Compensation for the relocation (note 2)	**738,957**	776,560
Others	**1,396**	–
	749,558	786,542
Less: Amount related to depreciable assets to be released to consolidated income statement within one year	**(38,380)**	(38,020)
Amount shown under non-current liabilities	**711,178**	748,522

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 in the consolidated income statement over the useful lives of the relevant assets. The amount credited to the consolidated income statement to offset depreciation for the year ended 31 December 2008 is RMB777,000.

(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. The amount credited to the consolidated income statement to offset depreciation for the year ended 31 December 2008 is RMB37,603,000 (2007: RMB23,360,000).

37. DERIVATIVE FINANCIAL LIABILITIES

	2008 RMB'000	2007 RMB'000
Derivative not under hedge accounting	**9,034**	2,911

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 required to pay to the Group 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 and is therefore shown as non-current liabilities.

The fair value is determined by the bank using a valuation technique to calculate the present value of estimated future cash flow and discounted based on the applicable yield curves derived from quoted interest rates.

In the opinion of directors, the sensitivity analyses of derivative financial liabilities are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the derivative financial instruments involves multiple variables and certain variables are interdependent.

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38. LOAN FROM PDA

The amount is unsecured, bears fixed interest at approximately 5.47% per annum and the principal is repayable on 7 April 2018 and related interest payable on a quarterly basis.

39. PAID-IN CAPITAL

	Number of shares		Registered,
	Domestic shares '000	H shares '000	issued and fully paid RMB'000
At 1 January 2007, 31 December 2007, 1 January 2008 and 31 December 2008	1,863,400	1,062,600	2,926,000

40. ACQUISITION OF SUBSIDIARIES

The Group acquired additional 59.22% equity interests in DCTL on 1 January 2008, additional 35% equity interests in DPN on 14 May 2008 and additional 39.48% equity interests in Dalian Jiyi on 30 September 2008, at a consideration of approximately RMB58,800,000, RMB36,750,000 and RMB5,900,000, respectively. The acquisitions have been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was RMB16,035,000 in aggregate.

Subsequent to the acquisitions, DCTL, DPN and Dalian Jiyi, which were previously jointly controlled entity/associates, became subsidiaries of the Group. The effective interests of DCTL, DPN and Dalian Jiyi attributable to the Group are 96.53%, 70.96% and 78.96% respectively.

40. ACQUISITION OF SUBSIDIARIES *(Continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	DCTL			DPN			Dalian Jiyi			
	Acquiree's carrying amount before combination RMB'000	Fair value adjustment RMB'000	Fair value RMB'000	Acquiree's carrying amount before combination RMB'000	Fair value adjustment RMB'000	Fair value RMB'000	Acquiree's carrying amount before combination RMB'000	Fair value adjustment RMB'000	Fair value RMB'000	Total fair value RMB'000
Properties, plants and equipments	79,837	4,725	84,562	4,856	–	4,856	1,300	–	1,300	90,718
Prepaid lease payment	29,070	8,072	37,142	–	–	–	–	–	–	37,142
Intangible assets	466	13,890	14,356	8,132	64,310	72,442	517	2,080	2,597	89,395
Interest in an associate	–	–	–	2,645	–	2,645	–	–	–	2,645
Deferred tax assets (liabilities)	99	(6,672)	(6,573)	3	(9,647)	(9,644)	114	(520)	(406)	(16,623)
Inventories	1,026	–	1,026	–	–	–	110	–	110	1,136
Trade and other receivables	10,348	–	10,348	3,514	–	3,514	20,947	–	20,947	34,809
Bank balances and cash	4,133	–	4,133	18,135	–	18,135	5,425	–	5,425	27,693
Bank borrowings	(35,000)	–	(35,000)	–	–	–	–	–	–	(35,000)
Trade and other payables	(20,548)	–	(20,548)	(8,147)	–	(8,147)	(21,101)	–	(21,101)	(49,796)
	69,431	20,015	89,446	29,138	54,663	83,801	7,312	1,560	8,872	182,119
Minority interest			(698)			(23,942)			(1,820)	(26,460)
Revaluation reserve			(8,006)			(19,914)			(624)	(28,544)
Interest in a jointly controlled entity			(28,160)			–			–	(28,160)
Interests in associates			–			(10,615)			(2,925)	(13,540)
Goodwill			6,218			7,420			2,397	16,035
Total consideration satisfied by cash			58,800			36,750			5,900	101,450
Net cash outflow arising on acquisitions :										
Cash consideration			(58,800)			(36,750)			(5,900)	(101,450)
Bank balances and cash acquired			4,133			18,135			5,425	27,693
			(54,667)			(18,615)			(475)	(73,757)

