大連港股份

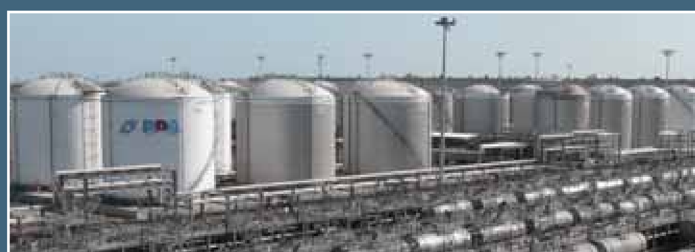
DALIAN PORT (PDA) COMPANY LIMITED

大連港股份有限公司

(A sino-foreign joint stock limited company incorporated in the People's Republic of China)
(於中華人民共和國註冊成立之外商投資股份有限公司)
(Stock Code 股份代號：2880)







Annual Report 年報 2010

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General Information on the Company

Company Profile

Dalian Port (PDA) Company Limited (the "Company") was established in Dalian City, Liaoning Province, the People's Republic of China (the "PRC") on 16 November 2005. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited with stock code 2880 and on the Shanghai Stock Exchange with stock code 601880, on 28 April 2006 and 6 November 2010 respectively. The Company is the first port company listed on the stock exchanges of both Hong Kong and Shanghai.

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

As the consolidated operational platform for port and logistics services in Dalian port, the Company and its subsidiaries (collectively, the "Group") are the biggest comprehensive port operator in the Three Northeastern Provinces of China (collectively, Heilongjiang Province, Jilin Province and Liaoning Province). The Group is principally engaged in the following businesses: (1) oil/liquefied chemicals terminal and related logistics services; (2) container terminal and related logistics services; (3) automobile terminal and related logistics services; (4) ore terminal and related logistics services; (5) general cargo terminal and related logistics services; (6) bulk grain terminal and related logistics services; (7) passenger and roll-on, roll-off terminal and related logistics services; and (8) port value-added services and ancillary port operations.

As regards oil/liquefied chemicals terminal and related logistics services, the Group is the first terminal operator approved by the Ministry of Communications of the PRC to provide transshipment services of imported crude oil for petrochemical enterprises in Dalian and Bohai Rim. The Group has two 300,000dwt crude oil terminals (one of which can accommodate 450,000dwt crude oil vessels), the largest oil storage base in China, an integrated multi-modal transportation system comprising various transportation means such as water, road, railway and pipelines. The Group operates an important oil/liquefied transportation and distribution center in the Three Northeastern Provinces.

As regards container terminal and related logistics services, the Group's container terminals can accommodate container vessels with loading a capacity of 150,000 tonnes. The shipping routes connected with the Group's container terminals cover more than 100 domestic and overseas ports. The Group has a well established sea-to-rail intermodal transportation network and Bohai Rim feeder transshipment network. The Group's container volume of sea-to-rail intermodal transportation is in the leading position among all ports in mainland China. The Group maintains its leading position in the industry of container transportation for foreign trade in northeastern China. The rapid growth of domestic trade is a strong driving force for the development of the Group's container business for domestic trade.

As regards automobile terminal and related logistics services, Dalian port is one of the four automobile ports approved by the Chinese government to provide automobile import business. The Group's automobile terminal can accommodate the largest Ro-Ro vessels in the world. Benefited from the rapid growth of automobile production and sales in China and the revitalization of the automobile manufacturing base in the Three Northeastern Provinces of China, the Group's automobile terminal business has been growing rapidly.

As regards ore terminal and related logistics services, the Group has two designated berths with the functions of sea transshipment and bonded distribution. The ore terminal can accommodate up to 300,000 dwt vessels and its overall efficiency ranked the top among ports in mainland China. The Group is speeding up the reconstruction of ore terminal facilities which will be able to accommodate ultra large ore vessels of more than 400,000 tonnes when the reconstruction completes in the first half of 2011. With the trend that more and more large-sized vessels will be put into operations, the Group will leverage on more advantages on its strategic location at the entrance of Bohai bay and national condition of deep water.

General Information on the Company

As regards general cargo terminal and related logistics services, the Group is engaged in the provision of loading, discharging and logistics services for steel, equipment, dry bulk cargoes and large equipments and aims to develop as the transshipment base for fine steel, packed grain and coal. The Group has expanded its general cargo terminal and logistics businesses to Changxing Island and Zhuanghe area. These two areas, with important strategic locations, have strong driving force for future development.

As regards dry grain terminal and related logistics services, the Group, as a highly competitive grain transshipment center, has established a complete logistics operation system and transformed itself from a traditional loading and discharging services provider to a modern logistics provider. The growth of grain transportation in the Three Northeastern Provinces of China will drive the growth of volume handled by the Group's dry grain terminal and related logistics business.

As regards passenger and roll-on, roll-off terminal and related logistics services, the Group's passenger and roll-on, roll-off terminal is located at the north end of Golden Waterway in Bohai Bay, and the Group has a leading position among the ports in China in terms of its business scale. The Group intends to consolidate the passenger and roll-on, roll-off businesses in Dalian port at an appropriate time so as to expand its business scale and develop as an integrated passenger and roll-on, roll-off terminal in Bohai Rim.

As regards port value-added and ancillary port operations, the Group provides services such as tugging, tallying, IT, port logistics, construction management and supervision services, and power supply. The Group has one of the largest tugboat fleets among the ports in China. The advanced port IT operational system, consummate port multi-modal transportation system and complete port industrial chains provide crucial support for the Group to develop high-end logistics businesses.

The Group intends to leverage its favorable natural conditions and competitive strengths in operations and management to develop and expand its business. The Group will play an important role in developing Dalian into an international shipping center in Northeastern Asia and the development of Liaoning Coastal Economic Zone. The Group aims to develop into a pioneering port operator and comprehensive logistics service provider in Northeast Asia, with regional development potential and international competitiveness.

General Information on the Company

General Information on the Company

Legal Chinese Name	大連港股份有限公司
Legal Chinese Name Abbreviation	Dalian Port
Legal English Name	Dalian Port (PDA) Company Limited
Legal English Name Abbreviation	Dalian Port
Legal Representative	Mr. Sun Hong
Company Contact Person Secretary to the Board of Directors/ Joint Company Secretary	Mr. Zhu Hongbo Address: Room 613, 6th Floor, No.1, Gangwan Street, Zhongshan District, Dalian, Liaoning, PRC Telephone: 86 411 82625378 Facsimile: 86 411 82798108 E-mail: zhuhb@dlport.cn
Qualified Accountant/Joint Company Secretary	Mr. Lee, Kin Yu Arthur Address: Room 615, 6th Floor, No.1, Gangwan Street, Zhongshan District Dalian, Liaoning, PRC Telephone: 86 411 82625379 Facsimile: 86 411 82798108 E-mail: lijr@dlport.cn
Company's Registered Office	Xingang Commercial Building, Dayao Bay, Dalian Free Trade Zone, PRC
Postal Code	116000
Place of Business in PRC	No.1, Gangwan Street, Zhongshan District Dalian, Liaoning, PRC 116004
Place of Business in Hong Kong	8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong
Company Website	www.dlport.cn
Company E-mail	ir@dlport.cn
Designated Newspapers for Disclosure of Company's Information	China Securities Daily, Shanghai Securities Daily, Securities Times, Securities Daily
Website Designated by the China Securities Regulatory Commission for Publishing the Annual Report	www.sse.com.cn

General Information on the Company

Website for Publishing the H Share Annual Report	www.hkexnews.hk	
Place for Collection of Annual Report	Room 616, 6th Floor, No.1, Gangwan Street, Zhongshan District, Dalian, Liaoning, PRC	
Places of Listing	Shanghai Stock Exchange	Hong Kong Stock Exchange
Stock Abbreviations	Dalian Port	Dalian Port
Stock Codes	601880	2880
A Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch	
H Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited	
PRC Auditors	Reanda Certified Public Accountants Address: Room 2008, 20/Floor, East Wing, Building 1, ZhuBang 2000 Tower, No.100 Balizhuang Xili, Chaoyang District, Beijing, PRC Ernst & Young Hua Ming Address: Level 16, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Dong Cheng District, Beijing, China	
International Auditor	Ernst & Young Address: 18th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	
Other Information	Legal counsel (as to Hong Kong law) Morrison & Foerster 33/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong Legal counsel (as to PRC law) Jintian & Gongcheng, Beijing 34/F, Tower 3, China Central Place, 77 Jianguo Road, Chaoyang District, Beijing 100025, China Major bankers Industrial and Commercial Bank of China Agriculture Bank of China China Construction Bank Bank of China Bank of Communications	

General Information on the Company

Business Milestones in 2010

JAN

- Affected by continually cold weather, the waters of the Bohai Sea and Yellow Sea experienced the most serious freeze of the past 30 years. Many ports in north China experienced this difficulty and their port operations were significantly impacted. However, the Group's terminals showed their advantages of deep-water, ice-free and siltless conditions to service large number of vessels redistributed from the surrounding ports to Dalian port.
- A newly-constructed 4,200-horsepower fully reversible tugboat was delivered.
- The Ministry of Transport of the PRC announced the official opening of Zhuanghe port in Dalian Liaoning Province, which has significance for the development of the Group's general cargo business in Zhuanghe port in the future.

FEB

- Announcement of annual results for 2009.
- The 7th China Freight Industry Awards in China were announced, and some of the Group's invested enterprises won awards. Dalian Port Container Terminal Co., Ltd. won the "Best Container Terminal", Dalian Jifa Bohai Rim Container Lines Co., Ltd. won the "Best Container Regular Shipping Service Company", Dalian Techport Services Co., Ltd. and Dalian Portnet Co., Ltd. won the "Best Logistics Software Suppliers", and Dalian United International Shipping Agency won the "Best Shipping Agency and Top Ten NVOC".

MAR

- Another newly-constructed 4,200-horsepower reversible tugboat was delivered.

APR

- 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 products, and the warehousing of petroleum and related products.
- Two newly-constructed 4,400-horsepower reversible tugboats were delivered.

JUN

- CMA CGM Christophe Colomb (with a total capacity of 153,000 tonnes), one of the largest container vessels under operation in the world, called at the Group's third phase container terminal. During the handling 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.
- A newly-ordered ship unloader (with a designed capacity of 2,750 tonnes per hour) commenced operation in the Group's ore terminal.

General Information on the Company

JUL

- Dalian Railway Container Logistics Centre was put into trial operation. This is a typical port centre, and achieved the integration of railway and port operations through adjusting its business mix and effectively reallocating existing resources. The Group continues improving its sea-to-rail function and increasing efficiency of its regular container shipping service and sea-to-rail volume.
- Explosions and a subsequent fire occurred at one of PetroChina's crude oil pipelines in Xingang area in Dalian, which caused certain of the Group's operations to be affected. The Group took various measures to control the explosions and fire. The Group's terminals were affected by the accident, but gradually resumed operations in the two weeks after the accident.

AUG

- The #22 berth (with the capacity to accommodate 450,000 tonne vessels), jointly constructed by the Company and PetroChina International Dalian Co., Ltd., was put into trial operation.
- Announcement of interim results for 2010.

SEP

- During the operation of CMA CGM Parsifal at the Group's second phase container terminal, the Group recorded a handling rate of 268 containers per hour per vessel.

OCT

- The CSRC approved the application of the Company to proceed with its A Shares IPO.
- Diamond Princess, one of the world's largest and the most luxurious cruise liners and part of the well-known cruise liners fleet under the Princess brand, arrived at Dalian port.

DEC

- The Company's A Shares were listed and traded on the Shanghai Stock Exchange. The Company became the first listed company with A Shares and H Shares in the port industry in China.
- 500 newly-ordered hopper cars (L70 model) were delivered and put into operation.
- The Company entered into an agreement with Chery Automobile Corporation Limited and Beijing Changjiu Logistics Co., Ltd. to establish a joint venture company to (i) provide Chery with complete logistics services in respect of vehicles, components and parts so as to reduce its automobile logistics costs; and (ii) provide Chery with Ro-Ro services, including handling and storage services to meet the requirement of Chery's development plans.
- The Company entered into a cooperation agreement with Anji Automotive Logistics Co., Ltd., controlled by SAIC Group, to promote vehicle transportation between north China and south China and other logistics services. Meanwhile, the Company's first 2,300-vehicle Ro-Ro vessel commenced operation.

Chairman's Statement

Sun Hong
Chairman

I am pleased to present the annual report of the Group for the year ended December 2010 on behalf of the Board.

Operating Results and Dividend

In 2010, the global economy emerged with difficulty from the most serious slowdown since World War Two to a slow, but unstable and imbalanced period of recovery. The pace of recovery and the growth rate of each economy varied. The Chinese macro economy maintained good stability and high economic growth. Compared with the early stage of the financial crisis, the structure of the Chinese economy's growth drivers showed positive development in 2010. Investment, consumption and exports together initially formed the basis for Chinese economic growth.

Benefiting from the rapid recovery of the Chinese macro economy, cargo throughput handled by all the ports in China reached a two-digit growth rate in 2010 and the operating performance of the port industry was better than expected. The overall macro economy in the Group's hinterland also achieved a sound performance and foreign trade showed significant signs of recovery. While the Group benefited from opportunities provided by the favorable economic environment, it also encountered the impact caused by the explosion of one of the pipelines of PetroChina International Warehousing and Transportation Co., Ltd. and a subsequent fire which happened on 16 July 2010 ("7.16 Explosion Accident").

Chairman's Statement

In addressing its opportunities and challenges, the Group took advantage of its port location, its terminals' operational efficiency, its bonded function and its intermodal system to capture new opportunities. The Group also confronted and took measures to eliminate the negative impacts caused by the 7.16 Explosion Accident. As a result, the Group's major business achieved stable growth and favorable performance in 2010. In 2010, the Company's profit attributed to equity holders was RMB834,233,000, an increase of 10.7%.

On 6 December 2010, the Group successfully issued A Shares to the public in China and became the first listed company with both A shares and H shares in the port industry in China. While the Group issued A Shares, it issued consideration shares to its controlling shareholder, Dalian Port Corporation Limited ("PDA"), to acquire PDA's port business and related assets, including its ore terminal, general cargo terminal, bulk grain terminal, passenger and roll-on, roll-off terminal and related logistics services, and certain ancillary port operations to accomplish a listing of the whole core business of PDA.

During the process of its initial public offering of A shares ("A Shares IPO"), the Group took the interests of the H shareholders of the Company into full consideration. In 2010, the Company's profit attributable to shareholders increased by 10.7% as compared with that of 2009. An innovative method of A share issue combing offering A shares to the public with the placement of consideration shares to PDA was adopted in the Company's A Share IPO, which took the interests of the public A shareholders into consideration. Thus the Company achieved the balance of interests and mutual benefits among all shareholders.

The Board proposed to pay a final dividend of RMB5 cents per share for the year of 2010.

Business Review

Following the completion of the A Share issue and acquisition of the port business and related assets from PDA, the Group became the largest comprehensive port operator in northeastern China providing its customers with oil/liquefied chemicals terminal and related logistics services ("Oil Segment"), container terminal and related logistics services ("Container Segment"), automobile terminal and related logistics services ("Automobile Terminal Segment"), ore terminal and related logistics services ("Ore Segment"), general cargo terminal and related logistics services ("General Cargo Segment"), bulk grain terminal and related logistics services ("Bulk Grain Segment"), passenger and roll-on, roll-off terminal and related logistics services ("Passenger and Ro-Ro Segment") and value-added and ancillary port operations as an integrated logistics platform in Dalian port.

As regards the Oil Segment, although the Group's business was impacted by the 7.16 Explosion Accident, the oil/liquefied chemicals throughput handled by the Group increased 9.4% to approximately 43.549 million tonnes in 2010. Facing a shortage of crude oil storage tanks, the Group actively communicated with its customers to fully utilize the storage resources so as to provide better services in terms of crude oil trans-shipment via Dalian port. At the same time, the Group fully took advantage of commercial refined oil storage tanks to increase refined oil trans-shipment throughput. In the second half of 2010, a new 450,000-tonne crude oil berth was put into trial operation. Since then, the Group's oil terminal became the only crude oil terminal with two deep-water crude oil berths among all the ports in China.

Chairman's Statement

As regards the Container Segment, the Group handled approximately 6.337 million TEUs in 2010, an increase of 15.5% from 2009. In terms of the container business for foreign trade, the Group captured opportunities in the foreign shipping market driven by the recovery of foreign trade to enhance market development. As a result, the Group's position as a hub for foreign trade containers was further improved. In terms of the container business for domestic trade, the Group implemented market-oriented strategies of promoting major projects to capture cargo traffic in its hinterland and expand its competitive services inland so as to continue the fast growth of container throughput for domestic trade. At the same time, the Group continued to proceed with the extended service system for trans-shipment business and sea-to-rail services. Dalian Railway Container Logistics Centre commenced trial operation in July 2010. Since then, the functioning of Dalian port's sea-to-rail services was further improved.

As regards the Automobile Terminal Segment, the Group handled 121,011 vehicles in 2010, an increase of 141% from 2009. In terms of vehicle transportation for domestic trade, the Group continued co-operating with Shanghai Automobile and Guangzhou Hongda and saw its automobile transportation channels between north China and south China operate smoothly. Some automobile manufacturers in the Group's hinterland in northeastern China also transported their vehicles to south China via such channels. Dalian is a hub port for domestic trade in north China. In terms of vehicle transportation for foreign trade, relying on Hafei's export cargo, two stable export shipping routes were formed. As a result, the Group's base port position for vehicle exports has been consolidated.

