DALIAN PORT (PDA) COMPANY LIMITED

大連港股份有限公司

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

（於中華人民共和國註冊成立之外商投資股份有限公司）

(Stock Code 股份代號：2880)

Interim Report 中期報告 2010

CONTENTS

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

Mr. Zhu Hongbo
Mr. Lee, Kin Yu Arthur

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Auditors

International Auditors

Ernst & Young

PRC Auditors

Ernst & Young Hua Ming

Stock Code

2880

Hong Kong Share Registrar

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Service Limited
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Principal Bankers

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

Management Discussion and Analysis

Summary

In the first half of 2010, the Chinese economy has generally performed well and its development has been in line with the government's macro regulations. In the first half of 2010, China's GDP increased by 11.1% and foreign trade value increased by 43.1%, when compared to the corresponding period in 2009. Among the three drivers for economic growth, contribution of domestic demand gradually increased, and the relationship between investment and consumption became increasingly coordinated and balanced.

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 Segment"), and the provision of port value-added services ("Value-added Services Segment").

In the first half of 2010, the macro economic and industry conditions which were relevant to the Group's core business were as follows:

Oil Segment: In the first half of 2010, the demand for crude oil had increased as a result of the general increase in the capacity utilization rates of the petroleum enterprises in China and the expansion of their crude oil storage capacities. China had imported a total of approximately 117.97 million tonnes of crude oil, representing an increase of 30.2% when compared to the corresponding period in 2009.

Container Segment: when compared to the corresponding period in 2009, the GDP rates of Heilongjiang Province, Jilin Province and Liaoning Province (the "Three Northeastern Provinces") have increased by 12.9%, 17.2% and 14.6%, respectively, and the amounts of the foreign trade value in the Three Northeastern Provinces have increased by 41.3%, 62.5% and 47.2%, respectively.

Management Discussion and Analysis

In the first half of 2010, the Group performed well in all its major business segments. The Group's oil/liquefied chemicals business recorded a total throughput of approximately 24.3 million tonnes, representing an increase of 29.6% when compared to the corresponding period in 2009, of which the crude oil throughput was approximately 17.5 million tonnes, representing an increase of 35.3%. In terms of container throughput, the Group handled approximately 2.9 million TEUs, representing an increase of 17.1% when compared to the corresponding period in 2009, of which the Group handled approximately 2.4 million TEUs in Dalian, representing an increase of 18.5%. In addition, the Group handled a total of 64,099 vehicles, representing an increase of 286.4% when compared to the corresponding period in 2009. The Company's profit attributable to equity holders amounted to RMB326,308,000, representing an increase of 19.9% when compared to RMB272,173,000 for the corresponding period in 2009. Such increase was mainly driven by the growth in operating profit, gains on disposal of assets and improved performance of the Group's associates and jointly controlled entities in the current period.

The data relating to the business performance of the Group set out in this report, such as the throughput data, represents the data of all the operating entities in which the Group has equity interests on a aggregated basis regardless of the percentage of the such equity interests held by the Group.

Overall analysis of results

The Group's condensed consolidated financial statements for the six-month ended 30 June 2010 are unaudited but have been reviewed by the Group's external auditors and the Company's Audit Committee.

For the first half of 2010, the Company's profit attributable to shareholders amounted to RMB326,308,000, representing an increase of 19.9% as compared with RMB272,173,000 for the first half of 2009. This increase was mainly driven by the growth in operating profit, gains on disposal of assets and improved performance of the Group's associates and jointly controlled entities in the current period.

For the first half of 2010, the Company's basic earnings per share were RMB11.15 cents, representing an increase of 19.9% from RMB 9.30 cents in the first half of 2009.

For the first half of 2010, the Group's revenue amounted to RMB900,837,000, representing an increase of 19.7% from RMB752,681,000 for the first half of 2009. The revenue increase was mainly attributable to the substantial growth of income from throughput handling operations driven by the volume increase of imported crude oil and exported refined oil, the increase in the revenue from tugging business, the freight income from container vessels and the revenue from container logistics business, as well as the increase in IT service income.

Management Discussion and Analysis

For the first half of 2010, the Group's cost of sales and services amounted to RMB468,819,000 which increased by 23.5% as compared with RMB379,603,000 for the first half of 2009. The increase in cost of sales and services in the current period was mainly due to the increase of depreciation of new assets, the increase in fuel , utilities and staff cost caused by the business growth, as well as the increase in rental cost as a result of the Group's initiative to develop and expand its container logistics business in its hinterland.

For the first half of 2010, the Group's gross profit reached RMB432,018,000 which increased by 15.8% from RMB373,078,000 for the first half of 2009. The gross margin decreased to 48.0% in the current period from 49.6% for the first half of 2009. The overall gross margin decrease was mainly due to the decrease of the gross margin of container logistics business, but such decrease was partially offset by the improved performance of the oil handling business.

For the first half of 2010, the Group's other income was RMB42,625,000, representing an increase of 186.8% as compared with RMB14,864,000 for the first half of 2009 owing to the increase of income from disposal of assets.

For the first half of 2010, the Group's finance costs amounted to RMB39,247,000, representing an increase of 23.1% from RMB31,885,000 for the first half of 2009. The increase was mainly caused by an increase of the monthly average balance of bank loans, and a decrease in the amount of capitalized finance costs in the current period, but such increase was slowed down by the successful issue in 2009 of medium-term notes with a relatively low interest rate.

For the first half of 2010, the Group's income tax expense amounted to RMB96,278,000 which increased by 50.1% from RMB64,141,000 for the first half of 2009. The increase was mainly caused by the growth of operating profit and gains on disposal of assets.

Assets and liabilities

As of 30 June 2010, the Group's total assets and net assets reached RMB12,146,710,000 and RMB6,345,792,000, respectively, and its net asset value per share was RMB2.17, representing a decrease of RMB0.14 from RMB2.31 as of 31 December 2009. The decrease is mainly attributable to the effect of a special dividend of RMB0.25 per share declared during the current period.

As of 30 June 2010, the Group's total liabilities amounted to RMB5,800,918,000, of which total outstanding bank and other loans accounted for RMB3,800,743,000.

Financial resources and liquidity

For the first half of 2010, the Group's net cash flows generated from operating activities amounted to RMB312,716,000. The stable operating cash inflows was applied to fund the Group's capital expenditure and other investments and enabled the Group to maintain a strong financial position.

As of 30 June 2010, the Group had a balance of cash and cash equivalents of RMB1,126,547,000 which represented an increase of RMB105,431,000 as compared with that as at 31 December 2009. Such increase was mainly due to the surplus of cash inflows from operating activities.

In the first half of 2010, the Group obtained an aggregate of RMB971,889,000 new bank loans and repaid an aggregate of RMB230,000,000 bank loans. As of 30 June 2010, the Group's bank and other borrowings amounted to RMB3,800,743,000 of which RMB3,421,143,000 was due after one year and RMB379,600,000 was due within one year. Gearing, as measured by net debts to equity, was 42.1% as at 30 June 2010 (30.2% as at 31 December 2009).

As of 30 June 2010, the Group's unutilized banking facilities amounted to RMB4,540,000,000.

As of 30 June 2010, the Group had net current assets of RMB69,239,000, representing a decrease of RMB792,863,000 as compared with that as at 31 December 2009. The Group's current ratio was 1.0 times as at 30 June 2010 (2.3times as at 31 December 2009).

During the first half of 2010, the Group was not considered to have significant exposure to fluctuations in exchange rates and did not enter into any foreign exchange hedging contracts.