The goodwill arising on the acquisitions of DCTL, DPN and Dalian Jiyi are attributable to the anticipated profitability of container terminal and port value-added services business and the anticipated operating synergies from the combination. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

DPN, DCTL and Dalian Jiyi contributed profit of RMB929,000, RMB2,777,000 and RMB115,000 respectively to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisitions had been completed on 1 January 2008, total group revenue for the year would have been increased by RMB129 million, and profit for the year would have been increased by RMB6 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

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41. RELATED PARTY TRANSACTIONS

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

Trading transactions

	2008 RMB'000	2007 RMB'000
Rental income received		
Associates	**115,902**	136,797
Jointly controlled entities	**69,354**	75,862
	185,256	212,659
Service income received (Note)		
PDA	**2,092**	500
Subsidiaries, associates and jointly controlled entities of PDA	**2,197**	6,182
Associates	**73,397**	28,929
Jointly controlled entities	**42,246**	31,667
	119,932	67,278

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

	2008 RMB'000	2007 RMB'000
Comprehensive services paid		
PDA	**22,726**	13,911
Subsidiaries, associates and jointly controlled entities of PDA	**10,122**	9,907
Associates	**1,260**	2,366
Jointly controlled entities	**1,510**	526
	35,618	26,710
Sales of properties		
Associates	**–**	92,081

41. RELATED PARTY TRANSACTIONS *(Continued)*

Trading transactions *(Continued)*

	2008 RMB'000	2007 RMB'000
Maintenance services paid		
PDA	**17**	–
Subsidiaries, associates and jointly controlled entities of PDA	**4,109**	5,450
Associates	**142**	–
Jointly controlled entities	**447**	–
	4,715	5,450
Agency services paid		
Jointly controlled entities	**1,809**	2,846
Property leasing expenses paid		
PDA	**3,488**	943
Subsidiaries, associates and jointly controlled entities of PDA	**3,696**	1,109
Associates	**622**	–
Jointly controlled entities	**11,372**	803
	19,178	2,855
Purchase of raw materials and spare parts		
PDA	**–**	20,751

Non-trading transactions

	2008 RMB'000	2007 RMB'000
Acquisition of subsidiaries		
Jointly controlled entities	**58,800**	–
Acquisition of associates		
PDA	**–**	108,792
Acquisition of jointly controlled entities		
PDA	**–**	5,588

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41. RELATED PARTY TRANSACTIONS *(Continued)*

Non-trading transactions *(Continued)*

	2008 RMB'000	2007 RMB'000
Acquisition of property, plant and equipment		
PDA	–	3,927
Subsidiaries, associates and jointly controlled entities of PDA	230,544	135,332
Associates	6,420	–
Jointly controlled entities	1,768	–
	238,732	139,259
Proceeds from disposal of property, plant and equipment		
PDA	–	48,837
Associates	–	1,237
	–	50,074
Proceeds from disposal of non-current assets held for sale		
Associates	1,253,956	–
Acquisition of intangible assets		
Subsidiaries, associates and jointly controlled entities of PDA	–	83
Associates	–	678
	–	761
Proceeds from disposal of prepaid lease payments		
Associates	27,561	–
Interest expenses paid		
PDA	31,380	–

In addition, as at 31 December 2008, the Group issued financial guarantees to banks in respect of banking facilities granted to a jointly controlled entity amounted to RMB54,500,000 (2007: RMB31,650,000).

41. RELATED PARTY TRANSACTIONS *(Continued)*

Non-trading transactions *(Continued)*

Compensation of key management personnel

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

	2008 **RMB'000**	2007 RMB'000
Short-term benefits	**3,855**	3,675
Post-employment benefits	**302**	298
	4,157	3,973

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

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.