As regards the Ore Segment, the throughput handled by the Group's ore terminal was approximately 28.407 million tonnes in 2010, maintaining the same level as that in 2009. On one hand, the Group strengthened its co-operation with major customers in northeastern China to stabilize imported cargos. On the other hand, the Group enhanced trans-shipment cargo solicitation by taking advantage of its port location and deep-water condition. In addition, the Group actively proceeded with the re-construction of ore berths and yards to prepare for ore vessels with a capacity of 400,000 tonnes.

As regards the General Cargo Segment, the throughput handled by the Group's general cargo terminal was approximately 27.54 million tonnes in 2010, an increase of 19.5% from 2009. The Group leveraged its ice-free conditions, shipping route network, excellent customer services and long-term relationships with its customers to enhance market development so as to increase the Group's throughput in terms of various types of cargos.

As regards the Bulk Grain Segment, the throughput handled by the Group's bulk grain terminal was approximately 6.42 million tonnes in 2010, a decrease of 9.5% from 2009. The types of grain handled by the Group's bulk grain terminal were mainly corn, soy bean, barley and wheat, and the throughput of all of the above types of grain achieved sound growth. Especially the throughput increase in domestic trade corn and foreign trade soy bean drove the overall increase in revenue of the Group's Bulk Grain Segment. The other types of cargos saw significant declines, which were mainly caused by the adjustment of the Group's production function. At the end of 2010, the Group's 500 newly-ordered bulk grain carriages commenced operations gradually, which solved the bottleneck problem of grain cargo transportation from production areas to sales areas by enhancing the Group's capacity to haul cargos to port.

As regards the Passenger and Ro-Ro Segment, the Group transported approximately 3.037 million persons in 2010, a decrease of 13.8% from 2009, and handled approximately 512,000 vehicles in 2010, an increase of 11.5% over 2009. In 2010, due to the impact of whether and the employment market, the passenger and Ro-Ro market showed an accelerating downward trend in Bohai Rim. The Group enhanced market development and service marketing, improving the construction of its intermodal system to stabilize and expand its market share.

Value-added and ancillary port operations were closely related to the overall port business in Dalian. The Group achieved stable growth in terms of such business.

Chairman's Statement

Prospects in 2011

In 2011, the recovery of the global economy is expected to continue, and emerging economies are expected to have relatively strong growth. The Chinese economy is expected to maintain a stable and rapid development. China's regional economies, especially those of northeastern China and Liaoning coastal belt, are still in a major phase of strategic opportunities. The Group aims to capture the historic opportunities in the structural adjustments of economic demand, industrial arrangement, port function and coastal resources in order to achieve rapid development.

In 2011, the Group will continue to focus on the enhancement of both external marketing and internal management and combining speed of development and quality of operations to achieve stable improvement of the Group's operating performance.

In respect of Oil Segment, the Group will take advantage of its two deep-water berths and scaled storage tanks to adjust storage tariff appropriately, and expand the market of bonded crude oil trans-shipment distribution and refined oil storage, bonded service and trans-shipment distribution. At the same time, the Group will arrange LNG terminal operation. In respect of the Container Segment, the standard tariff will be raised by 10% in 2011. The Group will maintain its market share for foreign trade, expand its shipping network and maintain its leading advantage. The Group will also integrate its advanced internal and external resources to improve its competitiveness in the container business for domestic trade. In respect of the Automobile Terminal Segment, the Group will continue seeking to develop cargo traffic between south China and north China in order to promote further cooperation with large-sized automobile enterprises and build an integrated automobile logistics system. In the Ore Segment, while stabilizing the Group's current business, it will take full advantage of its deep-water location to expand its ore trans-shipment business and make the Group a distribution centre in Bohai Rim. In addition, the Group will expand its value-added services business of ore mixing and bonded storage. In respect of the General Cargo Segment, the Group will take full advantage of its various port locations to build a transportation base for competitive cargos as steel, coal and large-sized equipment for foreign trade and gradually become specialized in the general cargo business. In respect of the Bulk Grain Segment, the Group will rely on the advantage of its bulk grain carriages and newly-constructed storage tanks to enhance cooperation with grain traders and shipping companies to increase the Group's competitiveness. In respect of the Passenger and Ro-Ro Segment, the Group will continue to enhance its marketing development and integrate its resources within the area to increase its bargaining power. In respect of value-added and ancillary port operations, by providing customers with highly efficient and excellent services, the Group will satisfy the newly-added demand for services from the development of the port industries.

In light of the changes of business structure and increased difficulty in company management after the A Share IPO, the Group made adjustment to the corporate structure and management team so as to ensure a smooth transition of business and management in the beginning of 2011.

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

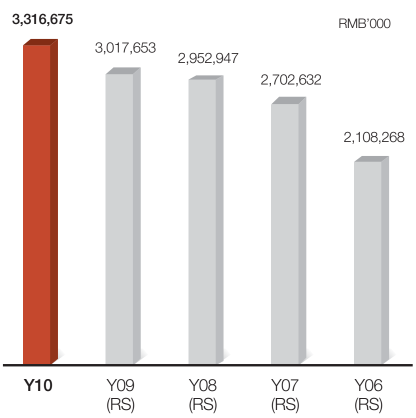
Dalian Port (PDA) Company Limited
Chairman
Sun Hong

13 April 2011

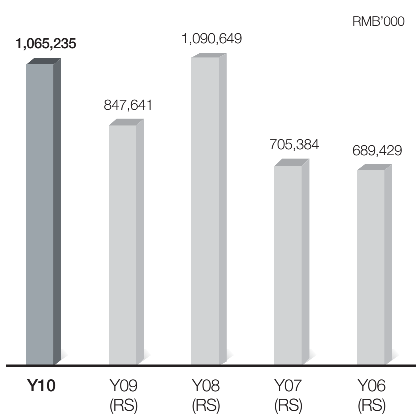
Financial Highlights

	2010 RMB'000	2009 (Restated) RMB'000	Change (%)
Income Statement			
Revenue	**3,316,675**	3,017,653	9.91%
Gross profit	**1,322,521**	1,124,237	17.64%
Operating profit	**1,065,235**	847,641	25.67%
Profit attributable to equity holders	**834,233**	753,329	10.74%
Earnings per share – basic (RMB cents)	**22.38**	20.56	8.85%
Balance Sheet			
Cash and bank balances	**3,257,585**	1,260,270	158.48%
Net current assets	**-368,317**	1,030,831	-135.73%
Total assets	**22,387,703**	16,837,393	32.96%
Borrowings	**6,144,634**	4,981,047	23.36%
Gearing ratio	**23.93%**	39.83%	-15.91%
Net assets value per share(RMB)	**2.69**	2.51	7.10%
Return on equity	**7.91%**	9.54%	-17.14%
Cash Flow Statement			
Net cash generated from operating activities	**1,441,852**	1,062,175	35.75%
Net cash (used in) /generated from investing activities	**-2,443,150**	-1,227,086	99.10%
Net cash generated from /(used in)financing activities	**2,999,767**	512,860	484.91%
Net increase in cash and cash equivalents	**1,997,315**	348,219	473.58%

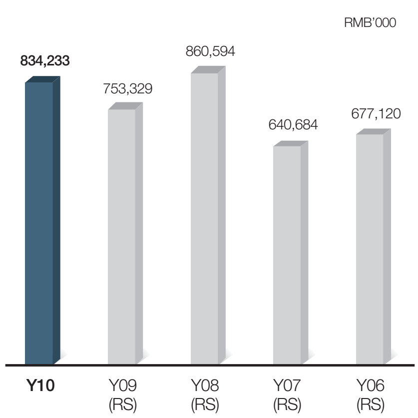
Revenue



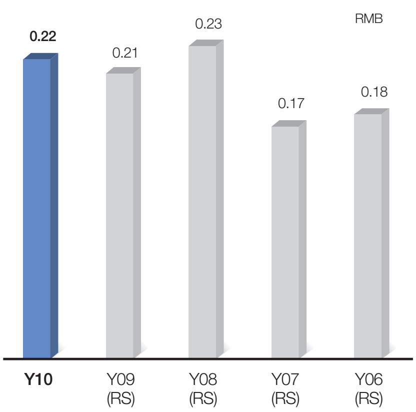
Operating profit



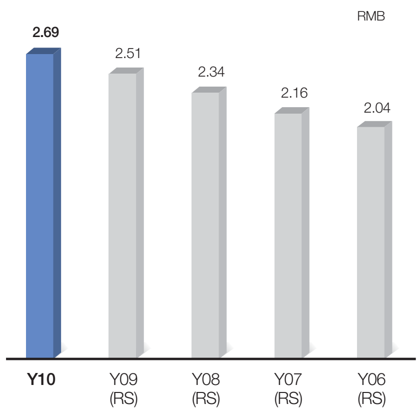
Profit attributable to equity holders



Earnings per share



Net assets value per share



Management Discussion and Analysis

Management Discussion and Analysis

Summary

2010 was the most complicated year for the global economy since the global financial crisis of 2008. During 2010, the major global economies gradually stepped into recovery mode; the Chinese economy maintained its sound growth trend and the transformation of Chinese economic development continued as well. In 2010, China's GDP increased by 10.3%, and its foreign trade value increased by 34.7% as compared with 2009.

Benefiting from the fast recovery of the macro economy, the cargo volume increased rapidly. Since the 2009 volume was relatively low and the throughput of China's ports continued to grow after the recovery in 2009, cargo volume achieved double digit growth; performance of ports in China was better than expected and operating results improved accordingly.

Total cargo throughput at the major ports of China achieved 8.02 billion tonnes in 2010, an increase of 15.9% over 2009, versus an increase of 8.2% last year. Included in that total, the coastal ports' cargo volume amounted to 5.45 billion tonnes, an increase of 15.2% over 2009, and inland river ports' cargo volume amounted to 2.57 billion tonnes, an increase of 17.8% over the same period last year. During the same period, the container throughput amounted to 145 million TEUs, an increase of 18.8% over 2009. In 2010, both the container volume and growth rate achieved better results than prior to the global financial crisis. The coastal ports handled a total of 130.65 million TEUs, an increase of 18.7% over 2009, and the inland river ports handled a total of 14.35 million TEUs, an increase of 19.5% over 2009.

The Group's principal business is categorized into eight segments, namely: provision of oil/liquefied chemicals terminal and related logistics services ("Oil Segment"), provision of container terminal and related logistics services ("Container Segment"), provision of automobile terminal and related logistics services ("Automobile Terminal Segment"), provision of ore terminal and related logistics services ("Ore Segment"), provision of general cargo terminal and related logistics services ("General Cargo Segment"), provision of bulk grain terminal and related logistics services ("Bulk Grain Segment"), provision of passenger and roll-on, roll-off terminal and related logistics services ("Passenger and Ro-Ro Segment"), and provision of port value-added services and ancillary port operations ("Value-added Services Segment").

In 2010, the macro economy and industries relevant to the Group's principal business were as follows:

Oil Segment: Domestic demand for crude oil steadily increased. In 2010, China imported a total of 238 million tonnes of crude oil, an increase of 16.7% over 2009, which was higher than the growth rate of 13.9% in 2009.

Container Segment: Driven by economic recovery, the foreign trade value in the Three Northeastern Provinces increased by 37.4% in 2010, being 2.7% higher than China's average growth rate. The foreign trade value in the Three Northeastern Provinces accounted for 4.4% of China's foreign trade, which was 0.1% higher than 2009. Such growth in the Group's hinterland provided strong support for the growth of the Group's container business.

Automobile Terminal Segment: According to the data of the China Association of Automobile Manufacturers, China manufactured 18,264,700 vehicles and sold 18,061,900 vehicles in 2010, each an increase of 32.4% over the last year, resulting from growth in domestic purchases of automobiles and recovery of automobile exports from China. The sales achieved by large-sized automobile manufacturers increased and the operational results of the automobile industry also improved strongly.

Ore Segment: Since the pricing system of iron ore changed to index pricing in 2010, the price for imported iron ore has continued to increase. China imported 618.63 million tonnes of iron ore in 2010, a decrease of 1.4% over 2009. This was the first decrease in China's annual imports of iron ore over the past 12 years.

General Cargo Segment: China produced 630 million tonnes of crude steel in 2010, an increase of 9.3% over 2009, being 4.2% lower than 2009. Impacted by the macro economic policies, domestic demand for steel declined following an increase that occurred earlier in 2010. Due to the rapid recovery of China's economy, overall demand for

Management Discussion and Analysis

electricity and other energy increased significantly. As a result, demand for coal in China continued to maintain an increased growth rate in 2010.

Bulk Grain Segment: Market demand for grains in China continued to grow during recovery in 2010. In terms of trans-shipment of grain for domestic trade, the volume of the grains transported from the north to the south of China continued to grow; however, the growth slowed down following the rapid growth that occurred earlier in 2010. Due to the imbalance of grain varieties in China, local demand for imported soy bean and barley resulted in steady growth in imported grain volume, and this growth is expected to continue in the long-term.

Passenger and Ro-Ro Segment: Due to the recovery of the economy, trade in goods and materials between northeastern China and north China became more frequent, especially trade in small and medium-sized enterprises, and this accelerated the growth of our roll-on roll-off terminal business along the Bohai Rim.

The above data indicate that the overall macro economy of the Group's hinterland achieved sound growth in 2010 and foreign trade in its hinterland recovered significantly. The Group's principal businesses achieved steady growth, among which the throughput in the Automobile Terminal Segment recorded significant growth, the throughput in the Container Segment made a recovery, and the throughput in the General Cargo Segment, Oil Segment and Passenger and Ro-Ro Segment recorded growth as well. In the Oil Segment, the Group handled a total of approximately 43.549 million tonnes, an increase of 9.4% over 2009, of which approximately 25.499 million tonnes was imported crude oil, an increase of 13.3% over 2009. In the Container Segment, the Group handled approximately 6.337 million TEUs, an increase of 15.5% over 2009, of which approximately 5.242 million TEUs were handled by the Group at Dalian port, an increase of 18.7% over 2009. In the Automobile Terminal Segment, the Group handled 121,011 vehicles, an increase of 141% over 2009. In the Ore Segment, the Group handled approximately 28.239 million tonnes, an increase of 1.8% over 2009. In the General Cargo Segment, the Group handled approximately 27.54 million tonnes of cargo, an increase of 19.5% over 2009. In the Bulk Grain Segment, the Group handled approximately 6.42 million tonnes of bulk grain, a decrease of 9.5% over 2009. In the Passenger and Ro-Ro Segment, the Group transported approximately 3.037 million passengers, a decrease of 13.8% from the 2009 total and approximately 512,000 vehicles, an increase of 11.5% over 2009.

In 2010, The Company's profit attributable to shareholders amounted to RMB834,233,000, representing an increase of 10.7% as compared with RMB753,329,000 in 2009. This increase was mainly driven by growth in operating profit, gains in disposal of assets and improved performance of the Company's associates and jointly controlled entities in the current period.

The business performance of the Group described in this report, such as throughput data, is an aggregate of all operating entities in which the Group had an equity interest, irrespective of the percentage of equity interest held by the members of the Group.

Part of the Group's current businesses, including the Ore Segment, the General Cargo Segment, the Bulk Grain Segment and the Passenger and Ro-Ro Segment, were acquired in November 2010 from the Company's controlling shareholder, Dalian Port Corporation Limited, by issuing A Shares as the consideration during the Company's initial public offering of A Shares in China. The transaction was completed on 30 November 2010. However, the performance of such businesses in 2010 reported here represents the full year data of 2010.

Overall analysis of results

In 2010, the Company's profit attributable to shareholders amounted to RMB834,233,000, representing an increase of 10.7% as compared with RMB753,329,000 in 2009. This increase was mainly driven by the growth in operating profit, gains on disposal of assets and improved performance of the Company's associates and jointly controlled entities in the current period.

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In 2010, the Company's basic earnings per share were RMB22.38 cents, representing an increase of 8.85% from RMB20.56 cents in 2009. The calculation of the basic earnings per share is based on the weighted average number of ordinary shares in issue during the year. If the calculation of the basic earnings per share is based on 4,426 million issued shares at the end of 2010, the Company's basic earnings per share were RMB18.85 cents, representing an increase of 10.7% over 2009.

In 2010, the Company's revenue amounted to RMB3,316,675,000, representing an increase of 9.9% from RMB3,017,653,000 in 2009. The revenue increase was mainly driven by the growth of the tugging business and electricity sales caused by the economic recovery and our market development efforts, and increased income from our Bulk Grain and General Cargo Segments caused by throughput growth and increases in handling charges.

In 2010, the Company's cost of sales and services amounted to RMB1,994,154,000, an increase of 5.3% as compared with RMB1,893,416,000 in 2009. The increase in cost of sales and services in the current year was mainly due to an increase in depreciation of new assets, as well as increases in fuel, utilities and staff costs caused by the growth of our business.

In 2010, the Company's gross profit was RMB1,322,521,000, an increase of 17.6% from RMB1,124,237,000 in 2009. The gross margin reached 39.9% which was 2.6% higher than that in 2009. The improvement was mainly due to increases in the gross margin of our Bulk Grain and General Cargo Segments, and the high-margin business of sales of land use rights, and a decrease in our low-margin oil sales business.

In 2010, the Company's other income was RMB117,156,000, and in 2009 it was RMB66,973,000. The increase was mainly due to an increase in income from disposal of assets.

In 2010, the Company's finance costs amounted to RMB85,292,000, representing an increase of 14.9% from RMB74,221,000 in 2009. The increase was mainly due to an increase in finance costs caused by new bank loans.

In 2010, the Company's income tax expense amounted to RMB236,580,000, an increase of 87.2% from RMB126,388,000 in 2009. The increase was mainly due to increased operating profit. In addition, the increase in income tax in 2010 was due to the deduction of a net loss on relocation of oil terminal assets before tax, and an income tax refund of the Container Segment in 2009.