Use of proceeds

Net proceeds from the global offering of 966 million H shares ("IPO") obtained by the Group in 2006 amounted to approximately RMB2,385,343,000. As at 30 June 2010, the Group had utilized approximately RMB2,322,793,000 of the net proceeds and the remaining balance of the net proceeds was RMB62,550,000.

There has been no material change in the proposed use of proceeds from the IPO as stated in the Company's prospectus dated 18 April 2006. As at 30 June 2010, the details of the use of proceeds were as follows:

Projects	Proceeds from IPO	Use of proceeds as of 30 June 2010	Balance
Construction of four new container berths at Dayaowan	400,000,000	400,000,000	–
Construction of twelve crude oil storage tanks in Xingang	680,000,000	617,450,000	62,550,000
Purchase of eight tugboats	270,000,000	257,000,000	–
Repayment of a long-term bank loan	850,000,000	850,000,000	–
General working capital	185,343,000	198,343,000	–
Total	2,385,343,000	2,322,793,000	62,550,000

RMB13,000,000 previously designated to fund the purchase of 8 tugboats was re-allocated as working capital and the remaining RMB62,550,000 designated for the construction of 12 crude oil storage tanks will be used for future payment of construction.

Capital expenditure

For the first half of 2010, the Group's capital expenditure amounted to RMB311,550,000 which was mainly funded by the surplus cash generated from operating activities.

Business Review

The performance analysis of each business segment in the first half of 2010 is as follows:

Oil Segment

The following table sets out the oil/liquefied chemicals throughput handled by the Group in the first half of 2010 and its comparative results in the first half of 2009:

	For the six months ended 30 June 2010 ('000 tonnes)	For the six months ended 30 June 2009 ('000 tonnes)	Increase
Crude oil	**17,452**	12,895	35.3%
– *Imported Crude Oil*	**14,939**	*9,425*	*58.5%*
Refined oil	**6,256**	5,519	13.4%
Liquefied chemicals	**619**	358	72.9%
Total	**24,327**	18,772	29.6%

In the first half of 2010, in terms of oil/liquefied chemicals throughput, the Group handled a total of approximately 24.3 million tonnes, representing an increase of 29.6% when compared to the corresponding period in 2009.

In the first half of 2010, the Group's crude oil throughput increased by 35.3%, when compared to the corresponding period in 2009, to approximately 17.5 million tonnes. The Group's crude oil business has achieved significant growth, which was mainly due to the Group's continuous efforts in attracting cargo resources and maintaining good relationships with customers in the past years. On the other hand, at the end of 2009 and the first half of 2010, the Group and one of its major customers, namely, PetroChina Company Limited ("PetroChina") have commenced the operations of their respective newly-constructed crude oil storage tanks. The gradual injection of these storage tanks contributed to the increase in the volume of oil imported and trans-shipped via the Group's oil terminals.

In the first half of 2010, the Group's refined oil throughput amounted to approximately 6.3 million tonnes, representing an increase of 13.4% when compared to the corresponding period in 2009. At the end of 2009, PetroChina's twelve new refined oil storage tanks constructed within the Group's oil terminal (with a total capacity of 240,000 cubic meters) commenced operations. The Group enhanced its coordination with its customers and fully utilized these storage tanks so as to increase the Group's overall refined oil volume effectively.

In the first half of 2010, the Group's liquefied chemicals throughput was approximately 619,000 tonnes, representing an increase of 72.9% when compared to the corresponding period in 2009. The recovery of Chinese economy stimulated the increase in demand and production of liquefied chemicals, and as a result, the Group's liquefied chemicals throughput achieved significant increases.

In the first half of 2010, the volume of crude oil imported through the Group's terminal has accounted for 100% (100% in the first half of 2009) of the total amount of crude oil imported in Dalian and approximately 80% (approximately 94% in the first half of 2009) of the total amount of crude oil imported in the Three Northeastern Provinces. The total oil/liquefied chemicals throughput accounted for approximately 71% (approximately 67% in the first half of 2009) of the total throughput of Dalian and approximately 48% (approximately 52% in the first half of 2009) of the total oil throughput of the Three Northeastern Provinces. Affected by the commencement of operation to a new crude oil berth at Yingkou Port in the second half of 2009, the market share of the Group's oil throughput in the Three Northeastern Provinces dropped substantially in the first half of 2010. In the first half of 2010, the volume of imported crude oil via the Group's terminal accounted for 14% (11% in the first half of 2009) of total volume of crude oil imported via all the ports in China.

For the first half of 2010, the revenue from oil/liquefied chemicals terminal and logistics services amounted to RMB482,909,000, representing an increase of RMB88,606,000 or 22.5% as compared with the first half of 2009. Such increase was mainly driven by the substantial volume increase of imported crude oil and exported refined oil.

For the first half of 2010, the revenue from oil/liquefied chemicals terminal and logistics services accounted for 53.6% (52.4% for the first half in 2009) of the Group's total revenue.

For the first half of 2010, the gross profit from oil/liquefied chemicals terminal and logistics services amounted to RMB301,610,000, which increased by RMB82,897,000 or by 37.9% over the first half of 2009, and accounted for 69.8% (58.6% for the first half in 2009) of the Group's total gross profit, and represented a gross margin of 62.5% (55.5% for the first half in 2009). Such increase in the gross margin was mainly caused by the increase in the gross margin of oil handling business.

Management Discussion and Analysis

In the first half of 2010, the major plans implemented by the Group and the progress of the Group's major projects for the oil segment were as follows:

- At the same time as maintaining close cooperation with its existing customers, the Group enhanced its cooperation with new customers for its crude oil trans-shipment business. For the lease and operation of its oil storage tanks, the Group enhanced its coordination with various customers to effectively leverage on its capacity of oil storage tanks and increased its volume in trans-shipment business.

- In April, the Company entered into a joint venture contract with China Zhenhua Oil Co., Ltd., Panjin Northern Asphalt Co., Ltd., and North Petroleum International Co., Ltd. to establish Dalian North Oil Petroleum Logistics Co., Ltd. ("North Petroleum"). The Company holds 20% of the total equity interests in this joint venture company. North Petroleum is principally engaged in the business of constructing, operating and managing storage tanks for petroleum and related productions, and the warehousing business of petroleum and related productions. The project of North Petroleum's first phase (four crude oil storage tanks with a total capacity of 400,000 cubic meters) has commenced construction, and will be put into operation in the first half of 2011.

- The Group carried out the preparation work for the trial operation for the jointly constructed crude oil terminal with PetroChina International Dalian Co., Ltd. ("PetroChina International"). The berth is expected to commence trial operation in the second half of 2010.

- The Group continued to work with one of its business partners in liquefied chemicals terminal, Odfjell, with the intention to construct a specialized training centre to provide training to operating staff with advanced techniques, safety and environmental protection skills. Such training centre is expected to be established in the second half of 2010.

Container Segment

The following table sets out the container throughput handled by the Group in the first half of 2010 and its comparative results in the first half of 2009:

		For the six months ended 30 June 2010 ('000 TEUs)	For the six months ended 30 June 2009 ('000 TEUs)	Increase
Foreign Trade Throughput	Dalian	**1,903**	1,660	14.6%
	Other Ports (note 1)	**62**	43	44.2%
	Sub-total	**1,965**	1,703	15.4%
Domestic Trade Throughput	Dalian	**482**	352	36.9%
	Other Ports (note 1)	**439**	410	7.1%
	Sub-total	**921**	762	20.9%
Total Throughput	Dalian	**2,385**	2,012	18.5%
	Other Ports (note 1)	**501**	453	10.6%
	Total	**2,886**	2,465	17.1%

Note 1: Throughput at other ports refers to an aggregate of the throughput of Jinzhou New Age Container Terminal Co., Ltd. ("Jinzhou Container Terminal", which is owned as to 15% by the Company) and Qinhuangdao Port New Harbour Container Terminal Co., Ltd. ("Qinhuangdao Container Terminal", which is owned as to 15% by the Company).