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

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

	2008 RMB'000	2007 RMB'000
Nature of transactions		
Payment for:		
Purchase of raw materials and other services	**3,335**	1,455
Purchase of fuels	**9,490**	422
Revenue from provision of services (Note)	**703,655**	716,359
Acquisition of:		
Terminal facilities	**1,399**	–
Vessels and motor vehicles	**300**	–
Construction in progress	**257,493**	193,242
Proceeds from disposal of:		
Property, plant and equipment	**103,966**	–
Prepaid lease payments	**160,420**	–

Note: The amounts mainly represent revenue in relation to the provision of loading and discharging, storage, transhipment for oil products and containers and tugging service.

(b) Material balances

	2008 RMB'000	2007 RMB'000
Trade and other receivables	**102,037**	18,092
Trade and other payables	**84,956**	172,334

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

	2008 RMB'000	2007 RMB'000
Minimum lease payments under operating leases during the year	**78,767**	23,982

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:

	2008 RMB'000	2007 RMB'000
Within one year	**2,599**	1,635
In the second to fifth year inclusive	**3,685**	1,741
After five years	**1,798**	–
	8,082	3,376

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

The Group as lessor

Rental income earned during the year was RMB209,201,000 (2007: RMB408,599,000). 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:

	2008 RMB'000	2007 RMB'000
Within one year	**119,391**	118,141
In the second to fifth year inclusive	**381,498**	363,174
After five years	**613,970**	586,198
	1,114,859	1,067,513

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 2008

44. COMMITMENTS

	2008 RMB'000	2007 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– authorised but not contracted	–	71
– contracted but not provided for	775,695	427,061
Capital expenditure in respect of the acquisition of equity interests:		
– authorised but not contracted	95,684	–
– contracted but not provided for (note 1)	196,000	80,410
Other commitment (note 2)	16,689	–

Note:

(1) The commitment in relation to the acquisition of additional interests as at 31 December 2007 has been completed during the year.

(2) In December 2008, Asia Pacific Ports Company Limited ("APP"), a subsidiary of the Company, entered into an agreement for the acquisition of 20% interest in Jadeway Limited ("Jadeway") from an independent third party at the consideration of HK$2,000 (equivalent to approximately RMB1,760). Jadeway is engaged in the construction and management of vessels. Pursuant to the acquisition, APP would provide a loan of Japanese Yen 220,000,000 (equivalent to approximately RMB16,689,000) to Jadeway for construction of a vessel. The above transactions were completed in January 2009.

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.

46. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired property, plant and equipment amounting to approximately RMB13,463,000 (2007: RMB55,950,000) which remained unsettled and was included in trade and other payables.

During the year, the Group disposed of property, plant and equipment and the related proceeds amounting to approximately RMB27,090,000 (2007: RMB174,371,000) which remained unsettled and was included in trade and other receivables and current accounts with related parties.

47. POST BALANCE SHEET EVENT

The following events have occurred subsequent to 31 December 2008:

(1) Pursuant to an extraordinary general meeting on 23 January 2009, the shareholders of the Company approved, subject to the approval of relevant authority, the issue of fixed interest rate medium-term notes or corporate bonds with a maximum principal amount of RMB2.5 billion and a maturity of not less than five years. Pursuant to the same meeting, the shareholders of the Company authorised the board of directors to determine and deal with relevant matters relating to the proposed issue. The Group has not issued any notes or bonds up to the date of approval for issuance of these financial statements.

(2) In February 2009, the Group set up a wholly owned subsidiary, 大連港越汽車船管理有限公司 ("港越汽車船"), by making capital contribution of RMB196,000,000. 港越汽車船 will be engaged in automobile terminal and logistics services. The capital will be used for construction of a vessel.

(3) On 18 March 2009, the Group entered into a contract in relation to the formation of a joint venture enterprise with PetroChina Company Limited ("PetroChina) and Dalian Construction Investment ("Dalian Construction") for the purpose of investing in, constructing, managing and operating a liquefied natural gas terminal ("LNG Terminal") in Dalian. The joint venture enterprise, with the registered capital of RMB2.6 billion, will be owned as to 75% by PetroChina, 20% by the Group, and the remaining 5% by Dalian Construction. The Initial Committed Capital Contribution by the Group of RMB520 million shall be paid in two installments. The first installment of RMB200 million (the "First Installment") shall be paid within 45 days from the signing date of the JV Contract and the second installment of RMB320 million (the "Second Installment") shall be paid within 30 days after the first anniversary of establishment of the JV Enterprise. The First Installment to be contributed by the Group will be funded in cash from internal resources and the Second Installment will be funded in cash from the proceeds of medium-term bonds proposed to be issued by the Group in the near future in accordance with the shareholders resolution at the extraordinary general meeting held on 23 January 2009. The LNG Terminal is expected to commence operations in 2011. A circular containing details of the transaction under the JV Contract will be despatched to the Shareholders of the Company.

48. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Group 2008	2007	Principal activities
Directly held by the Company					
# Dalian Port Container Co., Ltd.	PRC	RMB1,366,210,000	**91.34%**	91.34%	Provision of wide range of container terminal and logistics services as well as port investment
Asia Pacific Ports Company Limited ("HK")	Hong Kong	75,000,000 ordinary shares of HK$1 each	**100.00%**	100.00%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Group 2008	2007	Principal activities
Indirectly held by the Company					
Dalian Port Jifa Logistics Co., Ltd.	PRC	RMB717,650,000	**85.00% (directly) and 13.70% (indirectly)**	85.00% (directly) and 13.70% (indirectly)	Provision of depot leasing business and a wide range of other container related logistics services
Dalian Jifa Shipping Agency Co., Ltd.	PRC	RMB500,000	**90.38%**	92.82%	Provision of port logistics and supporting services
Dalian Port Logistics Technology Co., Ltd.	PRC	RMB10,000,000	**92.08%**	92.08%	Development and sales of computer software
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	PRC	RMB49,230,000	**88.93%**	95.03%	Provision of port logistics and supporting services
* Dalian International Container Services Co., Ltd.	PRC	US$1,440,000	**70.31%**	72.63%	Provision of port logistics and supporting services
Dalian Port Jihuo Logistics Co., Ltd.	PRC	RMB2,000,000	**96.55%**	98.23%	Provision of port logistics and supporting services
Dalian International Logistics Park Development Co., Ltd. ("DPL")	PRC	RMB150,000,000	**88.83%**	88.83%	Operation of a bonded logistics park
Dalian Jifa International Freight Co., Ltd.	PRC	RMB5,000,000	**90.11%**	96.83%	Provision of port logistics and supporting services
Dalian TBT Consulting Co., Ltd.	PRC	RMB1,000,000	**92.08%**	92.08%	Development of software and ERP system
Dalian TechPort Service Co., Ltd.	PRC	RMB3,500,000	**54.11%**	87.03%	Development of software and ERP system
Dalian Jifa Port Engineering Co., Ltd.	PRC	RMB5,000,000	**91.34%**	93.55%	Provision of port logistics and supporting services
Dalian ETDZ Jin Xin Petrochemistry Company Limited	PRC	RMB5,000,000	**100.00% (directly)**	98.23%	Provision of agency services and trading of oil and other related products

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Group 2008	2007	Principal activities
Indirectly held by the Company *(Continued)*					
Dalian Jifa Shipping Management Co., Ltd.	PRC	RMB80,000,000	**70.00% (directly) and 26.68% (indirectly)**	97.60% (indirectly)	Provision of trading, leasing and management of ships
DCT Logistics Co., Ltd.	PRC	RMB63,330,000	**96.53%**	(Note a)	Provision of port logistics and supporting services
Dalian Jiyi Logistics Co., Ltd.	PRC	RMB6,500,000	**78.96%**	(Note b)	Provision of port logistics and supporting services
* Dalian Portnet Co., Ltd.	PRC	US$2,800,000	**70.96%**	(Note b)	Provision of logistics data transmission, conversion and processing services
Asia Pacific Carrier Ltd.	British Virgin Island ("BVI")	50,000 ordinary shares of US$1 each	**60.00%**	60.00%	Investment holding
Pacific Huanghai Shipping Co., Ltd.	HK	10,000 ordinary shares of HK$1 each	**60.00%**	60.00%	Provision of vessel and chartering services
Pacific Donghai Shipping Co., Ltd.	HK	10,000 ordinary shares of HK$1 each	**60.00%**	60.00%	Provision of vessel and chartering services
Harbour Full Group Limited	BVI	US$50,000	**100.00%**	–	Provision of vessel and chartering services

* The subsidiary is a foreign investment enterprise.
\# The subsidiary is a joint stock limited company.

Notes:

(a) The company was previously a jointly controlled entity of the Group and became a subsidiary during the year ended 31 December 2008.

(b) The companies were previously associates of the Group and became subsidiaries during the year ended 31 December 2008.