Assets and liabilities

As of 31 December 2010, the Company's total assets and net assets reached RMB22,387,703,000 and RMB12,066,980,000, respectively, and its net asset value per share was RMB2.69, representing an increase of 7.1% from 31 December 2009. The increase was mainly caused by the successful issue of A Shares and growth of our business.

As of 31 December 2010, the Company's total liabilities amounted to RMB10,320,723,000, of which total outstanding bank and other borrowings accounted for RMB6,144,634,000.

Financial resources and liquidity

In 2010, the Company's net cash flows generated from operating and financing activities amounted to RMB1,441,852,000 and RMB2,999,767,000, respectively. With stable cash inflows from its operating activities and the proceeds from the public offering of A Shares, the Company has maintained a sound financial position and capital structure and will apply these cash inflows to fund the Company's capital expenditure and other investments.

As of 31 December 2010, the Company had a balance of cash and cash equivalents of RMB3,257,585,000, which represented an increase of RMB1,997,315,000 as compared with 31 December 2009. Such increase was mainly due to the surplus of cash inflows from operating and financing activities.

In 2010, the Company obtained an aggregate of RMB1,691,888,000 in new bank loans and repaid an aggregate of RMB939,600,000 in bank loans. As of 31 December 2010, the Company's bank and other borrowings amounted to RMB6,144,634,000 of which RMB4,874,634,000 was due after one year

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and RMB1,270,000,000 was due within one year. The Company's net gearing ratio was 23.9% as at 31 December 2010 (39.8% as at 31 December 2009).

As of 31 December 2010, the Company's unutilised banking facilities amounted to RMB6,880,000,000.

As of 31 December 2010, the Company had net current liabilities of RMB368,317,000, representing a decrease of RMB1,399,148,000 as compared with the balance of net current assets as at 31 December 2009. The Company's current ratio was 0.9 as at 31 December 2010 (1.9 as at 31 December 2009).

During 2010, the Company 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

Use of proceeds (A Shares)

Net proceeds of the public offering of 762 million A Shares in 2010 ("IPO of A Shares") obtained by the Company amounted to approximately RMB2,772,092,000. As at 31 December 2010, the Company had utilized approximately RMB1,193,150,000 of the net proceeds and the balance of the net proceeds was RMB1,578,942,000.

There has been no material change in the proposed use of proceeds from the IPO of A Shares as stated in the Company's prospectus dated 3 December 2010 except for changes announced by the Company on 30 December 2010. As at 31 December 2010, the details of the use of proceeds were as follows:

Projects	Proceeds from IPO of A Shares	Use of proceeds as of 31 December 2010	Balance
Construction of oil storage tanks with a total capacity of 1,000,000 m^3 in Xingang	760,000,000.00	217,128,000.00	542,872,000.00
Construction of oil storage tanks with a total capacity of 600,000 m^3 in the Xingang resort area	550,000,000.00	218,324,000.00	331,676,000.00
Construction of phase II of the Shatuozi oil storage tanks project in the Xingang Shatuozi area	29,600,000.00	29,600,000.00	–
LNG project	320,000,000.00	320,000,000.00	–
No. 4 stacking yard for ore terminal	520,000,000.00	71,500,000.00	448,500,000.00
Purchase of gantry for ore terminal	37,200,000.00	37,200,000.00	–
Purchase of 300 bulk grain carriages	150,000,000.00	128,750,000.00	21,250,000.00
Ro-ro ships for carrying cars	230,000,000.00	139,200,000.00	90,800,000.00
Construction of railway siding in Muling	41,250,000.00	–	41,250,000.00
Construction of information systems	50,000,000.00	1,403,000.00	48,597,000.00
Increase in the registered capital of Dalian International Container Terminal Co., Ltd.	84,041,500.00	30,041,500.00	54,000,000.00
Total	2,772,092,000.00	1,193,150,000.00	1,578,942,000.00

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Use of proceeds (H Shares)

Net proceeds of the public offering of 966 million H Shares obtained by the Company in 2006 amounted to approximately RMB2,385,343,000. As at 31 December 2009, the Company had utilized approximately RMB2,324,853,000 of the net proceeds and the balance of the net proceeds was RMB60,490,000.

There has been no material change in the proposed use of proceeds from the IPO of H Shares as stated in the Company's prospectus dated 18 April 2006. As at 31 December 2010, the details of the use of proceeds were as follows:

Projects	Proceeds from IPO of H Shares	Use of proceeds as of 31 December 2010	Balance
Construction of four new container berths at Dayaowan	400,000,000	400,000,000.00	0
Construction of twelve crude oil storage tanks in Xingang	680,000,000	619,510,000.00	60,490,000
Purchase of eight tugboats	270,000,000	257,000,000.00	0
Repayment of a long-term bank loan	850,000,000	850,000,000.00	0
General working capital	185,343,000	198,343,000.00	0
Total	2,385,343,000	2,324,853,000.00	60,490,000

RMB13,000,000 previously designated to fund the purchase of 8 tugboats was re-allocated as working capital and the remaining RMB60,490,000 designated for the construction of 12 crude oil storage tanks will be used for future construction projects.

Capital expenditure

In 2010, the Company's capital expenditure amounted to RMB1,946,174,000 which was mainly funded by the surplus cash generated from operating activities, the proceeds from the issuance of medium-term notes and the proceeds from the initial public offering of A Shares.

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

Oil Segment

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

	For the year ended 31 December 2010 ('000 tonnes)	For the year ended 31 December 2009 ('000 tonnes)	Increase/ (Decrease)
Crude oil	**30,166**	28,301	6.6%
– Foreign trade imported crude oil	***25,499***	*22,508*	*13.3%*
Refined oil	**12,227**	10,393	17.6%
Liquefied chemicals	**938**	887	5.7%
Others	**218**	219	(0.5%)
Total	**43,549**	39,800	9.4%

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In 2010, in terms of oil/liquefied chemicals throughput, the Group handled a total of approximately 43.549 million tonnes, an increase of 9.4% from 2009.

In 2010, the Group's crude oil throughput increased by 6.6% over 2009, to approximately 30.166 million tonnes, of which imported crude oil throughput increased by 13.3%, to approximately 25.499 million tonnes. The Group's crude oil business achieved sound growth due to the increase in production volume of refineries in the Group's hinterland which stimulated an increase in imported crude oil, as a result, the crude oil volume handled at the Group's oil terminal increased. On the other hand, the Group had rationalized overall arrangement of the storage tanks by implementing various measures, such as re-renting storage tanks and relocating partially loaded vessels from berths with larger berthing capacity to berths with smaller berthing capacity to increase crude oil trans-shipment traffic and cargo volume.

In 2010, the Group's refined oil throughput amounted to approximately 12.227 million tonnes, an increase of 17.6% over 2009. The steady recovery of China's economy drove consumption growth in refined oil. At the same time, the Group actively co-ordinated with relevant parties, such as oil trading companies, railway companies and shipping companies so as to increase trans-shipment traffic of refined oil at the Group's oil terminal. On the other hand, our newly constructed refined oil commercial storage tanks have the effect of adjusting supply and demand and balancing the market, which assists in the transportation of large vessels by containing transportation costs, and this contributed to the increase in the refined oil throughput of the Group.

In 2010, the Group's liquefied chemicals throughput amounted to approximately 938,000 tonnes, an increase of 5.7% over the 2009 total.

In 2010, the total imported crude oil volume handled by the Group accounted for 100% (99.8% in 2009) of the total amount of crude oil imported into Dalian and 75.5% (89% in 2009) of the total amount of crude oil imported into the Three Northeastern Provinces. The total oil/liquefied chemicals throughput amounted to 69.7% (69.2% in 2009) of the total oil/liquefied chemicals throughput of Dalian and 46.4% (51.2% in 2009) of the total oil/liquefied chemicals throughput of the Three Northeastern Provinces. The decrease in our market share of imported crude oil throughput in the Three Northeastern Provinces was mainly due to improvement in the crude oil handling and storage facilities and services in other ports in Liaoning province and commencement of operation of some refineries around those ports.

In 2010, the revenue from oil/liquefied chemicals terminal and logistics services amounted to RMB886,584,000, representing a decrease of RMB7,493,000 or 0.8% as compared with the total revenue in 2009. Such decrease was mainly due to a decrease in the oil trading business. Despite such decrease, the revenue from handling services increased RMB37,600,000 or 6.6% as compared with the total revenue in 2009. Such increase was mainly driven by the growth of oil throughput.

In 2010, the revenue from oil/liquefied chemicals terminal and logistics services accounted for 26.7% (29.6% in 2009) of the Company's total revenue.

In 2010, the gross profit from oil/liquefied chemicals terminal and logistics services amounted to RMB499,586,000, representing an increase of 5.4% as compared with RMB474,214,000 in 2009. This profit accounted for 37.8% (42.2% in 2009) of the Company's total gross profit, and represented a gross margin of 56.3% (53.0% in 2009). Such increase in gross margin was mainly caused by the decrease in the low-margin oil trading business.

In 2010, the major initiatives taken, and the progress of major projects in relation to the Group's Oil Segment were as follows:

- The Group utilized the storage tanks resources in a more balanced way and actively solicited trans-shipment cargos. The Group rationalized the overall arrangement of its storage tank resources by implementing various measures, such as re-renting storage tanks and relocating partially loaded vessels from berths with larger berthing capacity to berths with smaller berthing capacity to increase crude oil trans-shipment traffic and volume.

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- The Group took advantage of the commercial storage tanks to increase its trans-shipment volume of refined oil. PetroChina Company Limited's refined oil storage tanks (with a total capacity of 240,000 cubic meters) were put into operation at the beginning of 2010. Since then, refined oil storage capacity was increased significantly, which reduced waiting time caused by the shortage of storage tanks. At the same time, the Group took full advantage of the capacity of commercial storage tanks and enhanced communication with its customers, explored services to vessels which called on the Group's terminal for partial cargo unloading and storage services for refined oil transported via pipelines. The Group's trans-shipment business was expanded and the services were improved.

- The commencement of operation of the Group's No. 7 storage tanks added more storage capacity for trans-shipment business. The No. 7 storage tanks (with a total capacity of 600,000 cubic meters) were ready for operation at the end of 2010 and were gradually put into operation in January 2011, which added more storage capacity for the trans-shipment business.

- An explosion and subsequent fires occurred at one of the crude oil pipelines of Dalian PetroChina International Warehousing and Transportation Co., Ltd. ("Dalian PetroChina Warehousing") in the Xingang area on 16 July 2010 ("7.16 Explosion Accident"). The 7.16 Explosion Accident temporarily affected the operation of the Group's oil terminal and trans-shipment business. While proactively assisting relevant parties in dealing with the emergency and participating in cleaning the oil spill, the Group made extraordinary efforts in resuming its operations. Operations at the Group's terminals, which were stopped due to the accident, gradually resumed as usual from 20 July 2010 to 28 July 2010. In terms of operations on land, the transportation via pipeline from Taoyuan storage area to PatroChina Dalian Branch and from national storage tanks to PetroChina Dalian Branch and WEPEC resumed. In addition, the Group added temporary pipelines to resume operations of storage tanks in Nanhai Phase II area (with a total capacity of 600,000 cubic meters). All the above measures ensured the Group's customers' needs in loading and unloading, storage and trans-shipment services were met.

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Container Segment

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

		For the year ended 31 December 2010 ('000 TEUs)	For the year ended 31 December 2009 ('000 TEUs)	Increase/ (Decrease)
Foreign trade	Dalian	**4,088**	3,593	13.8%
	Other ports (note 1)	**134**	99	35.4%
	Sub-total	**4,222**	3,692	14.4%
Domestic trade	Dalian	**1,154**	823	40.2%
	Other ports (note 1)	**961**	970	(0.9%)
	Sub-total	**2,115**	1,793	18.0%
Total	Dalian	**5,242**	4,416	18.7%
	Other ports (note 1)	**1,095**	1,069	2.4%
	Total	**6,337**	5,485	15.5%

Note 1: Throughput at other ports refers to an aggregate of the throughput of 錦州新時代集裝箱碼頭有限公司 (Jinzhou New Age Container Terminal Co., Ltd.), which is owned as to 15% by the Group and 秦皇島港新港灣集裝箱碼頭有限公司 (Qinhuangdao Port New Harbour Container Terminal Co., Ltd.), which is owned as to 15% by the Group.

In 2010, in terms of container throughput, the Group handled a total of approximately 6.337 million TEUs, an increase of 15.5% over 2009. In Dalian, the Group handled approximately 5.242 million TEUs, an increase of 18.7% over 2009, of which container throughput for foreign trade increased by 13.8% and container throughput for domestic trade increased by 40.2%. The growth in container business for foreign trade was mainly due to the favourable situation of foreign trade and the Group's enhanced cargo solicitation in its hinterland for foreign trade and trans-shipment businesses. Benefiting from the rapid growth in domestic trade, the Group continued to develop the domestic market so as to maintain fast growth in the container business for domestic trade.

The container volume of sea-to-rail intermodal transportation handled by the Group reached approximately 291,000 TEUs, an increase of 15.0% over the 2009 total. The volume of trans-shipment containers handled by the Group was 613,000 TEUs, an increase of 26.0% over the 2009 total.

In 2010, the Group's container terminal business represented 99.7% (96% in 2009) of the total market in Dalian and 62% (65% in 2009) of the market in the Three Northeastern Provinces. The Group's container throughput for foreign trade accounted for 100% (100% in 2009) of the total volume in Dalian and 96.7% (97% in 2009) of the total in the Three Northeastern Provinces.

In 2010, the revenue from container terminal and logistics services amounted to RMB467,195,000 which represented an increase of RMB83,092,000 or 21.6% as compared with the revenue in 2009. Such increase was mainly caused by the increase of income from land

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use rights transfer, and the increase of container-related logistics services driven by foreign trade's recovery and by the Group's market development efforts.

In 2010, the revenue from container terminal and logistics services accounted for 14.1% (12.7% in 2009) of the Company's total revenue.

In 2010, the gross profit from container terminal and logistics services amounted to RMB173,963,000 which increased by 89.4% as compared with RMB91,862,000 in 2009, accounting for 13.2% (8.2% in 2009) of the Company's total gross profit, and representing a gross margin of 37.2% (23.9% in 2009). Such increase in gross margin was mainly caused by the increase in the high-margin business of the transfer of land use rights.

In 2010, the major measures taken and the progress of major projects related to the Group's Container Segment were as follows:

- In terms of container business for foreign trade, the Group actively captured the opportunities that were appearing in the shipping cargo market for foreign trade and enhanced market development, which led major shipping companies to increase investment in existing ocean shipping routes and develop new shipping routes to achieve volume growth. As a result, the Group effectively prevented ocean cargo from being trans-shipped at terminals other than the Group's ports, strengthened its position as a transportation hub, and consolidated its position as a leading container terminal operator for foreign trade in the Three Northeastern Provinces.

- In terms of container business for domestic trade, the Group continued to develop its business by implementing market-oriented strategies and promoting construction of key projects, and achieve sound growth. In 2010, the Group's container throughput for domestic trade continued to increase rapidly, a significant contribution to the Group's overall container throughput. The Group actively solicited cargos in its hinterland and attracted shipping companies to introduce two additional new truck routes for domestic trade so as to improve the shipping routes' destinations and capacity. The Group also continued to promote the construction of logistics systems for domestic trade. The bulk cargo containerization projects were promoted in both inland areas and ports at the same time. The Group expanded its competitive services into its hinterland and provided its customers with the most convenient services.

- The Group continued to promote the construction of extended service systems, with a focus on trans-shipment and sea-to-rail transportation services. In terms of trans-shipment via the sea, the Group enhanced co-operation with shipping companies and personalised its services to ensure a stable channel for the trans-shipment business via the sea. The Group promoted the concept of personalised professional services and continued to develop the international trans-shipment business so that it maintained steady operation of the international trans-shipment routes linked to the Mediterranean Sea. The Group continually enhanced its investment in shipping capacity for feeder services in Bohai Rim, and paid attention to improving its customer service and its capacity in feeder routes. The Group's feeder routes network was further improved and the trans-shipment business for domestic trade achieved rapid growth. In terms of sea-to-rail transportation, the Group accurately captured market demand, improved function and services of inland depot projects, continued to improve its rail routes service, actively developed new rail service routes, promoted the balanced development of two-way rail routes, and better controlled the cargo market in the hinterland through excellent rail route service and operational capability. On 18 July 2010, the Dalian Railway Container Logistics Centre was put into trial operation, which highly improved the capability of cargo solicitation for container sea-to-rail business in Dalian and the Group's service quality.

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- The Group paid great attention to optimization of the port environment to ensure a conducive environment for the Group's business development. The Group co-ordinated with Dalian's Customs officials to complete a new logistics monitoring system and IT system switch so as to improve the efficiency of customs clearance. The Group aimed at improving its customers' benefits, actively coordinating with Liaoning Entry-Exit Inspection and Quarantine Bureau, expanding the scope of vessels' power inspection services and reducing vessels' calling time at the port. The Group's successful service of the largest container vessel in the world (with a total capacity of 14,038 TEUs) demonstrated its ability to handle ultra-arge container vessels.

- The Group continued to proceed with the construction of new container berths and related logistics depots in Dayao Bay Phase II and Phase III. In 2010, the aforesaid construction of berths progress steadily and the specialized yards and stations for dangerous cargo were also under construction. Following completion of the construction of container-related specialized berths and ancillary facilities in the Dayao Bay area, the container handling capacity in the Dayao Bay area and the Group's service level will be significantly upgraded, better serving the development of the Group's container business.