In the first half of 2010, in terms of container throughput, the Group handled a total of approximately 2.9 million TEUs, representing an increase of 17.1% when compared to the corresponding period in 2009. In Dalian, the Group handled approximately 2.4 million TEUs, representing an increase of 18.5% when compared to the corresponding period in 2009, of which container throughput for foreign trade increased by 14.6% and container throughput for domestic trade increased by 36.9%. In terms of container business for foreign trade, the Group has the dominating market share in the Three Northeastern Provinces and its growth of container throughput was mainly driven by the recovery of foreign trade in the hinterland of northeastern China. In terms of container business for domestic trade, leveraging on the recovering macro economic conditions, the Group endeavoured to expand its domestic trade customer base and as a result, the throughput for domestic trade containers maintained its high growth rate.

The volume of sea-to-rail intermodal transportation handled by the Group via Dalian port reached approximately 143,000 TEUs, representing an increase of 25.4%. The volume of trans-shipment containers handled by the Group via Dalian port was approximately 295,000 TEUs, representing an increase of 46.8%.

In the first half of 2010, the Group's container terminal business accounted for approximately 97% (approximately 97% in the first half of 2009) of the total market share in Dalian and approximately 59% (approximately 62% in the first half of 2009) of that in the Three Northeastern Provinces. The Group's container throughput for foreign trade accounted for 100% (100% in the first half of 2009) of the total market share in Dalian and approximately 97% (approximately 97% in the first half of 2009) of that in the Three Northeastern Provinces.

For the first half of 2010, the revenue from container terminal and logistics services amounted to RMB203,827,000 which represented an increase of RMB4,371,000 or 2.2% as compared with the first half of 2009. If the effect of revenue adjustment to agency companies were excluded, the revenue of container segment would have increased by RMB31,403,000, representing an increase of 15.7%.

For the first half of 2010, the revenue from container terminal and logistics services accounted for 22.6% (26.5% for the first half of 2009) of the Group's total revenue.

For the first half of 2010, the gross profit from container terminal and logistics services amounted to RMB33,609,000, which decreased by RMB42,972,000 or by 56.1% as compared with the first half of 2009, and accounted for 7.8% (20.5% for the first half in 2009) of the Groups' total gross profit and represented a gross margin of 16.5% (38.4% for the first half in 2009). Such decrease in the amount of gross profit and gross profit percentage were mainly caused by the increase of rental cost and the low-margined logistics business as a result of the Group's initiative to develop and expand its container logistics business in its hinterland.

In the first half of 2010, the Group implemented the following major plans:

- Despite the unclear outlook of the global economic situations, the Group captured new opportunities available in the domestic economy, monitored the changes of market environment, enhanced the development of domestic market, continued to promote dry bulk containerization projects and at the same time, further strengthened the Group's advantages in its trans-shipment business so as to achieve remarkable growth in container throughput in its domestic trade business and trans-shipment business.

- The third phase of the Group's container terminal in Dayao Bay commenced operations in the beginning of 2010. CMA CGM Christophe Colomb (with a total capacity of 153,000 tonnes), currently one of the largest container vessels under operation in the world, called the Group's third phase container terminal on 8 June. During the operation of this vessel, the Group handled a total of 1,095 containers with a relatively high operational efficiency of 162.4 containers per hour, demonstrating the Group's strength in operating ultra large container vessels.

Automobile Segment

The following table sets out the throughput handled by the Group's automobile terminal in the first half of 2010 and its comparative results in the first half of 2009:

		For the six months ended 30 June 2010	For the six months ended 30 June 2009	Increase/ (Decrease)
Vehicles (unites)	Foreign Trade	**16,288**	3,846	323.5%
	Domestic Trade	**47,811**	12,744	275.2%
	Total	**64,099**	16,590	286.4%
Equipments (tonnes)		**14,410**	20,306	(29.0%)

In the first half of 2010, the Group handled a total of 64,099 vehicles, representing an increase of 286.4% when compared to the corresponding period in 2009. The volume of vehicles for foreign trade was 16,288, representing an increase of 323.5%, and 47,811 for domestic trade, representing an increase of 275.2%. In addition, the Group handled a total weight of 14,410 tonnes of equipment, representing a decrease of 29.0% when compared to the corresponding period in 2009.

The Group's vehicle throughput accounted for approximately 95% (89% in the first half of 2009) of the total volume handled by all ports in the Three Northeastern Provinces.

In terms of foreign trade business, the Group has enhanced coordination with its customers in the hinterland to attract bulk shipments of vehicles via its terminals. In addition, while continuing to provide efficient service to its existing customers for their imported automobile business, the Group also attracted new customers to import agricultural machineries via the Group's terminals.

In terms of domestic trade business, the Group's operation of two shipping routes which were introduced in 2009 remained to be stable. Both Guangzhou Honda and SAIC Group maintained high trans-shipment volume via the Group's terminals. At the same time as maintaining a stable operation of the routes, the volume of vehicles shipped by the Group to southern China had significantly increased.

During the first half of 2010, the Group's share of profits in relation to its automobile terminal and logistics services amounted to RMB1,144,000, representing an increase of RMB6,981,000 over the first half in 2009. The Automobile Segment turned profitable from its previous loss. The improvement of this segment is mainly due to the increase in the vehicle throughput with sea-borne transportation becoming a widely-accepted mode of transportation in the market.

In the first half of 2010, the Group implemented the following major plans:

- The Group has enhanced its market development in the hinterland and has established a closer cooperation with automobile manufactures and automobile logistics enterprises to successfully attract bulk shipments of exported vehicles via the Group's terminals.

- With the Group's efforts in the past year, the two domestic shipping routes introduced in the first half of 2009, achieved a stable and smooth operation. The Group continued to increase the frequency of shipping shifts, thereby providing its customers with more convenient and efficient transportation services between southern China and northern China. As a result, an increased number of automobile enterprises in the Group's hinterland in northeastern China adopted these routes to transport their automobiles to southern China. The trans-shipment volume from Huachen Auto and Beisheng Motors in Shenyang, one of Shanghai General Motors' branches, via these two domestic shipping routes also achieved a remarkable increase in the first half of 2010.

Value-added Services Segment

In the first half of 2010, the Group has achieved steady growth in its tugging business, tallying business and IT services business.

Tugging

- Leveraging on overall development of port business in Dalian, the Group's tugging business has achieved steady growth in Dalian.

- In the first half of 2010, two additional tugboats were leased to ports located outside of Dalian. Currently, the Group has leased out 14 of its tugboats under long-term leases to ports located outside of Dalian.

- Four of the Group's fully reversible tugboats commenced operations in the first half of 2010, forming part of the Group's batch of eight tugboats which have been delivered and put into operations.

Tallying

- The total tallying throughput handled by the Group was approximately 17.4 million tonnes, representing an increase of 26.1% when compared to the corresponding period in 2009.

IT

- The Group's "Dalian Port Call Centre System Platform" has commenced operations, which would help the Group to better support its development of port business and provision of services to its customers.