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 2008

49. PARTICULARS OF THE JOINTLY CONTROLLED ENTITIES

Particulars of the jointly controlled entities of the Group are as follows:

Name	Place of incorporation/ registration	Registered capital	Attributable equity interest to the Group 2008	2007	Principal activities
Directly held by the Company					
China United Tally Co., Ltd. Dalian	PRC	RMB2,800,000	**50.00%**	50.00%	Provision of tallying services
Dalian China Oil Dock Management Co., Ltd.	PRC	RMB10,000,000	**49.00%**	49.00%	Provision of loading and discharging services for refined oil
Dalian Ocean Shipping Tally Co., Ltd.	PRC	RMB3,089,200	**49.00%**	49.00%	Provision of tallying services
Odfjell Terminals (Dalian) Ltd.	PRC	US$14,000,000	**50.00%**	50.00%	Provision of storage and loading and discharging services of liquefied chemicals
Dalian Harbour ECL Logistics Co., Ltd.	PRC	US$1,000,000	**50.00%**	50.00%	Provision of automobile terminal and logistics services
大連港通利船務代理有限公司	PRC	RMB600,000	**50.00%**	50.00%	Provision of agency services
Dalian Port Petro China International Terminal Co., Ltd.	PRC	RMB250,000,000	**50.00%**	–	Providing terminal construction management and discharging services of refined oil

49. PARTICULARS OF THE JOINTLY CONTROLLED ENTITIES *(Continued)*

Name	Place of incorporation/ registration	Registered capital	Attributable equity interest to the Group 2008	2007	Principal activities
Indirectly held by the Company					
Dalian Assembling Transportation Logistics Co., Ltd.	PRC	RMB30,000,000	**67.57% (note b)**	–	Provision of port logistics and supporting services
Dalian Container Terminal Co., Ltd.	PRC	RMB1,350,000,000	**46.58%**	46.58%	Provision of container terminal and logistics services
Dalian United International Shipping Agency	PRC	RMB5,000,000	**45.67%**	45.67%	Provision of port logistics and supporting services
Dalian Yidu Jifa Cold Logistics Co., Ltd.	PRC	RMB40,000,000	**49.35%**	49.35%	Provision of port logistics and supporting services
DCT Logistics Co., Ltd.	PRC	RMB63,330,000	**(note a)**	36.03%	Provision of port logistics and supporting services
Liaoning Con-Rail International Logistics Co., Ltd.	PRC	RMB16,000,000	**49.35%**	49.35%	Provision of port logistics and supporting services processing services
Liaoning Electronicport Co., Ltd.	PRC	RMB12,000,000	**39.03%**	–	Provision of logistics data transmission transfer and
Dalian Vanguard International Logistics Co., Ltd.	PRC	RMB74,000,000	**49.35%**	–	Provision of port logistics and supporting services

Note:

(a) The company became a subsidiary of the Group during the year ended 31 December 2008.

(b) The company was a jointly controlled entity of the Group as all strategic financing and operating decisions of the company require the unanimous consent of all shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

50. PARTICULARS OF THE ASSOCIATES

Particulars of the associates of the Group are as follows:

Name	Place of Incorporation/ registration	Registered capital	Attributable equity interest to the Group 2008	2007	Principal activities
Directly held by the Company					
Dalian Automobile Terminal Co., Ltd	PRC	RMB160,000,000	**40.00%**	40.00%	Provision of automobile terminal and logistics services
Dalian Petro China International Warehousing and Transportation Co., Ltd.	PRC	RMB100,000,000	**20.00%**	20.00%	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	**30.00%**	30.00%	Provision of tallying services
Indirectly held by the Company					
Dalian Dagang China Shipping Container Terminal Co., Ltd.	PRC	RMB30,000,000	**36.40%**	36.40%	Provision of container terminal and logistics services
Dalian Port Container Terminal Co., Ltd.	PRC	RMB730,000,000	**31.97%**	31.97%	Provision of container terminal and logistics services
Dalian Jiyi Logistics Co., Ltd.	PRC	RMB6,500,000	**(note a)**	39.48%	Provision of port logistics and supporting services
Dalian Singamas International Container Co., Ltd.	PRC	US$11,120,000	**31.39%**	31.39%	Provision of port logistics and supporting services
Dalian Shunda Logistic Services Corporation	PRC	US$5,800,000	**49.35%**	49.35%	Provision of bonded goods warehousing, processing and consultation services
Dalian Jilong Logistics Co., Ltd.	PRC	RMB70,000,000	**29.61%**	29.61%	Provision of port logistics and supporting services