- The Group continued to proceed with the construction of inland container logistics systems in northeastern China. The Dalian Railway Container Logistics Centre commenced operation in July 2010. The Muling Logistics Centre is under construction. The construction of the Harbin Railway Container Logistics Centre and Dehui Logistics Station also made progress. Following the commencement of construction or operation of the container centres, inland dry ports and specialised depots in the Group's hinterland in northeastern China, the Group improved the efficiency of its container intermodal transportation network so that it is able to provide more convenient services for its hinterland customers and maintain its customers and its cargo volume.

Automobile Terminal Segment

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

		For the year ended 31 December 2010	For the year ended 31 December 2009	Increase/ (Decrease)
Vehicles (units)	Foreign trade	**33,029**	13,446	145.6%
	Domestic trade	**87,982**	36,802	139.1%
	Total	**121,011**	50,248	140.8%
Equipments (tonnes)		**22,511**	26,822	(16.1%)

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In 2010, the Group handled a total of 121,011 vehicles at its automobile terminal, a significant increase of 141% over 2009.

In terms of automobile business for foreign trade, due to the impact of the great increase of imported automobiles in China, the Group's volume of foreign trade imports achieved a significant increase of 97% over 2009. The Group's volume of exports showed a large increase of 173% over 2009 due to its continuing business expansion. The Group formed two stable exporting shipping routes with Hafei's exported cargos as a base to further enhance Dalian's position as an exporting base port.

In terms of automobile business for domestic trade, this benefited from the rapid growth of automobile production and sales in China and the Group's active market development and frequency on both of the Group's current two shipping routes increased compared with 2009. The volume handled by the Group from east China and south China to north China increased by 68% over 2009 and the volume handled by the Group from its hinterland to south China increased rapidly by 414% over 2009. Relying on the above two shipping routes, Dalian is positioning itself as a hub port for domestic trade in north China, and has achieved its preliminary goals.

The decrease in equipment throughput handled by the Group was mainly due to the decrease in cargo volume in the hinterland.

In 2010, the vehicles handled by the Group accounted for 88.7% (92% in 2009) of the total volume in northeastern China.

During 2010, the Company's share of the profits in its automobile terminal and logistics services amounted to RMB2,562,000, representing an increase of RMB9,997,000 over a loss of RMB7,435,000 in 2009. The improvement of this segment is mainly due to the fast growth of both vehicle production and sales and the effects of market development.

In 2010, the major measures taken and the progress of major projects related to the Group's Automobile Terminal Segment were as follows:

- The Group promoted an increase in frequency on Guangzhou Hongda's shipping route to two times per week and Shanghai Automobile's shipping route to three times per week. The increase in shipping frequency brought more cargos from south China and, at the same time, also built a foundation for shipping large-scale cargos in the Group's hinterland. In 2010, the transportation between south China and north China was stable and the trans-shipped volume handled by the Group reached a total of 88,000 vehicles.

- In terms of automobile business for foreign trade, the Group handled over 1,000 agricultural machines imported to its hinterland. The large-sized agricultural machines needed longer periods for storage, which generated high-margin revenues for the Group; the Group actively expanded into other kinds of exporting businesses in its hinterland, and as a result, the Group handled about 2,000 exported vehicles in addition to the operation of Hafei's shipping route two times per month.

- The Group has made great progress in terms of co-operation with major customers. In December 2010, the Company entered into an agreement with Chery Automobile Corporation Limited and Beijing Changjiu Logistics Co., Ltd. to establish a joint venture company with an aim to provide Chery with complete logistics services of vehicles and components in the initial stage and gradually develop into a leading public logistics service provider in China.

- The Group entered into a cooperation agreement with Anji Automotive Logistics Co., Ltd., controlled by SAIC Group, to carry out co-operation in the field of automobile logistics, taking advantage of the opportunity provided by the expected launch of the Company's first 2,300-car Ro-Ro vessel in the near future.

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- The Group's railway siding at its automobile terminal passed inspection and was put into trial operation in the second half of 2010. In 2010, the Group operated four scheduled trains handling a total of 1,360 vehicles.

- The start of the operation of the Group's two newly ordered roll-on and roll-off vessels was postponed. The vessels will be put into operation at the end of April and the beginning of September 2011, respectively.

Ore Segment

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

	For the year ended 31 December 2010 ('000 tonnes)	For the year ended 31 December 2009 ('000 tonnes)	Increase/ (Decrease)
Ore	**28,239**	27,738	1.8%
Others	**168**	473	(64.5%)
Total	**28,407**	28,211	0.7%

In 2010, the Group's ore terminal handled approximately 28.239 million tonnes of ore, a slight increase of 1.8% over 2009, of which the imported volume for foreign trade was about 18.79 million tonnes, a decrease of 10.8% from the total of 2009.

Facing the situation of lack of cargo due to decrease in demand for imported ore from steel companies in northeastern China and the competition from the surrounding ports, on one hand, the Group leveraged its advantage of capably handling large-sized vessels with high efficiency and low wastage to capture cargo solicitation of steel companies in the Group's hinterland in northeastern China; on the other hand, the Group continued to enhance its trans-shipment cargo solicitation for cargo destined for the Hebei Province, Jinzhou and other places. As a result, the ore throughput recorded a slight increase.

In 2010, the Group's ore throughput accounted for 37.5% (41.3% in 2009) of the total throughput in northeastern China.

In 2010, the revenue from ore terminal and logistics services amounted to RMB304,994,000, which represented an increase of RMB1,345,000 or 0.4% over the 2009 total revenue.

In 2010, the revenue from ore terminal and logistics services accounted for 9.0% (10.1% in 2009) of the Company's total revenue.

In 2010, the gross profit from ore terminal and logistics services amounted to RMB110,192,000 which decreased by 6.5% from RMB117,849,000 in 2009, accounted for 8.3% (10.5% in 2009) of the Company's total gross profit, and represented a gross margin of 36.1% (38.8% in 2009). The gross margin decreased because the growth of the rate of cost was higher than that of the revenue.

In 2010, the major measures taken by the Group and the progress of major projects related to the Group's Ore Segment were as follows:

- The Group visited its customers frequently, provided personalised services and strengthened its relationship with major customers so that it achieved stable cargo volume. In addition, the Group enhanced its market development by leveraging its geographic location and nature deep-water ports. As a result, the Group handled a total of 31 voyages of ore carriers each with a 300,000-tonne capacity, an increase of 14 voyages over the 2009 total.

- The Group enhanced communication with railway companies to obtain more railcars to increase its transportation capacity. In 2010, the Group handled a total of nearly 200,000 trains, achieving various records in terms of monthly dispatching volume, daily dispatching volume and a single dispatching volume.

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- The Group continued to stabilize cargo supply in the hinterland in northeastern China. The Group paid great attention to the progress of Anling's projects in Chaoyang, monitoring import activities to successfully solicit cargo supply. In addition, the Group enhanced its cooperation with other ports in the hinterland to seek suitable trans-shipment vessels for its customers for sea transport. At the same time, the Group implemented market development strategies of "not only relying on northeastern China, but also markets outside northeastern China" to capture trans-shipment cargo solicitation from Hebei Province.

- The Group actively proceeded with the construction of the imported ore logistics centre and developed feasible cooperation plans.

General Cargo Segment

The following table sets out the throughput handled by the Group's general cargo terminal in 2010 and its comparative results in 2009:

	For the year ended 31 December 2010 ('000 tonnes)	For the year ended 31 December 2009 ('000 tonnes)	Increase/ (Decrease)
Steel	**8,392**	8,221	2.1%
Coal	**8,615**	8,052	7.0%
Timber	**575**	469	22.6%
Equipment	**1,021**	615	66.0%
Packed grain	**942**	1,318	(28.5%)
Others	**7,995**	4,363	83.2%
Total	**27,540**	23,038	19.5%

In 2010, the Group's general cargo terminal handled approximately 27.54 million tonnes, an increase of 19.5% over the 2009 total.

In 2010, the volume of steel handled by the Group was approximately 8.392 million tonnes, a slight increase of 2.1% over the 2009 total. Although a series of control measures implemented by China's government were not favourable to the steel industry, which caused a flat increase in volume of the steel companies in northeastern China compared with 2009, the Group leveraged its ice-free port advantages and established liner shipping routes and long-term cooperation with steel companies in the hinterland to ensure increases in steel volume.

In 2010, the volume of coal handled by the Group was approximately 8.615 million tonnes, an increase of 7% over the 2009 total. The main reasons for the increase were the stabilization in the consumption of two major customers, Huaneng Power Plant and Zhuanghe Power Plant, success of handling the coal diverted from the other ports, and a significant increase in consumption volume of some enterprises around Changxing Island.

In 2010, the volume of equipment handled by the Group was approximately 1.021 million tonnes, a significant increase of 66% over the 2009 total. It was mainly due to the continuous rapid growth of the equipment manufacturing industry in northeastern China and the enhancement of market development through cooperation with shipping companies.

In 2010, the volume of packed grain handled by the Group was approximately 942,000 tonnes, a decrease of 28.5% from the 2009 total. The decrease was mainly due to the growing trend of bulk grain, which resulted in a proportionate decrease for the packed grain.

In 2010, the steel throughput and coal throughput handled by the Group's ore terminal accounted for 21.8% (21.6% in 2009) and 12.9% (14.7% in 2009) of the total throughput in northeastern China, respectively.

In 2010, the revenue from general cargo terminal operation services amounted to RMB310,932,000 which represented a increase of RMB17,008,000 or 5.8% as compared with the revenue in 2009. Such increase was mainly due to the increase in throughout of all types of cargo and the increase in handling charges.

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In 2010, the revenue from general cargo terminal operation services accounted for 9.4% (9.7% in 2009) of the Company's total revenue.

In 2010, the gross profit from general cargo terminal operation services amounted to RMB18,351,000 which increased by 3.36 times as compared with RMB4,207,000 in 2009, accounted for 1.4% (0.4% in 2009) of the Company's total gross profits, and represented a gross margin of 5.9% (1.4% in 2009). Such increase in gross margin was mainly due to the increase in handling charges and throughput.

In 2010, the major measures taken by the Group and the progress of related major projects were as follows:

- In 2010, the Group enhanced cargo solicitation from the steel companies in the hinterland through visiting customers and improving transportation service quality. At the same time, the Group made an adjustment of tariffs for certain customers and as a result, achieved growth in both volume and revenue.

- The Group thoroughly analysed the relationships of its customers along with the logistics chains. Based on the analysis, the Group co-operated with steel companies in the hinterland to maintain sound relationships with its end customers by designing complete logistics systems to attract more customers to trans-ship their cargos via the Group's general cargo terminal.

- While maintaining stable operation of the general cargo shipping route between Dalian and Incheon, the Group explored a competitive steel shipping route between Dalian and Shanghai through discussions with steel companies in the hinterland in order to reduce trans-shipment times and tariffs and attract more customers. In addition, the Group, through co-operation with shipping companies, introduced a shipping route between Dalian and India for exporting equipment.

- Based on the overall arrangement, the Group relocated the coal cargo from its bulk grain terminal at Ganjingzi area to its general cargo terminal in the Dalian Bay area. In order to complete the relocation successfully and ensure the stabilization of the Group's cargo as a whole, the Group actively coordinated with various parties, provided yards exclusively for such customers, strictly implemented handling process standards and ensured smooth production processes to maintain customers.

- The Group took advantage of its capability of handling large-sized equipment to capture the opportunity in China of promoting exported equipment. The Group built its brand through its high-quality and high-efficiency services. The Group attracted a lot of customers to trans-ship via the Group's terminal. In addition, the Group successfully handled large-sized equipment with weight 1,536 tonnes and value of up to US$600 million for a single piece.

- The Group enhanced its cooperation with railway companies. As a result, the railway siding in the Changxing Island area was put into operation in December 2010, which had a significant positive effect on the growth of the Group's general cargo business in this area. At the same time, the Group entered cooperation contracts with railway companies at various port areas so as to bring more stable cargos to the Group.

- The Group entered or extended yard leasing contracts with many customers in the Changxing Island area to turn its land resources into new revenue growth points to ensure resource usage sustainability. The Group achieved revenue growth and extension of services at the same time through such diversified efforts.

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Bulk Grain Segment

The following table sets out the throughput handled by the Group's bulk grain terminal in 2010 and its comparative results in 2009:

	For the year ended 31 December 2010 ('000 tonnes)	For the year ended 31 December 2009 ('000 tonnes)	Increase/ (Decrease)
Corn	**3,480**	3,339	4.2%
Soy bean	**1,274**	664	91.9%
Barley	**343**	246	39.4%
Wheat	**169**	89	89.9%
Others	**1,154**	2,754	(58.1%)
Total	**6,420**	7,092	(9.5%)

In 2010, the throughput handled by the Group's bulk grain terminal was approximately 6.42 million tonnes, a decrease of 9.5% from the 2009 total.

In 2010, the Group's corn throughput increased by 4.2% over the 2009 total, to 3.48 million tonnes. The increase in the corn throughput was mainly due to the following reasons: on one hand, the Group used the opportunity of the Chinese government's corn allowance policies in the first half of 2010, benefited from its grain logistics system, coordinated actively with railway companies, shipping companies and other relevant parties, and improved the efficiency of its logistics resources usage and cargo turnovers; on the other hand, the Group implemented proactive market development policies, closely co-operated with corn suppliers and purchasers, and provided high-quality logistics services and value-added services.

In 2010, the Group's soy bean throughput was approximately 1.274 million tonnes, a significant increase of 91.9% over the 2009 total, and the imported grain throughput for foreign trade comprised approximately 1.186 million tonnes, an increase of 86.2% over the 2009 total. Such growth was mainly due to the following reasons: on one hand, leveraging the Group's improved grain storage capacity, enhancing cooperation with soy bean exporters and processing enterprises to expand the soy bean trans-shipment business; on the other hand, due to the gradual recovery of the domestic economy, the production capacity of the edible oil industry continually expanded and the market demand for soy beans increased significantly.

In 2010, the Group's barley throughput was approximately 343,000 tonnes, an increase of 39.4% over the 2009 total, of which imported barley throughput for foreign trade was approximately 339,000 tonnes, an increase of 46.8% over the 2009 total. Driven by the favourable situation of the domestic economy, the demand for beer increased in China, which drove a steady increase in imports of barley. At the same time, the Group coordinated with customs authorities, inspection organizations, railway companies and other relevant parties to ensure a smooth and efficient process of barley trans-shipment. As a result, the Group achieved a 100% market share for imported barley in Dalian.

In 2010, the Group's wheat throughput was approximately 169,000 tonnes, an increase of 89.9% over the 2009 total. This significant growth was mainly due to wheat exchange, relocation and auction activities of the national wheat reserve base in Dalian.

In 2010, the Group's other cargo throughput was approximately 1.154 million tonnes, a decrease of 58.1% from the 2009 total. Such decrease was mainly due to the Group's depot at the Ganjingzi area ceasing operations, as the result of the local government zoning requirements and the Group's resulting adjustment of its production locations. Cargos originally handed at the Ganjingzi area were relocated to the Group's other terminals.

In 2010, the throughput handled by the Group's bulk grain terminal accounted for 16.7% (17.2% in 2009) of the total throughput in northeastern China.

In 2010, the revenue from bulk grain terminal operation services amounted to RMB267,638,000 which represented an increase of RMB72,011,000 or 36.8% as compared with the revenue in 2009. Such increase was mainly due to handling charge increases and changes in the composition of cargo handled.

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In 2010, the revenue from bulk grain terminal operation services accounted for 8.1% (6.5% in 2009) of the Company's total revenue.

In 2010, the gross profit from bulk grain terminal operation services amounted to RMB100,768,000, representing an increase of 1.32 times as compared with RMB43,363,000 in 2009; this accounted for 7.6% (3.9% in 2009) of the Company's total gross profit, and represented a gross margin of 37.7% (22.2% in 2009). Such increase in gross margin was mainly caused by the increase of handling charges and freight rates.

In 2010, the major measures taken by the Group and the progress of major projects related to the Group's Bulk Grain Segment were as follows:

- Benefiting from the transportation allowance policies in the first half of 2010, the Group enhanced close cooperation with certain grain enterprises directly owned by the central government, and took advantage of its grain logistics system, including bulk grain carriages, silos and shipping routes to improve corn cargo turnovers.

- Facing the termination of the allowance policies and the unfavourable development of the State's direct import action of corn into southern China, the Group took full advantage of the grain trading platform around the Dalian port to increase the trading volume and the trans-shipment volume to ensure a stable increase in terms of corn throughput.

- In terms of the trans-shipment business for foreign trade, the Group actively expanded the trans-shipment business for soy bean and barley. On one hand, the Group focused on cooperation with major grain import agencies to capture the opportunities of grain import channels at the early stage. On the other hand, the Group enhanced communication with enterprises processing soy beans and barley to solicit cargo from the end purchasers. In 2010, the imported grain for foreign trade handled by the Group was approximately 1.524 million tonnes, an increase of 75.4% over the 2009 total.

- The Group proactively communicated with railway companies and railway car manufacturers to promote its new fleet of 500 bulk grain carriages. Some of the carriages commenced operation at the end of 2010 and all of them had been put into operation by January 2011. These resources significantly eased the bottleneck problem for grain cargo transportation from its production area to its place of consumption, and further improved the Group's cargo solicitation capability.

- The Group closely co-operated with the State grain reserve's Dalian depot, to construct bulk grain silos (with a total capacity of 100,000 tonnes) in the Ganjingzi area. Phase I of the project has been put into operation with a designed capacity of 30,000 tonnes, and the construction of Phase II has commenced and is expected to be put into operation in the second half of 2011 with a designed capacity of 70,000 tonnes.