- The Group implemented TOP+ (container terminal operation system) developed by the Group's IT enterprise in its container terminal and its links with yard station system, tallying system and hinterland system.

For the first half of 2010, the revenue from port value-added services amounted to RMB211,915,000, which represented an increase of RMB55,983,000 or 35.9% over the first half of 2009. This revenue increase was mainly attributable to the steady increase of the tugging business revenue driven by the growth of tugging business , as well as an increase in the IT service income due to an increasing number of projects developed beyond Dalian city.

For the first half of 2010, the revenue from port value-added services accounted for 23.5% (20.7% for the first half of 2009) of the Group's total revenue.

For the first half of 2010, the gross profit from port value-added services amounted to RMB98,730,000 which increased by RMB23,714,000 or by 31.6% over the first half of 2009, accounted for 22.9% (20.1% for the first half in 2009) of the Groups' total gross profit and represented a gross margin of 46.6% (48.1% for the first half in 2009). Such decrease of gross margin was mainly caused by the increase in the proportion of IT business which has a lower gross margin relatively.

Others

A Shares Issue

- The preparation work of the Group for its offer of A Shares Issue is under full swing.

Dalian Petro China Warehousing's Explosion Accident

- Explosions and subsequent fire occurred at the crude oil pipelines of Dalian Petro China International Warehousing and Transportation Co., Ltd. ("Dalian Petro China Warehousing") ("Explosion Accident") in Xingang area on 16 July 2010. Dalian Petro China Warehousing is an associate company in which the Company holds 20% of total equity interest. Immediately after the accident, the Company has set up an emergency management team and took various measures to control the explosions and fire. The fire was extinguished on 17 July 2010 as a result of the efforts of all the relevant parties.

- According to China's State Administration of Work Safety and Ministry of Public Security, their investigation findings showed that explosion occurred as workers from a third party service provider, employed by the oil cargo owner, continued to inject strongly oxidizing desulfurizer into the pipeline after the 300,000-ton tanker had finished unloading its oil.

- The Explosion Accident did not cause any direct damage or loss to the main facilities of oil terminals and storage tank area of the Group. However, certain ancillary facilities of the Group, including certain crude oil pipelines, control systems and electricity supply system have suffered damage and loss. The Group's crude oil terminal has almost resumed its operational capability through the reparation after the Explosion Accident. The Group has commenced the process of claiming on the insurance policy relating to the accident. The Group's loss and damage related to its assets will be covered by insurance and some other means.

- After the Explosion Accident, the maritime authority of Dalian has imposed certain temporary navigation control to the vessels entering the Dalian port area and all the terminals within Xingang area and the adjacent Dayao Bay area were required to cease operations. From 20 July 2010 to 28 July 2010, all of the Group's terminals, which were required to cease operations had gradually resumed operations.

Prospects for the Second Half of 2010

In the second half of 2010, the outlook for the domestic economic environment is expected to be a complicated picture and Chinese economy will be facing many difficulties. As a result, the growth rate of the Chinese economy may slow down. However, benefiting from the current momentum in economic growth, the Chinese economy may nevertheless achieve a relatively high growth rate for the whole year of 2010. The IMF stated in a latest outlook released in July 2010 that China had a strong rebound in exports and resilient domestic demand so far in 2010 as a result of which the IMF lifted China's GDP growth forecast for 2010 to 10.5%.

In the second half of 2010, the Group will continue to execute its development strategies and maintain the trend of steady business growth to achieve overall stable growth in the Company's business. For marketing development, the Group plans to attract new customers and increase its provision of value-added services while enhancing its strategic alliance with existing strategic partners. In addition, the Group plans to fully leverage on its advantages of the multi-model system and expand its market shares covering different business segments while stabilizing its advanced businesses in certain fields. For financial control, the Group will continue to take measures to reduce operational costs and to avoid any unreasonable expenses. For the construction of terminals and logistics facilities, the Group plans to proceed with new construction at the appropriate time.

In the second half of 2010, in terms of oil/liquefied chemicals terminal and related logistics services, the Group will speed up the reparation of damaged storage tank area, capture opportunities arising from operation of its new terminals and storage tanks in order to minimize impacts on its business caused by the Explosion Accident and maintain relatively high growth rate. The Group will enhance cooperation with its major customers, including PetroChina, while ensuring to satisfy the demand from the local refineries. In terms of container terminal and related logistics services, the Group will enhance marketing activities and stabilize and increase market share, while further improving inland inter-modal transportation system at the same time. In terms of automobile terminal and related logistics services, the Group will maintain steady operation of its shipping routes and maintain a stable trend of business growth, while enhancing its cooperation with automobile enterprises to expand the Group's business scope. For value-added services, the Group plans to focus on maintaining a steady operation of its current business and further expanding into markets outside of Dalian.

In the second half of 2010, the Group will implement major plans and major projects as follows (projects mentioned in the Business Review of the first half of 2010 and to be continued in the second half of the year will not be restated):

Oil Segment

- The Group expects that four of its crude oil storage tanks (with a total capacity of 600,000 cubic meters) will commence operations in September. Those tanks will be leased to the Group's existing and potential customers respectively. At the same time, it is expected that the Group will commence construction of an additional ten crude oil storage tanks (with a total capacity of 1,000,000 cubic meters) in the second half of 2010 to meet the market demand. Those tanks are expected to be put into operation in 2011.

- The Group will endeavour to minimize any side-effects to its oil business caused by the Explosion Accident by enhancing its communications with the relevant customers and effectively managing its operations. The Group will try to resume its damaged assets to the normal operational conditions in the shortest period. At the same time, the Group will draw lessons from Dalian Petro China Warehousing's Explosion Accident. Taking full consideration of massive-scale and multi-operators mode of operation within the area where the Group's oil terminal is located, the Group will enhance its capability in dealing with systematic risks within the port area as precautionary measures. In the post-accident rehabilitation process, the Group is upgrading the safety standards to avoid any isolated accident from triggering off chain accidents or escalating into a disaster. At the same time, the Group is taking further steps to establish a comprehensive set of emergency response policy and procedures so as to enhance the Group's ability to coordinate efforts in risk-prevention and crisis-management among various property-owners within the port area.

Container Terminal Segment

- The Group will continue to enhance its efforts to attract shipments and increase in its market share for container business, especially for domestic trade business. The Group will continue to move forward dry bulk cargo containerization projects so as to improve the network for domestic business and maintain and increase its container throughput growth for domestic trade.

- The Group will speed up the construction of the multi-modal container logistics system. The preparation work of operation for the Dalian Railway Container Logistics Centre was completed and it commenced operation on 18 July 2010. Following completion, each of the Group's container terminals in Dayao Bay would be able to achieve seamless connection in sea-to-rail transportation business via this container centre and improve its capability of multi-modal transportation. The Group is carrying out the construction of Muling Logistics Centre, and it is expected to commence operations in November 2010. At the same time, the Group will also move forward other projects.

Automobile Segment

- The Group will continue to cooperate with domestic automobile enterprises, improve automobile shipping logistics system, and develop domestic automobile logistics business to enhance its capacity to attract shipments and competitiveness.

- Two of the Group's 2,300-car Ro-Ro vessels which have been ordered are expected to commence operations in 2011. The Group will make proper arrangements for the operation of these two vessels and further strengthen the cooperation with its major automobile enterprises in order to effectively increase the Group's throughput through the operations of the Ro-Ro vessels and the construction of overall logistics system.