50. PARTICULARS OF THE ASSOCIATES *(Continued)*

Name	Place of Incorporation/ registration	Registered capital	Attributable equity interest to the Group 2008	2007	Principal activities
Indirectly held by the Company *(Continued)*					
Dalian Portnet Co., Ltd.	PRC	US$2,800,000	**(Note a)**	35.96%	Provision of logistics date transmission, conversion and processing services
Dalian ETOZ Wan Da Customs Broker Co., Ltd.	PRC	RMB1,500,000	**34.24%**	34.24%	Provision of customs clearance service for import and export cargoes
China Unite Northeast Rail Containers Co., Ltd.	PRC	RMB10,000,000	**39.48%**	39.48%	Provision of container terminal and logistics services
Dalian International Container Terminal Co., Ltd	PRC	RMB840,000,000	**36.54%**	36.54%	Provision of container terminal and logistics services
Dalian Prologis – Jifa Logistic Development Co., Ltd.	PRC	US$80,000,000	**35.53%**	35.53%	Development of a bonded logistics park
Shenyang Prologis – Jifa Logistic Development Co., Ltd.	PRC	US$16,660,000	**35.53%**	35.53%	Development of a bonded logistics park
Dalian Port Communication Engineering Co., Ltd.	PRC	RMB10,000,000	**14.19% (note b)**	–	Provision of information technology engineering and consulting services
SINOECL Auto Liners, Limited	HK	HK$4,149,332	**20.00%**	–	Provision of international automobile transportation services

Note:

(a) The companies became subsidiaries of the Group during the year ended 31 December 2008.

(b) The company is an associate of the Group as the Group is able to exercise significant influence over the company because it holds 20% of the voting power of the Company.

FINANCIAL HIGHLIGHTS FOR THE PAST 5 FINANCIAL YEARS

	2008 **RMB'000**	2007 RMB'000	2006 (restated) RMB'000	2005 RMB'000	2004 RMB'000
Throughput Data					
Oil throughput ('000 tonnes)	**34,863**	34,402	32,737	31,970	30,372
Container throughput ('000 TEU)	**5,452**	4,248	3,457	2,598	2,172
Revenue and Profit					
Revenue	**1,586,512**	1,570,136	1,160,013	1,269,376	1,102,749
Gross profit	**698,601**	696,856	584,558	645,612	556,322
Operating profit	**931,395**	639,031	608,325	575,752	472,492
Profit before tax	**1,032,025**	749,516	685,444	475,688	420,506
Net profit	**822,704**	630,382	645,162	432,988	379,895
Profit attributable to equity holders	**779,614**	611,368	631,567	419,655	367,878
Earnings per share – basic (RMB)	**0.27**	0.21	0.24	0.21	0.19
Assets and Liabilities					
Bank balances and cash	**670,011**	532,154	1,412,634	357,695	194,799
Current assets	**1,339,178**	2,201,112	2,165,224	936,569	529,203
Non-current assets	**8,848,569**	7,323,587	7,166,899	6,102,682	4,727,665
Borrowings	**2,220,110**	2,227,960	2,407,782	4,141,552	2,875,316
Current liabilities	**893,566**	1,306,489	1,207,442	1,031,035	867,635
Non-current liabilities	**2,743,589**	2,281,333	2,591,382	3,564,334	2,411,497
Total assets	**10,187,747**	9,524,699	9,332,123	7,039,251	5,256,868
Net assets	**6,550,592**	5,936,877	5,533,299	2,443,882	1,977,736
Capital and Reserves					
Share capital	**2,926,000**	2,926,000	2,926,000	1,960,000	558,822
Reserves	**3,434,846**	2,850,425	2,434,049	383,139	1,330,064
Equity attributable to equity holders of the Company	**6,360,846**	5,776,425	5,360,049	2,343,139	1,888,886
Minority interests	**189,746**	160,452	173,250	100,743	88,850
Total equity	**6,550,592**	5,936,877	5,533,299	2,443,882	1,977,736
Net assets per share (RMB)	**2.24**	2.03	1.89	1.25	1.01

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

(A sino-foreign joint stock limited company incorporated in the People's Republic of China)
(於中華人民共和國註冊成立之外商投資股份有限公司)
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