Passenger and Ro-Ro Segment

The following table sets out the passenger and roll-on roll-off throughput handled by the Group in 2010 and its comparative results in 2009:

	For the year ended 31 December 2010	For the year ended 31 December 2009	Increase/ (Decrease)
Passengers ('000 persons)	**3,037**	3,524	(13.8%)
Vehicles ('000 units) (Note 2)	**512**	459	11.5%

Note 2: Vehicles refer to the vehicles handled at the passenger and roll-on, roll-off terminals of the Group and companies in which it has invested.

In 2010, the Group transported approximately 3.037 million passengers, a decrease of 13.8% over the 2009 total, and handled approximately 512,000 vehicles, an increase of 11.5% over the 2009 total.

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In 2010, the passengers and cargos increased in the Bohai Rim, after initially declining. Due to the impacts of climate and shortage of labor in the coastal areas of north China, the traffic volume of passengers and cargos did not reach the level initially expected. At the same time, the commencement of operation of two ultra-large Ro-Ro passenger vessels in the Bohai Rim negatively affected transportation prices during the peak seasons in spring and summer, which diverted cargo from the Group's terminals. In the second half of 2010, due to three Ro-Ro passenger vessels ceasing operation gradually in the Bohai Rim and the fourth quarter being a peak season, both the prices and the traffic volume increased. These factors contributed to the increase in the Group's throughput.

In 2010, the revenue from passenger and roll-on, roll-off and logistics services amounted to RMB75,032,000, which represented an increase of RMB1,107,000 or 1.5% over the 2009 total. Such increase was mainly driven by the increase of the Ro-Ro throughput.

In 2010, the revenue from passenger and roll-on, roll-off and logistics services accounted for 2.3% of the Company's total revenue (2.4% in 2009).

In 2010, the gross profit from passenger and roll-on, roll-off and logistics services amounted to RMB39,740,000, an increase of 7.2% from RMB37,065,000 in 2009, accounting for 3.0% (3.3% in 2009) of the Company's total gross profit, and representing a gross margin of 53.0% (50.1% in 2009). Such increase in the gross margin was mainly caused by the effective control of operating costs.

In 2010, the major measures taken by the Group and the progress of major projects related to the Group's Passenger and Ro-Ro Segment were as follows:

- The Group collected market information on passengers and cargos in a timely manner in order to facilitate its marketing of its services. The Group collected market information of passengers and cargos via various channels in the hinterland, northeastern China and Shandong Province, to develop market knowledge and guide its provision of services. The Group focused on marketing shipping schedules to increase its market share.

- The Group optimized its intermodal transportation system to provide convenient services to passengers and other customers. By taking into consideration the fluctuation in the number of passengers and vehicle traffic on various holidays, including the Qingming Festival, the Labor Day holiday, the Dragon Boat Festival and the National Day Golden Week holiday, the Group coordinated in advance with shipping companies to make appropriate arrangements in various respects, including schedules, capacities and ticket selling services so as to maximize the number of passengers and cargo volume and better serve passengers and other customers.

- The Group successfully met the transportation needs of its customers during the Chinese Spring Festival by enhancing its market promotions, improving its services and ensuring safety.

- The Group made great efforts in providing transportation during the summer of 2010. The Group enhanced communication with shipping companies and other port operators to plan reasonable shipping schedules to satisfy passengers' demands. Secondly, the Group enhanced its market knowledge, timely collecting market information via various channels, and guiding operations in an orderly manner. Thirdly, the Group enhanced the administration of ticket selling services and port operations to ensure safe, orderly, high-efficiency and high-quality transportation services during the summer.

- The Group successfully resumed services on the "Dalian-Tianjin" route on 15 June 2010 by actively coordinating with China Shipping and Tianjin Port.

- The Group continued to develop new channels for its ticket selling services and expanded its market share. In addition, the Group enhanced arrangement for groups of passengers, in order to boost its market share.

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Value-added Services Segment

Tugging

In 2010, the port services, ocean engineering and shipbuilding industries recorded a stable performance. The Group paid great attention to communication with its customers and improvement in tugging services to achieve sound growth in the tugging business in Dalian.

In the market outside Dalian, facing changing market conditions, the Group timely changed tugboats' location and optimized tugging services so that it maintained a stable long-term customer base and developed relationships with customers. As at the end of 2010, the Group had a total of 39 tugboats and four pilot boats and retained a leading tugging services position amongst all port operators in China. Among these vessels, 14 tugboats were leased out under long-term leases to other ports outside Dalian.

The construction of the Group's eight newly-ordered tugboats was completed. In addition, the Group bought four tugboats and two pilot boats into operation in 2010.

Tallying

The total tallying throughput handled by the Group was approximately 35.573 million tonnes, an increase of 12.9% over the 2009 total.

Comprehensive port transportation and logistics system

The Company's branch company, Dalian Port Railway Company, uses railways as its primary mode of providing transportation to and from Dalian Port, and they are an important part of the Company's comprehensive transportation and logistics system. In 2010, in terms of railway transportation operation, the Group handled a total of 680,000 tonnes of cargo, an increase of 7.1% over the 2009 total.

Construction management and supervision services

In 2010, in terms of construction management, the Group worked on 22 key port constructions projects, and eight of them were completed by the end of 2010, which provided strong support to the development of the port's logistics services. Dalian Port Construction and Supervision & Consultation Co., Ltd. (owned as to 75% by the Company) successful completed the audit for the revision of its Quality Management System and the audit for the recertification of its Environment Management System and Occupation Health Safety Management System and was awarded the title of Mode Supervision Company by the Association of Engineering Consultants of Liaoning Province.

Power supply

In 2010, the Group provided power supply services of 203 million kWh, an increase of 29.7 million kWh or 17% as compared with the 2009 total.

IT services

In 2010, in terms of IT services, while providing reliable services to internal customers, the Group also expanded its external market, and achieved sound progress in its business.

In 2010, the revenue from port value-added services amounted to RMB898,006,000, which represented an increase of RMB116,614,000 or 14.9% over the 2009 total. This revenue increase was mainly attributable to the rapid development of the various port value-added services; in particular, revenue from tugging services and sales of electricity increased significantly.

In 2010, the revenue from port value-added services accounted for 27.1% of the Company's total revenue (25.9% in 2009).

In 2010, the gross profit from port value-added services amounted to RMB323,299,000, an increase of 9.2% from RMB296,044,000 in 2009, accounting for 24.4% (26.3% in 2009) of the Company's total gross profit, and representing a gross margin of 36.0% (37.9% in 2009). The gross margin decreased mainly due to the increase of depreciation of new assets as well as operation costs.

Others

Human resources

Human resources are important and talented staff are essential for the success of an enterprise. Staff are the most valuable resource of the Company and the key factor for the Company's continuous development. In 2010, to attract and retain talented personnel, the Company further

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improved its human resources management in various respects, including career development, remuneration and working environment having taken into consideration the Company's development strategies and changing external human resources policies. The Company paid great attention to the career development of its staff. In order to continuously improve their professional skills, all-round development and team performance, the Group provided various training programs to its staff in different classes and at different levels by itself or through outside training service providers, as well as holding technical skill competitions for its staff. The Group has improved the human resources management system, established the authorization system and control procedures for the management of human resources so as to ensure human resources management is carried out according to established rules and standards and effectively manages risks. In addition, based on the principle of fairness and competitiveness and by taking into consideration labour market conditions, the Company has further refined and optimized its employee compensation system and incentive mechanism by linking their compensation with the Company's performance to ensure that employees are able to share the success of the Company. In 2010, the Company was granted the titles of "Mode Enterprise in Harmonious Labour Relationship" and "AAA Corporation in Compliance with the Labour Security Laws and Regulations".

As at 31 December 2010, the Group had a total of 6,137 full-time employees. The Group and its invested businesses together had a total of 7,863 employees. The Group undertakes review of its employee remuneration policy annually by taking into account the Group's financial performance, staff annual appraisal results and the labor market in Dalian.

Investor relations

The Company always attaches great importance to the investor relation management. Adhering to the principles of regularity, fairness and transparency of information disclosure, the Company has various channels for information disclosure to investors to allow them to have a good understanding of the Company's business performance and future development strategies. In addition, the Company has taken initiatives to collect feedback from investors, carefully consider their suggestions and make appropriate investor relationship improvements. As the result, the Company has maintained good interactions with its investors.

On 6 December 2010, the Company's A Shares were successfully listed on the Shanghai Stock Exchange and the Company became a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. As a result, the Company is subject to more regulations in terms of information disclosure and there is more work to be done on maintaining investor relations.

During the reporting period, the Company proactively communicated with the capital markets and investors home and abroad via various channels, including organizing domestic and overseas roadshows, participating in investment conferences, meeting visitors in Dalian, enriching the investors' database and holding conference calls with investors. Adhering to the regulatory requirements of domestic and overseas markets, the Company published announcements, circulars, press releases and interim and annual reports on the websites of the Company and the websites and media designated by regulatory authorities. Meanwhile, the Company has implemented its internal regulations on information collection, transmission and disclosure so that the department responsible for information disclosure is able to oversee all important issues of the Company and make appropriate disclosure of the Company's financial position and business developments to the shareholders and investors.

In 2010, the Company conducted three roadshows, attended two investment conferences with 23 one-on-one meetings and communicated with more than 70 investors by way of visits and conference calls. The Company carried out concentrated marketing in the media during its A Shares listing, publication of interim and annual results and significant events relating to business development.

Establishing investor relationships is a long-term strategic project for the Company. The Company will continue to improve its investor relationship management so as to better serve the shareholders and allow the shareholders and the capital markets to have a better understanding and recognition of the Company.

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Corporate Social Responsibility

Paying attention to environmental protection and creating a safe and clean environment for port operation

- The Company has always promoted the principle of safety first throughout its development, and pays great attention to production safety, energy saving procedures and emission reduction. In 2010, Dalian Port was awarded the Model Enterprise in Safety Management in Liaoning Province, and obtained one invention patent and seven utility model patents, all relating to energy saving and emission reduction. The Company also won the first prize State Port Science and Technology Award for its research paper on key techniques for berthing in deep water berths (《離岸深水港碼頭泊穩條件關鍵技術研究》). The research results have been implemented with good effect.

- The Group attaches great importance to the investment in and management of facilities to enhance environmental protection. In 2010, the Company made an overall evaluation of the Group's facilities for the purposes of environmental protection. According to the evaluation result, the Group has upgraded the facilities for sewage disposal in Dayaowan area and Dalianwan area, which has efficiently improved the quality of discharged wastewater. The Group has also furnished a boiler in the center of Dayaowan area with equipment for desulfurising and online smoke vent monitoring to reduce the emission of pollutants such as sulfur dioxide and improve the ocean environment and air quality in the port area. The Group has also upgraded the emergency response facilities for oil spills by adding spill containment booms, oil collection machines, mobile storage tanks, insufflation equipment for oil dispersant. As a result, it further strengthened its ability to respond in the event of an emergency.

- The Group pays great attention to environmental protection control and management during its port operations and port construction. The Group has implemented an ecological compensation mechanism for each of its port construction projects.

Enhancing corporate social responsibility awareness and promoting sustainable development

- In order to ensure social stability, the Group has made appropriate arrangements for its surplus labour force. The Group has provided housing subsidies for its staff to improve their housing conditions. The Group has established a long-term practice of helping the poor improve their living conditions. The Group has also provided physical examinations and other medical benefits to its staff to promote their physical and mental health.

- The Group has proactively organized charity activities such as donations for earthquake victims and Project Hope. The Group has made donations to the poor for the construction of public utilities, which will bring benefits to the social and economic development of that area. Dalian Container Terminal Co., Ltd. ("DCT"), one of the Company's invested businesses, provides certain financial assistance to university students every year. In 2010, DCT also donated RMB20,000 to the Mopan Village of Pulandian City in Liaoning Province of China for the construction of roads in order to accelerate local economic development.

- The Group has actively participated in environmental protection. The Group has carried out various propaganda and volunteer activities for environmental protection and participated in the cleaning of the oil spill caused by the 7.16 Accident. The Group has collected and compiled articles on green ecology ports. The Company was awarded the 2009-2010 Best Company with Social Responsibility by Dalian Municipal Environmental Protection Volunteers Association.

Prospects for 2011

2011 sees more uncertainty in the global economy. Certain newly published market statistics showed that the economy of the United States has improved and there are also some signs of improvement in the European debt crisis. The global economy is recovering slowly. The International Monetary Fund (IMF) forecasted that the average growth rate for the Global GDP would slow down from 4.8% to 4.2% in 2011 while the average

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growth rate for the GDP in developed countries would be 2.2% and 6.4% in developing countries. With the slow recovery of the global economy, global trade will grow moderately. China's GDP is expected to grow by 8% in 2011, 2 percentage points lower than that of the previous year. China's Ministry of Commerce forecasted that in 2011, the growth rate of China's foreign trade will slow down significantly to 10%. The growth rate for containers handled at Chinese ports will slow down accordingly, but a moderate increase is still expected. The container volume growth rate will be around 10%.

The revitalization of northeastern China and development of Liaoning Coastal Economic Zone will continue, which will definitely lead to the economic and foreign trade growth in the Three Northeastern Provinces, the development of Dalian international shipping centre and the growth of the Group's container business.

In terms of the Oil Segment adhering to a differentiation strategy, the Group will leverage its advantage of two deep water berths and the scale advantage of its storage tanks, expand the trans-shipment of bonded crude oil and the storage, bonded warehousing and trans-shipment of the refined oil. With cost-priority and scale-orientation strategies, the Group will to enhance its core competitiveness and improve its operations and management.

In terms of the Container Segment, the Group will, by improving efficiency, enhancing service functions and adjusting structures, increase its core competitiveness of the container business, stabilise its market share and enhance internal controls to ensure accomplishment of its target for container business in 2011.

In terms of the Automobile Terminal Segment, the Group will continue to enhance cargo solicitation for the transportation between southern China and northern China, strengthen the co-operation with large-scaled automobile manufacturers, establish the automobile logistics system and develop the transportation of foreign trade bulk cargoes and domestic trade equipment.

In terms of Ore Segment, the Group will continue to enhance import cargo solicitation from steel manufacturers in the Three Northeastern Provinces and trans-shipment cargo solicitation for the steel manufacturers in Hebei province, speed up the reconstruction of the ore terminal and expansion of its stacking yard and leverage its unique scale advantages in the region to solicit the calling of 400,000 dwt ore vessels.

In terms of the General Cargo Segment, the Group will take advantage of port locations to proactively respond to competition from other ports in the Three Northeastern Provinces, and to build the Group into a specialized general cargo port operator with a focus on primary steel, coal and large-scaled equipment foreign trade business and carry out grain and bulk cargo related business as ancillary activities.

In terms of the Bulk Grain Segment, the Group will strengthen its co-operation with grain traders and shipping enterprises in order to improve its competitiveness by taking advantage of bulk grain carriages and newly built bulk grain barns. The Group will also promote port tariff increases to generate more profit.

In terms of the Passenger and Ro-Ro Segment, the Group will put more efforts into marketing activities in order to meet the increasing demand for shipping capacity. The Group will properly manage the newly added shipping capacity and the newly constructed berths as well as promote the development of joint venture and co-operation projects.

In terms of the Value-added Services Segment and ancillary port services, the Group will seize the development opportunities to explore the market outside Dalian while continuing to provide high-efficiency and high-quality services to its customers in Dalian.

Oil Segment

- The Group will continue to expand the scale of its storage tanks and push forward the construction by PetroChina of more storage tanks at Xingang area and the Group's investment in Changxing Island. The Group will further expand the scale of storage tanks for trans-shipment business by attracting

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external investment or joint venture projects to meet the increasing demand of domestic and overseas crude oil traders. The Group will speed up the construction of the storage tanks with a total capacity of 400,000 cubic meters developed by its joint ventures with China Zhenhua Oil Co., Ltd., Panjin Northern Asphalt Co., Ltd., and North Petroleum International Co., Ltd. so that they can be put into operation before the end of 2011. The Group will attract other customers to carry out the trans-shipment business via its oil terminal.

- The Group will continue to push ahead with regional development and overall service function planning in areas where the Group has investment such as Dalian Port Petro and Chemical Co., Ltd. and Changxing Island, so as to build up the logistics service system for imported crude oil, exported and imported refined oil and imported liquefied chemicals. The Group will work on the plan for development of bonded crude oil storage and the international trans-shipment business in Changxing Island.

- PetroChina International's crude oil commercial reserve base with a total capacity of 4.2 million cubic meters will be gradually filled with crude oil, which will yield one-off increments of throughput for the Group.

- The Group will proceed with the construction of more crude oil storage tanks and Nos. 18 to 21 berths, which will solve the problem of shortage of public storage tanks for trans-shipment to a certain extent and will provide support to the crude oil trans-shipment business development around Bohai Rim and Huanghai Rim and international bonded crude oil trans-shipment.

- The commercial reserve base for refined oil located at the Group's oil terminal has the function of adjusting supply and demand for refined oil. The refined oil base will help large-scaled vessels reduce transportation costs significantly so that it will help the Group attract more of such large-scale vessels and refined oil cargos.

Container Segment

- The Group will stabilise the market share for the foreign trade container business, expand shipping networks and maintain its leading position. The Group will attract more shipping companies to introduce new shipping routes calling at its container terminals.

- The Group will put more effort into stabilising the current domestic container routes while attracting more long-haul services. The Group will improve the shipping network covering medium-sized and small-sized ports. The Group will continue to improve the hinterland logistics network, reduce logistics costs and provide high-quality services to customers.