Value-added Services Segment

- The Group will monitor the market trend in the tugging business closely and maintain steady growth of its business in Dalian. At the same time, the Group will closely follow up on the market changes in ports outside of Dalian in order to capture any business opportunity which arises.

- Two pilot boats which are currently being constructed are expected to be delivered in mid August.

- The Group will proceed with the consolidation of its IT enterprises resources to enhance the overall capability and brand influence of its IT business to increase its market share outside of Dalian.

- The Group will move forward the construction of its information safety management system to improve the safety and reliability of information management.

Other Information

Directors', supervisors' and chief executives' interests

As at 30 June 2010, none of the directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) as recorded in the register required to be kept under Section 352 of the SFO; or (ii) as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Modal Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (which shall be deemed to apply to the Company's supervisors to the same extent as it applies to the Company's directors.)

Purchase, sale and redemption of listed securities

During the six months period ended 30 June 2010, the Company has not redeemed any of its listed shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares in the aforesaid period.

Interim dividends

The board of directors did not recommend the payment of any interim dividend for the six months ended 30 June 2010.

Human resources

As at 30 June 2010, the Group had a total of 2,386 full-time employees. The Group and its invested businesses together had a total of 4,167 employees.

Environmental protection and safety initiatives

The Group attaches great importance on environmental protection and safety management and abides by the relevant PRC laws and regulations. The Group is committed to supporting environmental protection and safety initiatives in its operations to fulfill its corporate social responsibility in daily operations.

The Group will build upon its experience from Dalian Petro China Warehousing's Explosion Accident on 16 July 2010 and will maintain and enhance the Group's implementation of safety initiatives consistently to ensure safety production. In relation to the pollution caused by oil spill as a result of the explosion, the Group will endeavour to co-ordinate with the relevant sectors to clean the oil spill so as to reduce any disadvantageous effects to the port operations and possible environmental pollution caused by the oil spill.

Other Information

The Model Code

The Company has adopted a code of conduct governing director's dealings in the Company's securities transactions on terms no less exacting than the required standard set out in the Model Code. Upon specific enquiries, all directors confirmed that they had complied with the provisions of the Model Code and the code of conduct governing directors' dealing in the Company's securities transactions during the six months ended 30 June 2010.

The code on corporate governance practices

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2010, and so far as known to the directors of the Company, there has been no material deviations from the code.

Audit Committee

The Audit Committee consists of two independent non-executive directors, namely Mr. Zhang Xianzhi and Mr. Ng Ming Wah, Charles, and one non-executive director, namely Mr. Lu Jianmin. The chairman of the Audit Committee is Mr. Zhang Xianzhi. The Audit Committee has reviewed the interim results for the six months ended 30 June 2010.

Shareholdings and shareholders' information of the Company

Share capital

The share capital structure of the Company as at 30 June 2010 are set out in the table below:

Type 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

Other Information

Shareholdings of other shareholders with notifiable interests

As at 30 June 2010, so far as known to the directors of the Company, the following persons 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	97.50%	62.09%
JP Morgan Chase & Co.	H shares	117,606,813 (long position) 96,976,783 (lending pool)	Beneficial owner	11.07% (long position) 9.13% (lending pool)	4.02% (long position) 3.31% (lending pool)
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	94,774,000 (long position)	Beneficial owner	8.92%	3.24%
Schroder Investment Management (Hong Kong) Limited	H shares	74,666,000 (long position)	Beneficial owner	7.02%	2.55%

Notes:

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

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

Save as disclosed above, as at 30 June 2010, so far as known to the directors of the Company, no other persons 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.

Independent Auditors' Review Report

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the shareholders of
Dalian Port (PDA) Company Limited
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements of Dalian Port (PDA) Company Limited (the "Company") and its subsidiaries (collectively as the "Group") set out on pages 24 to 50, which comprise the interim condensed consolidated statement of financial position as at 30 June 2010 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants
Hong Kong
7 August 2010

Unaudited Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Revenue	3	**900,837**	752,681
Cost of sales and services		**(468,819)**	(379,603)
Gross profit		**432,018**	373,078
Other income and gains	4	**42,625**	14,864
Change in fair value of derivative financial liabilities		**29**	2,250
Administrative expenses		**(74,414)**	(71,140)
Other expenses		**(4,532)**	(415)
Share of profits and losses of:			
Associates		**4,697**	(2,479)
Jointly-controlled entities		**58,810**	50,243
Finance costs	5	**(39,247)**	(31,885)
Profit before tax	6	**419,986**	334,516
Income tax expense	7	**(96,278)**	(64,141)
Profit for the period		**323,708**	270,375
Attributable to:			
Equity holders of the parent		**326,308**	272,173
Non-controlling interests		**(2,600)**	(1,798)
		323,708	270,375
Earnings per share attributable to ordinary equity holders of the Company			
– Basic (RMB)	9	**0.11**	0.09

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	For the six months ended	
	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Profit for the period	**323,708**	270,375
Exchange differences on translation of foreign operations	**1,855**	36
Net gain/(loss) on available-for-sale investments	**(5,017)**	11,851
Other comprehensive income for the period, net of tax	**(3,162)**	11,887
Total comprehensive income for the period, net of tax	**320,546**	282,262
Attributable to:		
Equity holders of the parent	**323,146**	284,060
Non-controlling interests	**(2,600)**	(1,798)
	320,546	282,262

Details of the dividends proposed for the interim period are disclosed in note 8 to the **unaudited** interim condensed consolidated financial statements.

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2010

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**6,110,529**	5,927,127
Prepaid land lease payments	11	**291,485**	284,178
Investment properties		**831,745**	841,670
Intangible assets		**113,999**	121,786
Goodwill		**16,035**	16,035
Interests in jointly-controlled entities		**1,975,001**	1,629,893
Interests in associates		**824,830**	471,493
Available-for-sale investments		**137,801**	143,068
Deferred tax assets		**64,456**	73,088
Amounts due from a jointly-controlled entity and associates	14	**22,500**	86,465
Total non-current assets		**10,388,381**	9,594,803
CURRENT ASSETS			
Properties held for sale		**11,535**	11,535
Inventories		**16,563**	13,883
Trade and bills receivables	12	**160,781**	80,061
Prepayments, deposits and other receivables	13	**351,981**	359,233
Prepaid land lease payments	11	**6,703**	6,501
Amounts due from jointly-controlled entities and associates	14	**84,083**	23,931
Amounts due from related companies	14	**136**	24
Cash and bank balances		**1,126,547**	1,021,116
Total current assets		**1,758,329**	1,516,284
CURRENT LIABILITIES			
Trade and bills payables	15	**102,983**	70,502
Other payables and accruals	16	**1,069,831**	386,540
Amounts due to jointly-controlled entities and associates	14	**33,193**	30,719
Amounts due to related companies	14	**50,707**	57,093
Advance from the holding company	14	**530**	1,469
Tax payable		**16,652**	12,413
Interest-bearing bank borrowings	17	**379,600**	60,000
Government grants		**35,594**	35,446
Total current liabilities		**1,689,090**	654,182
NET CURRENT ASSETS		**69,239**	862,102
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,457,620**	10,456,905