- The Group will continue to support the trans-shipment business so as to develop its hinterland. The Group will put more efforts on the analysis of the hinterland market, monitor the cargo trend, strengthen co-operation with shipping companies, improve feeder transportation systems and strengthen its position as the hub for domestic container trans-shipment. The Group will enhance the marketing of the international trans-shipment business and try to achieve the stable operation of trans-shipment services to Korea by taking advantage of its location.

- The Group will enhance its competitiveness in the hinterland intermodal system and make full use of the extended services in the hinterland. Based on the principles of overall planning and improving operation results, the Group will strengthen its network construction and operational management. The Group will try to upgrade the service level and market expansion ability of the existing depots in Shenyang and Changchun to attract more cargos. The Group will make good use of its core railway resources and strengthen its co-operation with the railway companies. The Phase I project of the Muling logistics centre will be put into trial operation in 2011. The Group will develop co-operation procedures in the container transportation business in areas where conditions permit.

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- The Group will proceed with the construction of additional berths for Phase II and Phase III container terminals and related depots at Dayaowan area. The Group will take full advantage of the advanced facilities and equipment and complete container logistics service systems so as to provide convenient services to customers and expand co-operation with strategic partners.

- In order to increase its income, the Group's three joint venture container terminals in Dalian raised the tariff for foreign trade container handling services by 10% over the tariff in 2010 with effect from 1 January 2011.

Automobile Segment

- The Group will continue to enhance cargo solicitation for transportation between southern China and northern china. While stabilising the operation of automobiles from Guangzhou Honda and Shanghai Automobile Industry Corporation (Group), the Group will co-operate with relevant parties to advance the water transportation projects of Dongfeng Nissan and First Automobile Works in order to strengthen the Group's position in automobile transportation between southern China and northern China.

- The Group will enhance coordination with customers in order to strengthen its position as an export hub for automobiles. Meanwhile, the Group will closely follow the newly issued automobile industry policies and supporting measures to attract more automobiles to be exported via the Group's terminal.

- The Group will enhance its co-operation with automobile manufacturers, including Cherry and Shanghai Automobile Industry Corporation (Group), to maintain stable cargo supplies for future throughput growth.

- While ensuring operational safety, the Group will deploy more handling equipment in order to expand foreign trade bulk cargo operation and domestic of trade of large-scaled equipment.

- With the commencement of operation of newly constructed roll on, roll off vessels and specialized railway services, the Group will build up integrated automobile logistics systems and carry out logistics services for automobile spares parts.

Ore Segment

- The reconstruction of the Group's ore terminal is expected to be completed in the second quarter of 2011. Upon completion of such reconstruction, the Group's ore terminal will be capable of accommodating 400,000 dwt ore vessels and the Group's deep water advantage will be unique in the current sea conditions in Bohai Rim area.

- The reconstruction of the Group's ore terminal will be completed in June 2011 with an additional handling capacity of 5 million tonnes. The construction of No. 4 stacking yard is expected to be completed at the end of 2011 with additional stacking capacity of 2.3 million tonnes.

- In order to better serve customers in the Three Northeastern Provinces who transport their cargo by railway, the Group will enhance communications with steel manufacturers and railway companies to improve operational efficiency and provide better railway services.

- In light of the commencement of operation of Phase II and Phase III terminals in Caofeidian, the trans-shipped ore volume at the Group's ore terminal destined for Hebei area is expected to decrease. Facing this challenge, the Group will strengthen co-operation with customers and improve operational efficiency and service quality. While providing high-quality services to ultra-large ore vessels, the Group will attract more CAPE CLASS ore vessels to its terminals.

- The Group will advance its bonded ore business, the handling of different categories of ores and its ore distribution centre project by seizing the opportunity when large ore vessels and ultra-large ore vessels launch operations.

Management Discussion and Analysis

General Cargo Segment

- Adhering to the marketing principle of being "steel-oriented" and continuing co-operation with its major customers, the Group will take the current change in the steel market into consideration, attract steel trans-shipments for medium-sized and small-sized steel manufacturers, and extend the cargo solicitation to downstream customers so as to build up the steel solicitation network covering the whole country.

- Relying on the business of coal shipment for the Huaneng Dalian Power Plant and Zhuanghe Power Plant, focusing on the business of coal shipment from the hinterland supplemented by consumption of the coastal enterprises, the Group will build up the scale of coal transportation and develop as the coal transportation and storage centre in the Three Northeastern Provinces.

- Taking the opportunity of the State's expanding domestic demand, Northern China's revitalization and Dalian Municipal's automobile, equipment and ship-building industries development policies, the Group will attract more cargos and establish itself as the hub for transportation of heavy equipment by leveraging its advantages of location and technique.

- Four general cargo berths newly constructed by the Group in the Dalianwan area with additional handling capacity of 3.9 million tonnes will be put into operation in the end of June 2011. Soon after, the ancillary stacking yard with total area of 410,000 square meters and additional stacking capacity of 5.6 million tonnes will be put into operation. The Group will build three new warehouses with a total area of 36,600 square meters and a new stacking yard with a total area of 200,000 square meters on Changxing Island. In addition to these developments, the Group will purchase more handling equipment. The Group's competitiveness will be further strengthened.

- The Group will further upgrade the port functions on Changxing Island. Taking advantage of port resources, the Group will speed up the construction of its coal trade and delivery centres and steel manufacturing and delivery centres.

Bulk Grain Segment

- With commencement of the operation of the newly purchased 500 bulk grain carriers, the Group will co-ordinate with customers and railway companies to improve operational efficiency in order to increase grain throughput.

- Facing the trend of "Four Bulks" (bulk pack, bulk discharge, bulk storage and bulk transportation) for grain transportation, the Group will make full use of the existing bulk grain carriers and implement long-term co-operation with major grain producers so as to maintain large amounts of cargo supplies.

- The Group will strengthen co-operation with grain traders and shipping companies and try to launch regular shipping routes to Maoming Port and Nantong Port for domestic corn transportation, while ensuring the stable operation of the existing regular shipping routes, in order to increase its competitiveness.

- The Group will try to form co-operation relationships with neighboring ports so tariffs may return to their previous level and income will increase.

- The Group will enhance co-operation with the State grain reserves Dalian depot to advance commencement of operation of Phase II silos built in the Ganjingzi area of Dalian near the Group's terminals.

Passenger and Ro-Ro Segment

- The Group will enhance marketing activities to establish a complete marketing system. While maintaining good co-operation with existing customers in the Three Northeastern Provinces, the Group will strive to attract more cargo from other customers. The Group will focus on

Management Discussion and Analysis

railway passengers, travel agencies in the Three Northeastern Provinces, colleges and universities, major exhibitions, and migrant workers to find new sources of passengers. For new sources of vehicles, the Group will expand the coverage of customers to more private car owners, logistics distribution centers and large-scaled truck fleets in Heilongjiang Province, Jilin Province and the Inner Mongolian Autonomous Region to meet the future demand of the Group's increasing handling capacity.

- Making full use of its IT network, the Group will expand coverage of shipping routes and ticket prices. Meanwhile, the Group will establish passenger and cargo information collection and management systems. The Group will pay more attention to collection of economic policies relating to passenger and cargo transportation in order to forecast throughput. The Group will also set up a multi-level marketing team.

- In January 2011, China Shipping Ganglian Co., Ltd., an associated company in which the Company has a 30% equity interest, launched a roll on, roll off vessel named Longxing Island on the route connecting Dalian with Yantai. The construction of a roll on, roll off vessel named Yongxing Island has been completed in Guangzhou and will be put into operation on the route connecting Dalian and Yantai in April 2011. By then, there will be seven vessels under the name of "Island" operated by China Shipping Passenger Liners Co., Ltd. and other companies that it has invested in calling at the Group's terminal, this will significantly increase the Group's influence and competitiveness.

- The Group will speed up the project of a passenger and roll-on, roll-off terminal at Dalianwan in order to put it into operation as soon as possible. The Group will push forward consolidation of port resources for passenger and roll-on, roll-off terminal services by investment in China Railway Bohai Ferry Terminal and establishment of a passenger and roll-on, roll-off center in Lvshun. The Group will promote the modernisation of its service facilities by pursuing the opportunities of developing an international cruise centre and a passenger and roll-on, roll-off centre.

- The Group will work with the Bohai Rim Port and Shipping Association to achieve shipping market stability and price stability to create a favourable market environment for all market participants and also the future of the industry.

Value-added and supporting services

- Benefiting from the development of regionalisation and port consolidation, the Group will be able to find a new driving force for revenue increases by optimizing resource deployment and adjusting its tugboat deployment structure.

- The Group plans to build an additional eight to 10 tugboats during the twelfth Five-Year Plan period. Four tugboats will be built in 2011 and are expected to be delivered at the end of 2012. The Group will make appropriate preparations for the operation of these tugboats and adjustments of tugboat resources in due course.

- The Group will continue to provide comprehensive port supporting services to the internal specialized terminal and related logistics services in order to ensure safe and efficient port operations. Meanwhile, the Group will actively expand the external market to create more profit.

Report of the Directors

The board of directors (the "Board") hereby presents its report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") (the "financial statements") for the year ended 31 December 2010.

Principal activities and geographical analysis of operations

As at the date of this report, the Group is principally engaged in the following business segments: (i) the provision of oil/liquefied chemicals terminal and logistics services; (ii) the provision of container terminal and logistics services; (iii) the provision of automobile terminal and logistics services; (iv) the provision of ore terminal and logistics services; (v) the provision of general cargo terminal and logistics services; (vi) the provision of bulk grain terminal and logistics services; (vii) the provision of passenger and roll-on, roll-off terminal and logistics services and (viii) the provision of port value-added services.

The principal activities of the Company's subsidiaries are set out in note 1 to the financial statements.

Details of the analysis of the Group's operating results by business segments for the year ended 31 December 2010 are set out in note 7 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement of the financial statements.

The Board now recommends the payment of a final dividend of RMB5 cents per share, aggregating to approximately RMB221,300,000 to the shareholders of the Company.

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 2010. 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 change of equity to the financial statements.

Distributable reserves

As at 31 December 2010, the Company's reserves available for distribution were RMB1,198,320,000, 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 2010, the total amount of outstanding bank loans and other borrowings of the Group was RMB6,144,634,000. Details of the relevant loans are set out in note 40 to the financial statements.

Report of the Directors

Capitalisation of interest

As at 31 December 2010, the total amount of interest capitalised of the Group was approximately RMB141,665,000.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2010 are set out in note 19 to the financial statements.

Investment properties

Details of the properties held for investment purpose of the Group during the year ended 31 December 2010 are set out in note 21 to the financial statements.

Share capital

The share capital structure of the Company as at 31 December 2010 is set out in the table below

Class of shares	Number of shares	Percentage (%)
A Shares	3,363,400,000	75.99
H Shares	1,062,600,000	24.01
Total	4,426,000,000	100

Details of the movements in share capital of the Company during the year are set out in note 45 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 2010, none of the Company or any of its subsidiaries purchased, redeemed or sold any listed securities (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the "Listing Rules")) of the Company.

Report of the Directors

Directors and supervisors

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

Executive directors

Mr. Sun Hong (Chairman)
Mr. Zhang Fengge
Mr. Jiang Luning
Ms. Su Chunhua (resigned with effect from 24 January 2011)

Non-executive directors

Mr. Lu Jianmin
Mr. Xu Jian

Independent non-executive directors

Mr. Wang Zuwen
Mr. Zhang Xianzhi
Mr. Ng Ming Wah, Charles

The Company has received from the independent non-executive directors an annual confirmation of their independence. The Company considers the independent non-executive directors independent from the Company.

Supervisors

Mr. Fu Bin
Mr. Zhang Guofeng (resigned with effect from 24 January 2011)
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 2010, 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 three months' prior written notice to the other party.

Save as set forth 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 any of its subsidiaries, its holding company or any of 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.

Report of the Directors

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 2010, none of the directors, supervisors, senior management or any of their respective associates had any interests and short positions in shares, underlying shares or 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 of Hong Kong Limited ("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 any of its subsidiaries, or its holding company or any of its subsidiaries, 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 or 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 is 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 13 to the financial statements.

Five highest paid individuals

For the year ended 31 December 2010, information in respect of the five highest paid individuals of the Group is set out in note 14 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 did any such contract subsist at any time during the year.

Report of the Directors

Connected transactions

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

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

A. On 5 May 2010, the Company entered into the Assets Transfer Agreement with PDA to transfer the Sewage Treatment Plant including equipment, buildings, tanks and underground pipelines (the "Sewage Treatment Plant") in Xingang of Dalian to PDA. The consideration for selling the Sewage Treatment Plant RMB is 25,721,483.00. The consideration under the Assets Transfer Agreement was determined with reference to the appraised net asset value of the Sewage Treatment Plant evaluated by Liaoning Zhengyuan Assets Valuation Company Limited (the "Valuer"), a PRC qualified valuer appointed by the Company.

The Sewage Treatment Plant was initially constructed for facilitating the Company's oil terminal operation in Xingang, Dalian. With the development of the Xingang area, third party companies around the area also require services provided by the Sewage Treatment Plant. Considering that: (i) operation of the Sewage Treatment Plant is not part of the core business of the Company; (ii) the operation of the Sewage Treatment Plant recorded losses in the past two financial years prior to entering into this transaction since it was limited to mainly serving the Group's own terminal operation during the period while PDA has rich experiences in this business and a great variety of customers demand such services; and (iii) the Company would incur significant expense to maintain the facilities of the Sewage Treatment Plant if the Company continued such operation, the Board determined it is in the interests of the Company and its Shareholders to transfer the Sewage Treatment Plant to its controlling shareholder PDA.

B. On 8 November 2010, the Company entered into the Land Transfer Agreement and the Xingang Property Demolition Compensation Agreement with PDA for purchase from PDA of the Land Use Right of a piece of land located in Xingang, Dalian (the "Land"), which had been acquired by PDA in 2005 as part of capital contribution by its shareholder, the State-owned Assets Supervision and Administration Commission of Dalian Municipal Government, and providing compensation for demolition of the Xingang Assets for an aggregate cash consideration of RMB120,325,468.60.

On the same day, the Company entered into the Nianyu Bay Property Compensation Agreement with Dalian Port Nianyu Bay Resort (Note 1) for compensation for demolition of Nianyu Bay Assets at an aggregate cash consideration of RMB83,545,110.00.

The cash consideration of RMB107,636,681.60 under the Land Transfer Agreement was determined with reference to the appraised value of the Land Use Right evaluated by Dalian Zhongding Property Valuation and Consulting Company Limited (the "Zhongding Valuer"), a PRC qualified valuer was appointed by both PDA and the Company. The cash consideration of RMB12,688,787.00 under the Xingang Property Compensation Agreement was determined with reference to the appraised value of the Xingang Assets evaluated by Liaoning Zhengyuan Assets Valuation Company Limited ("Zhengyuan Valuer"), a PRC qualified valuer was appointed by both PDA and the Company. The cash consideration under the Nianyu Bay Property Compensation Agreement was determined with reference to the appraised value of the Nianyu Bay Assets evaluated by the Zhengyuan Valuer was appointed by PDA and the Company.

In light of the growing market demand, the Company intends to construct more oil storage tanks to expand its crude oil transshipment and storage business. The Land is located in Xingang, Dalian which is adjacent to the area where the Group's storage facilities and oil terminals are located. Upon completion of the transactions contemplated under the Acquisition Agreements, the Company will have additional land for construction of six additional oil storage tanks with a total capacity of 600,000 cubic meters to meet the growing market demand.

Report of the Directors

C. Pursuant to an Acquisition Agreement entered into between the Company and PDA on 30 September 2009, the Company completed the acquisition (the “Acquisition”) from PDA of the assets and liabilities in respect of all of PDA’s (i) ore terminal and related logistics services; (ii) general cargo terminal and related logistics services; (iii) bulk grain terminal and related logistics services; (iv) passenger and roll-on, roll-off terminal and related logistics services; and (v) ancillary port operations on 31 October 2010. As a result, the Group’s operations were enlarged significantly to include (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; (iv) the provision of ore terminal and logistics services; (v) the provision of general cargo terminal and logistics services; (vi) the provision of bulk grain terminal and logistics services; (vii) the provision of passenger and roll-on, roll-off terminal and logistics services; and (viii) the provision of port value-added services.

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

I. The continuing connected transactions prior to completion of the Acquisition

The following table sets out a summary of the Group’s non-exempt continuing connected transactions conducted prior to completion of the Acquisition in 2010.

	Connected transactions	Connected Persons	Caps for 2010 (RMB’000)	Actual amount for 2010 prior to completion of the Acquisition (RMB’000)
A	Construction supervision services	Dalian Port Harbour Construction Superintendence and Consulting Company Limited	9,050	1,391
B	Project management services	Dalian Port Construction Management Company Limited	19,860	2,220
C	Terminal facilities design and construction services	PDA and/or its associates (collectively, “PDA Group”)	404,900	69,589
D	Maintenance services	PDA Group	3,260	421
E	Comprehensive services	PDA Group	62,840	32,246
F	Property leasing	PDA Group	6,190	4,253
G	Steam and heat supply services	PDA Group	6,360	2,518
H	Security services	PDA Group	9,000	7,415
I	Purchase of diesel oil	Dalian Marine Fuel Logistics & Sales of PetroChina Co., Ltd.	25,000	0
	Total		546,460	120,053

The actual amounts of these transactions did not exceed their respective caps.

Report of the Directors

A. *Construction supervision services*

The construction supervision services were provided by Dalian Port Harbour Construction Superintendence and Consulting Company Limited ("Superintendence Company") (note 2) to the Group pursuant to the Construction Supervision Services Agreement dated 17 October 2008.

As disclosed in the Company's announcement dated 17 October 2008, the cap for the construction supervision services for the year ended 31 December 2010 was RMB9,050,000. The actual amount of the transactions before the delivery date in 2010 was RMB1,391,000.

The main terms and conditions of the Construction Supervision 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 determined with reference to the relevant pricing policy prescribed by the relevant governmental authority (the "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 Supervision Services Agreement has a term of three years ending on 31 December 2011. The Company shall have the right to terminate the agreement by giving at least 3 months' prior notice.

B. *Project Management Services*

The project management services were provided by Dalian Port Construction Management Company Limited (note 3) ("DCM") to the Group pursuant to the Project Management Services Agreement dated 17 October 2008. The relevant annual cap for the year ended 31 December 2010 is RMB19,860,000. The actual amount of the transaction before the delivery date in 2010 was RMB2,220,000.

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

- The pricing principles for the provision of the relevant services shall be the price determined with reference to the relevant 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;

- The project management services mainly include provision of management for the construction process, budget control services and quality control services in connection with the Company's development of terminals and other related projects;

Report of the Directors

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

- The Project Management Services Agreement has a term of three years ending on 31 December 2011. The Company shall have the right to terminate the agreement by giving at least 3 months' prior notice.

C. *Terminal facilities design and construction services*

The terminal facilities design and construction services were provided by PDA and/or its relevant associates to the Group pursuant to the Terminal Facilities Design and Construction Services Agreement dated 17 October 2008. The cap for the terminal facilities design and construction services for the year ended 31 December 2010 was RMB404,900,000. The actual amount of transaction before the delivery date in 2010 was RMB69,589,000.

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 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 agreement has a term of three years ending on 31 December 2011.

D. *Maintenance services*

The maintenance services were provided by PDA and/or its relevant associates to the Group pursuant to the Maintenance Services Agreement dated 17 October 2008. The cap for the maintenance services for the year ended 31 December 2010 was RMB3,260,000. The actual amount of the transaction before the delivery date in 2010 was RMB421,000.

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;

Report of the Directors

- 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 determined with reference to the relevant State price; and where there is no State price, then according to the market price; and

- The term of the agreement is three years ending on 31 December 2011.

E. *Comprehensive services*

The comprehensive services were provided by PDA and/or its relevant associates to the Group pursuant to the Comprehensive Services Agreement dated 17 October 2008.The cap for the comprehensive services for the year ended 31 December 2010 was RMB62,840,000. The actual amount of the transaction before the delivery date in 2010 was RMB32,246,000.

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 agreement is three years ending on 31 December 2011.

F. *Property leasing*

The Group leased certain pieces of land, premises, buildings and warehouse from PDA and/or its relevant associates pursuant to the Property Leasing Agreement dated 17 October 2008.The relevant cap for the year ended 31 December 2010 was RMB6,190,000. The actual amount of the transaction before the delivery date in 2010 was RMB4,253,000.

The main terms and conditions of the Property Leasing Agreement are as follows:

- The rental for the leased properties is to be agreed upon by the parties according to market price; and

- The agreement has a term of three years ending on 31 December 2011.

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G. *Steam and heat supply services*

Pursuant to the Steam and Heat Supply Agreement dated 17 October 2008, the Company supplied steam and heat to PDA and/or its relevant associates in 2010.The cap for the year ended 31 December 2010 was RMB6,360,000. The actual amount of the transaction before the delivery date in 2010 was RMB2,518,000.

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 State price; where there is no such pricing policy, then according to the Market price; and

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

H. *Security services*

The security services were provided by PDA and/or its relevant associates pursuant to the Security Services Agreement dated 17 October 2008. The cap for the year ended 31 December 2010 was RMB9,000,000. The actual amount of the transaction before the delivery date in 2010 was RMB7,415,000.

Pursuant to the Security Services Agreement, the fees for the provision of security services shall be made in accordance with the State price. The Group shall pay such service fees in cash.

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 service facilities and provision security services in connection with the Company's operations of oil terminals at Xingang, Dalian, and arranging training services and domestic and international exchange services for security staff of the Company; and

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

Report of the Directors

I. *Purchase of Diesel Oil*

On 17 October 2008, the Company (for itself and on behalf of its subsidiaries) entered into the Diesel Oil Purchase Agreement with Dalian Marine Fuel Logistics & Sales of PetroChina Co., Ltd. ("DMF") (note 4) in connection with the purchase of diesel oil by the Group from DMF for the three years ending 31 December 2011. The cap for the year ended 31 December 2010 was RMB25,000,000. The actual amount of the transaction was nil as the Group did not purchase diesel oil from DMF in 2010 due to its having been offered diesel oil by independent third parties on a more favourable terms (including the price and payment terms).

The major terms of the Diesel Oil Purchase Agreement are as follows:

- The quality of the diesel oil supplied by DMF shall conform to the state regulated standards;

- The price for each purchase under the Diesel Oil Agreement shall be determined with reference to the state price of diesel oil and the consideration shall be settled in cash; and

- The terms and conditions (including the pricing and payment terms) on which the diesel oil is to be provided by DMF should be no less favourable to the Group than those offered by independent third parties to the Group. The Company and/or its subsidiaries has the right to purchase diesel oil from an independent third party where the terms (including the pricing and payment terms) offered by such independent third party are more favorable than those offered by DMF.

II. **The continuing connected transactions after completion of the Acquisition**

The following table sets out a summary of the Group's non-exempt continuing connected transactions conducted after completion of the Acquisition in 2010.

	Connected transactions	**Connected Persons**	**Caps for 2010** (RMB'000)	**Actual amount for 2010 after completion of the Acquisition** (RMB'000)
A	Construction supervision services	PDA and/or its associates (collectively, "PDA Group")	11,000	24
B	Project management services	PDA Group	16,000	1,266
C	Property leasing	PDA Group	23,863	3,987
D	Supply of Goods and Services	PDA Group	49,840	10,241
E	Receiving of Goods and Services	PDA Group	66,023	10,161
F	Terminal facilities design and construction services	PDA Group	123,030	20,906
	Total		289,756	46,585

The actual amounts of these transactions did not exceed the respective caps for 2010.

Report of the Directors

A. *Construction supervision services*

The construction supervision services were provided by Superintendence Company (note 2) to PDA Group pursuant to the Construction Supervision Services Agreement dated 30 September 2009.

As disclosed in the Company's announcement dated 30 September 2009, the cap for the construction supervision services for the year ended 31 December 2010 was RMB11,000,000. The actual amount of the transactions after the delivery date of 31 December 2010 is RMB24,000.

The major terms of the Construction Supervision Services Agreement are as follows:

- The terms and conditions on which such services are to be provided will be no more favourable to PDA and/or its associates than those offered to independent third parties;

- The initial term of the agreement will commence from the Completion Date and will end on 31 December 2012. Upon expiration of the initial term, subject to compliance by the Company with applicable requirements under the Listing Rules, the agreement will be renewed automatically for a further term of three years. Unless otherwise agreed by the parties, each party may terminate the agreement by giving three months' written notice;

- The construction supervision services will be priced in accordance with the following principles:

  (a) State price, being the price set by the PRC government (at central or local level) or its relevant departments by laws, regulations, determinations, orders or policies; and

  (b) where there is no State price, the market price, being the price at which the same or comparable services are provided to independent third parties in the same area in the ordinary course of business.

B. *Project Management Services*

The project management services were provided by DCM (note 3) to PDA Group pursuant to the Project Management Services Agreement dated 30 September 2009. The relevant annual cap for the year ended 31 December 2010 is RMB16,000,000. The actual amount of the transaction after the delivery date ended 31 December 2010 was RMB1,266,000.

The major terms of the Construction Management Services Agreement are as follows:

- The terms and conditions on which such services are to be provided will be no more favourable to PDA and/or its associates than those offered to independent third parties;

Report of the Directors

- The initial term of the agreement will commence from the Completion Date and will end on 31 December 2012. Upon expiration of the initial term, subject to compliance by the Company with applicable requirements under the Listing Rules, the Construction Management Services Agreement will be renewed automatically for a further term of three years. Unless otherwise agreed by the parties, each party may terminate the agreement on giving three months' written notice;

- The provision of the construction management services will be provided at prices determined in accordance with the following pricing principles:

  (a) State price, being the price set by the PRC government (at central or local level) or its relevant departments by laws, regulations, determinations, orders and policies; and

  (b) where there is no State price, the market price, being the price at which the same or comparable services are provided to independent third parties in the same area in the ordinary course of business.

C. *Property leasing*

The Group leased certain land use rights and buildings from PDA and/or its relevant associates for certain business operations and offices pursuant to the Property Leasing Agreement dated 30 September 2009. The relevant cap for the year ended 31 December 2010 was RMB23,863,000. The actual amount of the transaction after the delivery date ended 31 December 2010 was RMB3,987,000.

The major terms of the Property Leasing Agreement are as follows:

- The rental charged by PDA and/or its relevant associates will be set by or with reference to the market rate, being the rate at which the same or comparable land or buildings are leased from independent third parties in the same area in the ordinary course of business;

- The initial term of the Property Leasing Agreement will commence from the Completion Date and will end on 31 December 2012. Upon expiration of the initial term, subject to compliance by the Company with applicable requirements under the Listing Rules, the agreement will be renewed automatically for a further term of three years. The Enlarged Group may terminate the agreement on giving three months' written notice;

- The rental (exclusive of all taxes payable, which shall be paid to PDA or its relevant associates) shall be payable on a quarterly basis; and

- If PDA and/or its associate propose to sell any property leased by the Enlarged Group to a third party, the Enlarged Group shall have a pre-emptive right to purchase such property under terms no less favourable to the Enlarged Group than those available to the third party.

Report of the Directors

D. *Supply of goods and services*

The supply of goods and services was provided by the Group to PDA and/or its relevant associates pursuant to the Mutual Supply Master Agreement dated 30 September 2009. The cap for the supply of goods and services for the year ended 31 December 2010 was RMB49,840,000. The actual amount of the transaction after the delivery date ended 31 December 2010 was RMB10,241,000.

The major terms of the Mutual Supply Master Agreement are as follows:

- Supplies and services to be provided by the Enlarged Group to PDA and/or its relevant associates include:

  (a) Provision of supplies: IT related equipment, spare parts, software and related maintenance and other related or similar supplies and services; and

  (b) Services: tugboat services, telecommunications and related engineering services, software development; network maintenance, security services, provision of utilities including electricity, steam and heat and other related or similar services;

- The terms and conditions on which the supplies and services are to be provided by the Group will be no more favourable than those available from independent third parties;

- The initial term of the Mutual Supply Master Agreement will commence from the Completion Date and will end on 31 December 2012. Upon expiration of the initial term, subject to compliance by the Company with applicable requirements under the Listing Rules, the Mutual Supply Master Agreement will be renewed automatically for a further term of three years. PDA and its associates may not terminate the agreement without the Enlarged Group's prior written consent; and

- The supplies and services will be provided at prices determined in accordance with the following pricing principles:

  (a) State price, being the price set by the PRC government (at central or local level) or its relevant departments by laws, regulations, determinations, orders and policies;

  (b) where there is no State price, the market price, being the price at which the same or comparable services are provided to independent third parties in the same area in the ordinary course of business; or

  (c) where there is neither a State price nor a market price, in respect of the supplies and services to be provided by the Enlarged Group, the reasonable cost incurred in providing the goods or services plus an appropriate margin; or, in respect of the supplies and services to be provided by PDA and/or its associates, the reasonable cost incurred in providing such goods or services.

Report of the Directors

E. *Receiving of goods and services*

The supply of goods and services was provided by PDA and/or its relevant associates to the Group pursuant to the Mutual Supply Master Agreement dated 30 September 2009. The cap for the receiving of goods and services for the year ended 31 December 2010 was RMB66,023,000. The actual amount of the transaction after the delivery date ended 31 December 2010 was RMB10,161,000.

The major terms of the Mutual Supply Master Agreement are as follows:

- Goods and services to be provided by PDA and/or its relevant associates to the Enlarged Group include:

  (a) Provision of supplies: diesel oil, spare parts and other similar supplies; and

  (b) Services: facilities and equipment maintenance, provision of utilities including water and heating, transportation (for employees during the course of their work), landscaping, labor, catering, medical check, printing and conference services and other related or similar services;

- The terms and conditions on which the supplies and services are to be provided to the Group will be no less favourable than those available from independent third parties;

- The initial term of the Mutual Supply Master Agreement will commence from the Completion Date and will end on 31 December 2012. Upon expiration of the initial term, subject to compliance by the Company with applicable requirements under the Listing Rules, the agreement will be renewed automatically for a further term of three years. PDA and its associates may not terminate the agreement without the Enlarged Group's prior written consent; and

- The supplies and services will be provided at prices determined in accordance with the following pricing principles:

  (a) State price, being the price set by the PRC government (at central or local level) or its relevant departments by laws, regulations, determinations, orders and policies;

  (b) where there is no State price, the market price, being the price at which the same or comparable services are provided to independent third parties in the same area in the ordinary course of business; or

  (c) where there is neither a State price nor a market price, in respect of the supplies and services to be provided by the Enlarged Group, the reasonable cost incurred in providing the goods or services plus an appropriate margin; or, in respect of the supplies and services to be provided by PDA and/or its associates, the reasonable cost incurred in providing such goods or services.

Report of the Directors

F. *Terminal facilities design and construction services*

The terminal facilities design and construction services were provided by the PDA and/or its relevant associates to the Group pursuant to the Terminal Facilities Design and Construction Services Agreement dated 30 September 2009. The cap for the terminal facilities design and construction services for the year ended 31 December 2010 was RMB123,030,000. The actual amount of transaction after the delivery date ended 31 December 2010 was RMB20,906,000.

The main terms and conditions of the Terminal Facilities Design and Construction Services Agreement are as follows:

- The terms and conditions on which such services are to be provided will be no less favourable to the Enlarged Group than those available to independent third parties;

- The initial term of the agreement will commence from the Completion Date and will end on 31 December 2012. Upon expiration of the initial term, subject to compliance by the Company with applicable requirements under the Listing Rules, the agreement will be renewed automatically for a further term of three years. PDA and/or its associates may not terminate the agreement without the Enlarged Group's prior written consent; and

- The provision of the terminal facilities design and construction services shall be priced in accordance with the following principles:

  (a) State price, being the price set by the PRC government (at central or local level) or its relevant departments by laws, regulations, determinations, orders or policies;

  (b) where there is no State price, the market price, being the price at which the same or comparable services are provided to independent third parties in the same area in the ordinary course of business; or

  (c) where the project is subject to public bidding, the price will be determined through the bidding process.

Notes:

Note 1 Dalian Port Nianyu Bay Resort, a wholly owned subsidiary of PDA, is a connected person of the Company.

Note 2 Dalian Port Harbour Construction Superintendence and Consulting Company Limited was a subsidiary of PDA prior to the Acquisition. Upon completion of the Acquisition, it became a subsidiary of the Company.

Note 3 Dalian Port Construction Management Company Limited was a subsidiary of PDA prior to the Acquisition. Upon completion of the Acquisition, it became a subsidiary of the Company.

Note 4 DMF, being an associate of PDA, is a connected person of the Company.

Report of the Directors

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the 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 best interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company in 2010 to perform certain agreed-upon procedures in respect of the Group's continuing connected transactions as mentioned above. The auditors have reported their factual findings on these procedures to the Board with a letter and made a confirmation in accordance with Rule 14A.38 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	18.29%
The top five suppliers as a percentage of the Group's purchases	36.93%
The largest customer as a percentage of the Group's turnover	8.26%
The top five customers as a percentage of the Group's turnover	27.72%

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 11 to the financial statements.

Report of the Directors

Substantial shareholders' interests

As at 31 December 2010, so far as is 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	A shares	2,408,745,000 (long position)	Beneficial owner	71.62%	54.42%
Nippon Yusen Kabushiki Kaisha	H shares	114,800,000 (long position)	Interest of controlled corporation	10.80%	2.59%
N.Y.K. Line Group (Hong Kong) Limited	H shares	114,800,000 (long position)	Interest of controlled corporation	10.80%	2.59%
N.Y.K. Line (Hong Kong) Limited	H shares	114,800,000 (long position)	Beneficial owner	10.80%	2.59%
Capital Research and Management Company	H shares	95,634,000 (long position)	Beneficial owner	9.00%	2.16%
JPMorgan Chase & Co.	H shares	76,502,030 (long position) 74,864,000 (lending pool)	Beneficial owner	7.20% (long position) 7.05% (lending pool)	1.73% (long position) 1.69% (lending pool)
Schroder Investment Management (Hong Kong) Limited	H shares	74,666,000 (long position)	Beneficial owner	7.03%	1.73%
Macquarie Group Limited	H shares	64,616,000 (long position)	Beneficial owner	6.08%	1.46%

1. Number of shares in the relevant class of share capital: A shares – 3,363,400,000, H shares –1,062,600,000.
2. Total umber of shares of share capital: 4,426,000,000

Save as disclosed above, as at 31 December 2010, so far as is known to the directors of the Company, no other persons (other than the directors or supervisors) had any interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors

Sufficiency of public float

Based on the information publicly available to the Company and so far as is known to the Directors, not less than 25% of the Company's total issued share capital was held by the 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" in this annual report.

Auditors

The financial statements have been audited by Ernst & Young and Reanda Certified Public Accountants Co., Ltd., as the Company's international and domestic auditors respectively, who will retire at the forthcoming annual general meeting.