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2010

	Notes	**30 June 2010 RMB'000 (Unaudited)**	31 December 2009 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	17	**942,033**	524,316
Medium-term notes	18	**2,479,110**	2,476,730
Amount due to a jointly-controlled entity	14	**15,260**	16,291
Government grants		**667,484**	670,483
Derivative financial liabilities	19	**–**	29
Other payables	20	**7,941**	11,846
Total non-current liabilities		**4,111,828**	3,699,695
NET ASSETS		**6,345,792**	6,757,210
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**2,926,000**	2,926,000
Reserves		**3,376,536**	3,784,890
		6,302,536	6,710,890
Non-controlling interests		**43,256**	46,320
Total equity		**6,345,792**	6,757,210

Jiang Luning
Director

Su Chunhua
Director

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to equity holders of the parent											
	Issued capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Surplus reserve RMB'000 (Unaudited) (Note a)	Other reserve RMB'000 (Unaudited) (Note b)	Revaluation reserve RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Proposed final dividend RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 1 January 2010	2,926,000	1,460,941	871,881	357,935	(418,863)	13,685	(10,212)	731,500	778,023	6,710,890	46,320	6,757,210
Profit for the year	–	–	–	–	–	–	–	–	326,308	326,308	(2,600)	323,708
Other comprehensive income	–	–	–	–	–	(5,017)	1,855	–	–	(3,162)	–	(3,162)
Total comprehensive income	–	–	–	–	–	(5,017)	1,855	–	326,308	323,146	(2,600)	320,546
Final 2009 dividend declared	–	–	–	–	–	–	–	(731,500)	–	(731,500)	–	(731,500)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(464)	(464)
Transfer	–	–	–	–	16,034	–	–	–	(16,034)	–	–	–
At 30 June 2010	2,926,000	1,460,941*	871,881*	357,935*	(402,829)*	8,668*	(8,357)*	–	1,088,297*	6,302,536	43,256	6,345,792

* These reserve accounts comprise the consolidated reserves of RMB3,376,536,000 as at 30 June 2010 in the interim condensed consolidated statement of financial position.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to equity holders of the parent											
	Issued capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Capital reserve RMB'000 (Unaudited)	Surplus reserve RMB'000 (Unaudited) (Note a)	Other reserve RMB'000 (Unaudited) (Note b)	Revaluation reserve RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Proposed final dividend RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
At 1 January 2009	2,926,000	1,460,941	881,691	292,620	(480,245)	–	(10,453)	263,340	1,026,952	6,360,846	189,746	6,550,592
Profit for the year	–	–	–	–	–	–	–	–	272,173	272,173	(1,798)	270,375
Other comprehensive income	–	–	–	–	–	11,851	36	–	–	11,887	–	11,887
Total comprehensive income	–	–	–	–	–	11,851	36	–	272,173	284,060	(1,798)	282,262
Dividend paid to non-controlling interests	–	–	(9,934)	–	–	–	–	–	–	(9,934)	(140,033)	(149,967)
Final 2008 dividend declared	–	–	–	–	–	–	–	(263,340)	–	(263,340)	–	(263,340)
Transfer	–	–	–	–	52,080	–	–	–	(52,080)	–	–	–
At 30 June 2009	2,926,000	1,460,941	871,757	292,620	(428,165)	11,851	(10,417)	–	1,247,045	6,371,632	47,915	6,419,547

Notes:

(a) Surplus reserve comprises of statutory surplus reserve, enterprise development fund and reserve fund.

(b) Other reserve represents the reversal of the revaluation surplus arising from the capital contribution by Dalian Port Corporation Limited to Dalian Container Terminal Co., Ltd. and the group reorganisation in prior years and the difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the acquisition of additional interests of subsidiaries. Other reserve would be released to retained profits upon the depreciation and the disposal of those assets.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	For the six months ended	
	30 June	30 June
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**312,716**	228,024
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(264,051)**	(331,614)
Investments in associates	**(349,600)**	(200,000)
Investments in jointly-controlled entities	**(294,871)**	(60,000)
Entrusted loans to a third party	**(18,000)**	–
Loan to a jointly-controlled entity	**(55,000)**	–
Purchase of prepaid land lease payments	**(17,603)**	–
Acquisition of available-for-sale investments	**–**	(12,000)
Acquisition of non-controlling interests of a subsidiary	**–**	(196)
Proceeds from disposal of property, plant and equipment	**10,805**	27,191
Repayment of loans to jointly-controlled entities	**67,588**	–
Proceeds from disposal of prepaid land lease payments	**41,299**	–
Dividend received from jointly-controlled entities and associates	**33,897**	143,687
Dividend received from available-for-sale investments	**415**	395
Interest received from jointly-controlled entities and associates	**450**	–
Reduction of capital of a jointly-controlled entity	**–**	4,400
Proceeds from disposal of available-for-sale investments	**–**	1,233
Net interest received from derivative financial liabilities	**–**	1,158
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(844,671)**	(425,746)

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	For the six months ended	
	30 June	30 June
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(230,000)**	(1,501,733)
Repayment of a loan from PDA	**–**	(788,377)
Interest paid	**(118,254)**	(87,544)
Proceeds from issuance of medium-term notes, net	**–**	2,492,244
Payment for the issuance cost of medium-term notes	**(3,855)**	–
Dividend paid to non-controlling interests	**(196)**	–
Proceeds from bank borrowings	**971,889**	429,053
Government grants received	**17,276**	–
Loan from an associate	**2,000**	–
Others	**(1,202)**	–
NET CASH FLOWS FROM FINANCING ACTIVITIES	**637,658**	543,643
NET INCREASE IN CASH AND CASH EQUIVALENTS	**105,703**	345,921
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**(272)**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**1,021,116**	670,011
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**1,126,547**	1,015,932
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	**1,126,547**	1,015,932

1. Corporate information

Dalian Port (PDA) Company Limited (the "Company") was incorporated in the People's Republic of China (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 Dalian Port Corporation Limited ("PDA"), which is a state-owned enterprise established on 30 April 2003 under the laws of the PRC.

The Company and its subsidiaries (the "Group") are 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. Basis of preparation and accounting policies

The unaudited interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2009.

Significant accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are the same as those used in the preparation of the annual financial statements of the Group for the year ended 31 December 2009, except in relation to the following new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements, the adoption of these new and revised IFRSs has had no significant impact on the results and the financial position of the Group.

2. Basis of preparation and accounting policies (continued)

Significant accounting policies (continued)

IFRS 1 (Revised)	First-time Adoption of IFRSs
IFRS 1 (Amendments)	First-time Adoption of IFRSs – Additional Exemptions for First-time Adopters
IFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Financial instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
Annual Improvements Project	Improvements to IFRSs 2009

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

3. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has four reportable segments 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 sale of properties;
Automobile terminal and logistics services	Loading and discharging of automobile and related logistics services; and
Port value-added services	Tallying, tugging and information technology services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit.

3. Operating segment information (continued)

The items of income and expense, the assets and liabilities attributable to the headquarter of the Company have not been allocated.

These reportable segments are the basis on which the Group reports its segment information and no operating segments have been aggregated to form the above reportable segments.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transactions are conducted in accordance with the terms mutually agreed between the parties.

For the six months ended 30 June 2010 (unaudited)

	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	Elimination RMB'000	Total RMB'000
Revenue							
External sales	482,909	203,827	–	211,915	2,186	–	900,837
Intersegment sales	–	–	–	1,386	–	(1,386)	–
Total revenue	482,909	203,827	–	213,301	2,186	(1,386)	900,837
Results							
Profit/(loss) before tax	327,917	36,452	1,144	87,943	(33,470)	–	419,986
Income tax	(73,044)	(11,666)	–	(20,445)	8,877	–	(96,278)
Net profit/(loss)	254,873	24,786	1,144	67,498	(24,593)	–	323,708

3. Operating segment information (continued)

For the six months ended 30 June 2009 (unaudited)

	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	Elimination RMB'000	Total RMB'000
Revenue							
External sales	394,303	199,456	–	155,932	2,990	–	752,681
Intersegment sales	–	–	–	2,388	–	(2,388)	–
Total revenue	394,303	199,456	–	158,320	2,990	(2,388)	752,681
Results							
Profit/(loss) before tax	205,763	77,791	(5,837)	65,675	(8,876)	–	334,516
Income tax	(45,944)	(4,348)	–	(16,068)	2,219	–	(64,141)
Net profit/(loss)	159,819	73,443	(5,837)	49,607	(6,657)	–	270,375

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

3. Operating segment information (continued)

The following tables present segment assets of the Group's operating segments as at 30 June 2010 and 31 December 2009:

30 June 2010 (unaudited)

	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	Elimination RMB'000	Total RMB'000
Segment assets	**4,455,564**	**2,792,336**	**281,114**	**870,718**	**947,147**	**–**	**9,346,879**
Interests in jointly-controlled entities	**271,483**	**1,531,032**	**149,186**	**23,300**	**–**	**–**	**1,975,001**
Interests in associates	**577,804**	**243,061**	**–**	**3,965**	**–**	**–**	**824,830**
Total assets	**5,304,851**	**4,566,429**	**430,300**	**897,983**	**947,147**	**–**	**12,146,710**

31 December 2009 (audited)

	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	Elimination RMB'000	Total RMB'000
Segment assets	4,287,023	2,670,362	292,592	850,126	909,598	–	9,009,701
Interests in jointly-controlled entities	263,321	1,270,656	77,134	18,782	–	–	1,629,893
Interests in associates	220,461	246,576	–	4,456	–	–	471,493
Total assets	4,770,805	4,187,594	369,726	873,364	909,598	–	11,111,087

3. Operating segment information (continued)

Information about major customers

The Group's sales to customers which accounted for 10% or more of its total sales for the periods ended 30 June 2010 and 2009 are as follows:

	For the six months ended	
	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Customer A	**129,361**	125,273
Customer B	**127,705**	89,774
Customer C	**104,976**	115,823
	362,042	330,870

The sales to the above customers are included in the segment of oil/liquefied chemicals terminal and logistics services.

Geographical information

During the period ended 30 June 2009 and 2010, more than 90% of the Group's revenue was generated from customers located in the PRC and over 90% of the non-current assets of the Group were located in the PRC.

4. Other income and gains

An analysis of other income and gains is as follows:

	For the six months ended 30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Other income		
Interest income	**7,116**	6,969
Government grants	**2,478**	6,330
Net interest income from derivative financial liabilities	**–**	1,158
Others	**587**	407
	10,181	14,864
Gains		
Gain on disposal of prepaid land lease payments	**31,679**	–
Foreign exchange differences, net	**765**	–
	32,444	–
	42,625	14,864

5. Finance costs

	For the six months ended 30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Interest on bank borrowings	**12,372**	35,128
Interest on a loan from PDA	**–**	18,852
Interest on medium-term notes	**55,880**	9,498
Less: amount capitalised in property, plant and equipment	**(29,005)**	(31,593)
	39,247	31,885

6. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Cost of sales and services	**468,819**	379,603
Staff costs, including directors' and supervisors' remuneration		
– Salaries, wages and other benefits	**110,171**	98,953
– Defined contribution pension scheme	**11,365**	9,675
Total staff costs	**121,536**	108,628
Depreciation and amortisation	**142,415**	125,297
Less: Government grants released against depreciation	**(17,650)**	(19,190)
	124,765	106,107
Minimum lease payments under operating leases	**47,572**	34,625
Interest income	**(7,116)**	(6,969)
Gain on disposal of prepaid land lease payments	**(31,679)**	–
Loss on disposal of property, plant and equipment	**4,532**	98
Foreign exchange differences, net	**(765)**	47
Recognition of prepaid land lease payments	**3,216**	3,251

7. Income tax expense

	For the six months ended	
	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Group:		
Mainland China		
– Charged for the period	**87,646**	68,329
– Deferred	**8,632**	(4,188)
Total tax charge for the period	**96,278**	64,141

The share of tax attributable to jointly-controlled entities amounting to RMB18,095,000 (for the six months ended 30 June 2009: RMB16,424,000) is included in "Share of profits and losses of jointly-controlled entities" in the unaudited interim condensed consolidated income statement.

The share of tax attributable to associates amounting to RMB2,614,000 (for the six months ended 30 June 2009: RMB641,000) is included in "Share of profits and losses of associates" in the unaudited interim condensed consolidated income statement.

8. Dividend

On 18 June 2010, a dividend of RMB25 cents per share amounting to RMB731,500,000 in aggregate (for the six months ended 30 June 2009: RMB9 cents per share amounting to RMB263,340,000 in aggregate for the final 2008 dividend) was declared as the final dividend for 2009.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: nil).

9. Earnings per share attributable to equity holders of the Company

The calculation of the basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to equity holders of the Company and the number of 2,926,000,000 shares (for the six months ended 30 June 2009: 2,926,000,000 shares) in issue.

Diluted earnings per share amounts for the periods ended 30 June 2010 and 2009 have not been disclosed as no diluting events existed during both periods.

10. Property, plant and equipment

For the six months ended 30 June 2010, the Group acquired items of property, plant and equipment with a total cost of RMB322,958,000 (for the six months ended 30 June 2009: RMB252,869,000).

Items of property, plant and equipment with a net book value of RMB14,853,000 (for the six months ended 30 June 2009: RMB199,000) were disposed of by the Group during the six months ended 30 June 2010, resulting in a net loss on disposal of RMB4,530,000 (for the six months ended 30 June 2009: net loss on disposal of RMB98,000).

As at 30 June 2010, the Group is in the process of applying for the real estate certificates for certain buildings with a net book value of approximately RMB27,329,000 (31 December 2009: RMB27,684,000).

As at 30 June 2010, certain vessels of the Group with a net book value of RMB58,562,000 (31 December 2009: nil) were pledged to a bank to secure bank facilities.

11. Prepaid land lease payments

For the six months ended 30 June 2010, the Group acquired prepaid land lease payments of RMB17,603,000 (for the six months ended 30 June 2009: nil).

Prepaid land lease payments with a net book value of RMB6,878,000 (for the six months ended 30 June 2009: nil) were disposed of by the Group during the six months ended 30 June 2010, resulting in a net gain on disposal of RMB31,679,000 (for the six months ended 30 June 2009: nil).

12. Trade and bills receivables

The Group has a policy of granting an average credit period of 90 days to its customers. The following is an aged analysis of trade and bills receivables based on the invoice date and net of allowance for doubtful debts as at the end of the reporting period:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 90 days	**152,526**	72,292
91 to 180 days	**5,503**	2,908
181 to 365 days	**488**	910
Over 365 days	**5,320**	7,007
	163,837	83,117
Less: Impairment provision	**(3,056)**	(3,056)
	160,781	80,061

13. Prepayments, deposits and other receivables

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Other receivables:		
Receivable in respect of disposal of prepaid land lease payments	**47,783**	47,783
Receivable in respect of compensation for terminal relocation	**72,596**	72,596
Dividend receivable from jointly-controlled entities	**85,468**	109,466
Dividend receivables from associates	**510**	2,919
Entrusted loans receivable	**65,800**	47,800
Others	**46,280**	21,112
	318,437	301,676
Prepayments	**33,544**	57,557
	351,981	359,233

14. Balances with jointly-controlled entities/associates/related companies/ PDA

The amounts are unsecured, non-interest-bearing and repayable on demand, except for the followings:

(i) The amounts due from a jointly-controlled entity and associates consist of the amount due from Jadeway Limited of RMB17,119,000 which is unsecured, bears interest at the market prevailing rate and is repayable in full on 29 January 2024 and the amount due from SINOECL Auto Liners, Limited of RMB5,381,000 which is unsecured, bears interest at the market prevailing rate and is repayable in full on 24 April 2012.

(ii) The amounts due from jointly-controlled entities and associates consist of the amount due from Dalian International Container Terminal Co., Ltd. of RMB55,000,000 which is unsecured, bears interest at 4.78% per annum and is repayable in full on 31 March 2011.

(iii) The amounts due to jointly-controlled entities and associates consist of the amounts due to Dalian Assembling Transportation Logistics Co., Ltd. of RMB10,000,000 and RMB5,000,000 which are unsecured, bear interest at 4% per annum, and are repayable in full on 15 February 2011 and 20 May 2011, respectively.

(iv) The amounts due to jointly-controlled entities and associates consist of the amounts due to Shenyang Prologis-Jifa Logistic Development Co., Ltd. of RMB6,660,000 and RMB2,000,000 which are unsecured, bears interest at 4% per annum and are repayable in full on 6 July 2010 and 13 August 2010, respectively.

15. Trade and bills payables

The following is an aged analysis of trade payables based on the invoice date as at the end of the reporting period:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 90 days	**94,179**	60,027
91 to 180 days	**7,029**	8,560
181 to 365 days	**450**	657
Over 365 days	**1,325**	1,258
	102,983	70,502

16. Other payables and accruals

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Dividend payables	**738,292**	6,524
Interest payables	**10,423**	63,253
Construction payables	**151,348**	148,244
Others	**169,768**	168,519
	1,069,831	386,540

17. Interest-bearing bank borrowings

As at 30 June 2010, the bank borrowings bear interest rates ranging from 1.62% to 5.64% per annum (31 December 2009: 1.70% to 5.64%). During the six months ended 30 June 2010, the Group repaid bank loans of RMB232,826,000 (for the six months ended 30 June 2009: RMB1,501,733,000) and obtained new bank loans of RMB970,143,000 (for the six months ended 30 June 2009: RMB429,053,000) to finance the Group's operation.

18. Medium-term notes

On 26 May 2009 and 1 June 2009, the Company issued unsecured medium-term notes to independent third parties in aggregate principal amounts of RMB1,500 million and RMB1,000 million in the PRC, respectively. The notes were priced and issued at face value of RMB100 each. The notes are listed and transferable on the inter-bank notes market in the PRC with a maturity period of five years and are due for repayment at 25 May 2014 and 31 May 2014, respectively. The medium-term notes were carried using the amortised cost method with the effective interest rate of 4.52% per annum which is determined taking into account the issuance costs of RMB26,054,000. As at 30 June 2010, the carrying amount of the medium-term notes was RMB2,479,110,000 (31 December 2009: RMB2,476,730,000).

19. Derivative financial liabilities

The derivative financial liabilities have been fully disposed of during the six months ended 30 June 2010.

20. Non-current other payables

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Payables for the issuance costs	**11,896**	15,751
Less: current portion included in other payables and accruals	**(3,955)**	(3,905)
	7,941	11,846

The balance represents the amount payables to a financial institution for rendering professional services relating to the issuance of medium-term notes in 2009, which is unsecured, interest-free and repayable within five years.

21. Related party transactions

In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period.

Trading transactions

	For the six months ended 30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Rental income:		
Jointly-controlled entities and associates	**80,302**	78,869
Service income received (Note):		
PDA	**388**	200
Subsidiaries and jointly-controlled entities of PDA	**1,228**	721
Jointly-controlled entities and associates	**43,479**	32,156
	45,095	33,077
Comprehensive service fee paid to:		
PDA	**20,125**	13,544
Subsidiaries, jointly-controlled entities and associates of PDA	**6,005**	5,431
Jointly-controlled entities and associates	**762**	1,181
	26,892	20,156
Agency fee paid to:		
Jointly-controlled entities	**1,644**	1,329
Leasing expenses paid to:		
PDA	**866**	1,471
Subsidiaries and jointly-controlled entities of PDA	**2,242**	2,134
Jointly-controlled entities and associates	**7,541**	5,342
	10,649	8,947
Construction management services paid to:		
Subsidiaries and jointly-controlled entities of PDA	**1,151**	3,602

21. Related party transactions (continued)

Non-trading transactions

	For the six months ended	
	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Acquisition of property, plant and equipment from:		
PDA	**–**	1,130
Subsidiaries and jointly-controlled entities of PDA	**20,033**	24,805
Associates	**–**	327
	20,033	26,262
Disposal of property, plant and equipment to:		
PDA	**25,721**	–
Interest paid to:		
PDA	**–**	18,852
Jointly-controlled entities and associates	**373**	167
	373	19,019
Interest income:		
Jointly-controlled entities and associates	**1,361**	3,264

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

These related party transactions have been conducted in accordance with the terms/ agreements mutually agreed between the parties.

21. Related party transactions (continued)

Compensation of key management personnel of the Group

	For the six months ended	
	30 June 2010 RMB'000 (Unaudited)	30 June 2009 RMB'000 (Unaudited)
Short-term employee benefits	**2,702**	2,612
Post-employment benefits	**67**	56
	2,769	2,668

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

22. Operating lease commitments

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within one year	**4,283**	4,554
In the second to fifth years, inclusive	**4,216**	3,912
After five years	**–**	–
	8,499	8,466

23. Commitments

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Authorised but not contracted	**2,867,700**	3,001,130
Contracted but not provided for	**479,944**	585,771
	3,347,644	3,586,901
Capital expenditure in respect of the acquisition of equity interests and business:		
Authorised but not contracted	**933,500**	1,032,200
Contracted but not provided for	**2,807,600**	3,349,000
	3,741,100	4,381,200

24. Contingent liabilities

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Guarantees given to banks in connection with banking facilities granted to and utilised by:		
– Jointly-controlled entities	**116,000**	116,000
– Associates	**46,900**	–
	162,900	116,000

25. Event after the reporting period

On 16 July 2010, certain oil pipelines of Dalian Petro China International Warehousing and Transportation Co., Ltd. ("Dalian Petro Warehousing and Transportation") exploded at Xingang oil port in Dalian. Dalian Pertro Warehousing and Transportation is an associate of the Company, in which the Company has a 20% equity interest. As at 30 June 2010, the carrying amount of the long-term investment held by the Group in Dalian Petro Warehousing and Transportation amounted to RMB28,203,000. Following the accident, the maritime authority of Dalian imposed certain temporary navigation controls at the Xingang area of Dalian and the Group's terminals were required to cease their operations at the Xingang area and the adjacent Dayaowan area temporarily. All of the Group's terminals and ground facilities had resumed operations by the evening of 28 July 2010.

26. Comparative amounts

Certain prior period amounts have been reclassified to conform with the presentation of current period.

27. Approval of the unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 7 August 2010.

大連港股份

DALIAN PORT (PDA) COMPANY LIMITED

大連港股份有限公司

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

(於中華人民共和國註冊成立之外商投資股份有限公司)

(Stock Code 股份代號：2880)

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