Other matters

Implementation of the Non-Competition Agreement

On 23 March 2006, the Company and PDA entered into the Non-Competition Agreement. In connection with the Acquisition, a revised non-competition agreement (the "Revised Non-Competition Agreement") to the Non-Competition Agreement was concluded on 30 September 2009 (together, the "Non-Competition Agreements"). Pursuant to the Non-Competition Agreements, 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 agreements, the independent non-executive directors of the Company were granted the right on behalf of the Company to review at least on an annual basis the implementation of said agreements and determine the exercise of any of the aforesaid first rights or options.

The independent non-executive directors have conducted a review and made necessary enquiries for the year 2010 and confirm that PDA has been in compliance with the provisions of the Non-Competition Agreements and there was no breach on the side of PDA.

By Order of the Board

Sun Hong
Chairman

Dalian, PRC
13 April 2011

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 has strived 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. During the reporting period, 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 assumes the responsibility of leading and controlling the Company as well as promoting the sustainable development of the Company by directing and supervising the Company's affairs.

1. Board composition

The directors who held office during the reporting period and up to the date of this report are:

Executive directors

– Mr. Sun Hong (Chairman)
– Mr. Zhang Fengge
– Mr. Jiang Luning (General Manager) [Note 1]
– Ms. Su Chunhua (Chief Accountant) [Note 2]
– Mr. Xu Song (General Manager) [Note 1]

Non-executive directors

– Mr. Lu Jianmin
– Mr. Xu Jian

Independent non-executive directors

– Mr. Wang Zuwen
– Mr. Zhang Xianzhi
– Mr. Ng Ming Wah, Charles

Note 1: Mr. Jiang Luning resigned his office as the general manager of the Company on 24 January 2011 and Mr. Xu Song was appointed by the Board as the general manager of the Company on the same day.

Note 2: Ms. Su Chunhua resigned her office as director of the Company on 24 January 2011; Mr. Xu Song was appointed by the shareholders of the Company at the extraordinary general meeting held on 25 February 2011. Please refer to the announcement on the resignation of a director dated 24 January 2011 and the announcement on the voting results of the first extraordinary general meeting in 2011 dated 25 February for more details.

Corporate Governance Report

As at the date of this report, except for Mr. Xu Song, each director has entered into a service agreement with the Company for a term of no more than three years starting immediately after the date of conclusion of the annual general meeting for 2007, which is June 19, 2008. The term of office of Mr. Xu Song commenced from the date of the resolution approving his appointment until the expiry of the term of the second session of the Board on 17 June 2011.

The biographies of the directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this report. The executive and non-executive directors of the Company have expertise, extensive experience and skills in management, operation, finance and other port business 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 their independence to the Company 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 fully 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 were 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 four regular board meetings each year, to be convened by the Chairman of the Board (the "Chairman"). In order for the directors to have opportunity to attend board meetings, a notice of at least fourteen days shall be given to every director for a regular Board meeting. For an extraordinary board meeting, a notice of at least five 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 or her proxy to attend the Board meeting. The company secretary is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any director.

Corporate Governance Report

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

Member of the Board	Attendance/Total number of meetings	Attendance rate (approximately)
Mr. Sun Hong	7/7	100%
Mr. Zhang Fengge	7/7	100%
Mr. Jiang Luning	7/7	100%
Ms. Su Chunhua	7/7	100%
Mr. Lu Jianmin	7/7	100%
Mr. Xu Jian	7/7	100%
Mr. Zhang Xianzhi	7/7	100%
Mr. Ng Ming Wah, Charles	7/7	100%
Mr. Wang Zuwen	6/7	85.7%

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 sufficient check-and-balance mechanisms 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 senior management.

The Board is also responsible for the preparation of 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 2010, the directors have selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and 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. The management is 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.

Corporate Governance Report

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 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 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 the 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 five 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	5/5	100%
Mr. Ng Ming Wah, Charles	3/5	60%
Mr. Lu Jianmin	4/5	80%

Corporate Governance Report

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 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 compensation of directors and senior management of the Company, and to make recommendations to the Board on the 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	2/2	100%
Mr. Ng Ming Wah, Charles	2/2	100%
Mr. Sun Hong	2/2	100%

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 serves as the chairman.

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

During the reporting period, the Strategy Development Committee held two meetings. The attendance of the Strategy Development Committee is set out below:

Member of the Strategy Development Committee	Attendance/Total number of meetings Attendance Rate	Attendance rate
Mr. Xu Jian	1/1	100%
Mr. Wang Zuwen	1/1	100%
Mr. Jiang Luning	1/1	100%

Corporate Governance Report

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 other financial system, check its internal financial regulations, annual budget and final account proposals as well as profit distribution plan of the Company, and investigate financial risk management, financing, investment and other capital operations of the Company.

During the reporting period, the Financial Management Committee held one meeting. 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	1/1	100%
Mr. Zhang Xianzhi	1/1	100%
Ms. Su Chunhua	1/1	100%

7. Directors' securities transactions

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

C. Auditors

Ernst & Young Hua Ming and Ernst & Young have been appointed as the Company's domestic and international auditors, respectively, by the shareholders at the annual general meeting for the year 2009. Reanda Certified Public Accountants Co., Ltd. was appointed as the domestic auditor of the Company for the year 2010 at the extraordinary general meeting held on 25 February 2011, for the purpose of issuing the Company's audited financial statements prepared under PRC GAAP after the A Shares IPO.

During the reporting period, the total fees payable to the auditors for audit service to the Group (with the meaning ascribed to it under Independent Auditor's Report) are approximately RMB3,290,000.

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.

Corporate Governance Report

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.

After conducting a self-appraisal on the status of internal control of the Company, the Board considers that, during the reporting period, the internal control system of the Company was adequate. The Board also requested the management of the Company to further improve the internal control system to enhance 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" and the "Material Information Reporting Rules" which provide the responsibilities and procedure for disclosure and reporting 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 the 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 the Financial Management Committee are set out in Part B. 6 of this report.

In order to effectively avoid any operational risks resulting from misconduct or 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.

Corporate Governance Report

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 orderly 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 3% 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 within the authority of the general meeting.

The Articles of Association of the Company set forth 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 2009 was held on 18 June 2010, at which the following resolutions were considered and approved:

a. The report of the Board for the year 2009.

b. The report of the Supervisory Committee for the year 2009.

c. The report of the auditors and audited financial statements of the Company for the year ended 31 December 2009.

d. The final dividend distribution for the year ended 31 December 2009.

e. The appointment of Ernst & Young Hua Ming, as the PRC auditors of the Company, and Ernst & Young, as the international auditors of the Company, both to hold office until the conclusion of the next annual general meeting, and authorising the Board to fix their remunerations, respectively.

Corporate Governance Report

f. The general mandate for the Board of directors to issue shares.

g. The amendment to the Articles of Association of the Company.

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

Joint Company Secretaries:	Mr. Zhu Hongbo	Tel: 86 411 82798466
	Mr. Lee Kin Yu, Arthu	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 2010.

I. Work undertaken by the Supervisory Committee for the year 2010

During the year 2010, all the members of the Supervisory Committee strictly complied with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Securities on Shanghai Stock Exchange (the "Listing Rules"), the Articles of Association of the Company (the "Articles of Association") and other applicable laws and regulations in attending all the board meetings and general meetings held during the year 2010, at which we considered the reports on the submitted proposals and had our opinions heard. By attending the aforementioned meetings, we were aware of the operational status of the Company and have duly performed the duties of the Supervisory Committee in accordance with the applicable laws and regulations.

During the year 2010, the Supervisory Committee held a total of two meetings in total, at which the following proposals were considered :

Meetings of supervisory committee	Proposals considered
26 February 2010 The first meeting of the second session of supervisory committee	The Report of the Supervisory Committee for the year 2009
28 December 2010 The second meeting of the second session of supervisory committee	The proposal on the alternation of the use of the proceeds from A Shares IPO

II. The supervisory committee is in the following independent opinions on the relevant matters of the Company during the year 2010:

A. The supervisory committee's independent opinions on whether the Company's operation is in compliance with the laws

The Board has operated in strict compliance with the Articles of Association and the applicable laws and regulations, and the board meetings and the general meetings have been legally and validly convened and held and the decision-making procedures have met all the requirements of the applicable laws and regulations. The Company has established sound internal control system and the operation of the company has complied in all respects with the laws, regulations and the rules of the jurisdiction where the Company is listed. The directors and the senior management of the Company have performed their duties in a diligent and responsible manner and strictly executed the resolutions approved by the shareholders and the Board. The supervisory committee is not aware of any breach of applicable laws, regulations, Articles of Association or any damage to the interests of the Company caused by the directors or the senior management of the Company.

B. The Supervisory Committee's independent opinions on the Company's financial position

During the reporting period, the financial position of the Company has been sound, and the financial management and internal control policies has been strictly complied with and continuously optimized, which ensured the normal operation of the Company. The financial report of the Company for the year ended 31 December 2010 truly and objectively reflects the Company's financial position and operation results.

Report of the Supervisory Committee

C. The Supervisory Committee's independent opinions on the Company's use of proceeds from the recent financing activity

On 28 December 2010, a proposal on the alternation of the use of the proceeds from the initial public offering of A Shares of the Company in PRC ("A Shares IPO"), was considered and approved by the Board. The same proposal was subsequently submitted by the Board to the shareholders for approval. At the first extraordinary general meeting of the Company during the year 2011, which was held on 25 February 2011, the shareholders of the Company approved the proposal, pursuant to which the Company re-allocated RMB54,000,000 of the proceeds from A Shares IPO, originally planned for the purchase of two 3000 TEU container vessels, to the contribution of the registered capital of Dalian International Container Terminal Co., Ltd.

In the opinion of the Supervisory Committee, the above alternation of the use of proceeds from A Shares of the Company is in compliance with applicable laws and regulations. Other than the aforementioned, the actual use of proceeds is consistent with the intended use and there is no other change to the intended uses of the proceeds.

D. The Supervisory Committee's independent opinions on the Company's acquisition and disposal of assets

During the reporting period, the terms of the transaction of acquisition of assets and disposal of assets of the Company were fair and reasonable, and there was no insider transaction and the transactions did not cause any detriment to the interests of the shareholders or the assets of the Company.

E. The supervisory committee's independent opinions on the Company's connected transactions

During the reporting period, all the connected transactions of the Company were conducted based on the principal of equity, openness and fairness. The terms of the transactions were determined through arms' length negotiations based on the fair market price and all the transactions were conducted in compliance with the required legal procedures. The Supervisory Committee is not aware of any detriment to the interests of the shareholders or the Company.

F. The Supervisory Committee's independent opinions on internal controls of the Company

The existing system of the internal controls of the Company complies in all respects with the applicable laws and regulations. The supervisory committee has reviewed the self-appraisal report on internal controls of the Company for the reporting period and concurs with the opinions set out in the report.

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

Dalian, China
13 April 2011

Profiles of Directors, Supervisors and Senior Management

Directors

Mr. Sun Hong (孫宏先生), aged 48, an executive director and the chairman of the Board of the Company. 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 (since April 2003), and also serves as the chairman of the board of Dalian Port Container Development Co., Ltd., Dalian Port Jifa Logistics Co., Ltd., as well as a director of Dalian Prologis-Jifa Development Co., Ltd and Asia Pacific Ports Company 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.. He is a senior economist. Mr. Sun has more than twenty-six years of experience in managing port business and extensive experience in business and management and also obtained a master's degree in port management from the Antwerp Port Engineering and Consulting Centre in Belgium. 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 57, an executive Director of the Company. He joined Port of Dalian Authority in 1972, and held the positions of the head of the finance department and fund settlement centre of Port of Dalian Authority, the head of the management centre for finance-department-head-appointing and the chief accountant of Port of Dalian Authority. He is currently a deputy general manager and the chief accountant of Dalian Port Corporation Limited (since April 2003). Mr. Zhang also serves as the chairman of the supervisory committee of Dalian China Oil Dock Management Co., Ltd and a director of Asia Pacific Ports Company Limited and Asia Pacific Ports Investment Company Limited . 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-level senior accountant. Mr. Zhang has nearly forty 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. Xu Song (徐頌先生), aged 39, an executive director of the Company. Mr.Xu joined Port of Dalian Authority in 1992 and held various positions in the past, including the Planner at the Materials Department of Port Construction Headquarter of Dalian Port; the Planner at the Materials Section of the Construction and Engineering Department of Port of Dalian Authority; the Deputy Chief of the Comprehensive Department of Dalian Port Investment and Development Company Limited; the Deputy Chief of the Business Development Department of Dalian Port Container Comprehensive Development Company; the Deputy General Manager of Dalian Portnet Co., Ltd.; the Deputy General Manager and the General Manager of Dalian Jifa Logistics Co., Ltd.; the General Manager of Dalian Port Container Co., Ltd.; and the Deputy General Manager of Dalian Port Corporation Limited. Mr.Xu currently acts as a director of Dalian Port Corporation Limited (since January 2011) and a director of several subsidiaries of the Company, including Dalian Port Container Development Co., Ltd., Dalian International Logistics Park Development Co., Ltd. and Dalian Portnet Co., Ltd., and the chairman of several subsidiaries of the Company including DCT Logistics Co., Ltd. Mr. Xu has obtained a doctor degree from Dalian Maritime University majoring the transportation planning and management, a master degree from Dongbei University of Finance and Economics majoring in business administration, a master degree from Coventry University majoring in international business management and a bachelor degree from Huazhong University of Science and Technology majoring in material management. Mr. Xu is a senior economist and has nearly twenty years of experience in managing port business and extensive experience in business and management.

Profiles of Directors, Supervisors and Senior Management

Mr. Jiang Luning (姜魯寧先生), aged 48, an executive Director of the Company. 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 Container Co., Ltd.. He currently serves as the chairman of Dalian Port Container Terminal Co., Ltd., Dalian Container Terminal Co., Ltd. . He also serves as the deputy chairman of Dalian International Container Terminal Co., Ltd. as well as a director of Dalian Port Container Co., Ltd and Dalian Ocean Shipping Tally Co., Ltd, etc. He completed a Beijing international master of business administration programme at Peking University, obtained a master's degree from Fordham University in U.S. and graduated from Shanghai Maritime University with a bachelor's degree in water transportation management and engineering. He is a senior economist. Mr. Jiang has more than twenty-six 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.

Mr. Lu Jianmin (盧建民先生), aged 59, a non-executive Director of the Company. 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 (since April 2003) 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-five years of experience in port business and extensive experience in finance, financing, corporate management and operation.

Mr. Xu Jian (徐健先生), aged 46, a non-executive Director of the Company. 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 (since January 2005), the deputy chairman of Dalian Port PetroChina International Terminal Co., Ltd 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".

Mr. Wang Zuwen (王祖溫先生), aged 56, an independent non-executive Director of the Company. 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 academician of International Eurasian Academy of Sciences, the deputy chairman of China Institute of Navigation, a member of Chinese Mechanical 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 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 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".

Profiles of Directors, Supervisors and Senior Management

Mr. Zhang Xianzhi (張先治先生), aged 54, an independent non-executive Director of the Company. Mr. Zhang 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. Mr. Zhang has a doctorate degree in economics. He is a professor of finance and accounting, a tutor of doctorate postgraduates and a State grade lecturer. He was a senior visiting scholar at the New York State University, and a senior research scholar at the University of Cambridge. 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. Ng Ming Wah, Charles (吳明華先生), aged 61, an independent non-executive Director of the Company. Mr. Ng is a director of Somerley Limited, the principal business of which is the provision of corporate financial advisory services. He is currently a non-executive director of Goldlion Holdings Limited (stock code: HK533), and an independent non-executive director of each of China Everbright Limited (stock code: HK165) and China Molybdenum Co., Ltd. (stock code: HK3993) .Mr. Ng is also 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 53, the chairman of the supervisory committee of the Company. He joined Port of Dalian Authority in 1980 and held deputy chief of the administration Department of Port of Dalian Authority and deputy chief of the Dalian Port Facilities Maintenance Centre, the general manager of Dalian Port Machinery Company and Dalian Port Xingang Stevedoring Company, the deputy chief of Port of Dalian Authority and a deputy general manager of Dalian Port Corporation Limited. He is currently a director of Dalian Port Corporation Limited (since April 2003), and also serves as the chairman of the board of China United Tally Co., Ltd. Dalian and Odfjell Terminals (Dalian) Ltd and 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. Diao Chengbao (刁成寶先生), aged 65, a supervisor of the Company. 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.

Profiles of Directors, Supervisors and Senior Management

Ms. Fu Rong (傅榮女士), aged 53, a supervisor of the Company. 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 43, an employee representative supervisor of the Company. 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, and a supervisor of Dalian Ocean Shipping Tally Co., Ltd. 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 41, an employee representative supervisor of the Company. 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 deputy head of the Office of the Board, and the representative of security affairs of the Company. She is an economist and has lawyer qualification in the PRC with a bachelor's degree in law from Renmin University of China.

Senior Management

Mr. Xu Song (徐頌先生), the general manager of the Company. Please refer to the above section headed "Directors" for Mr.Xu's profile.

Mr.Wang Hongsuo (王洪鎖先生), aged 52, a deputy general manager of the Company. Mr.Wang joined Port of Dalian Authority in 1983 and held the Deputy Chief of the Energy Management Section of the Energy Management Department of Port of Dalian Authority; the Chief of the Energy Management Section of the Technology Management Department of Port of Dalian Authority, the Deputy Manager and the Manager of Dalian Port Power Supply Company and the Chief of the Corporate Development Department of Dalian Port Corporation Limited. Mr.Wang graduated from Dalian Maritime College majoring in vessel electrical engineering. He is a senior engineer. Mr. Wang has extensive experience in port planning, project management and port business cooperation.

Mr. Jiang Luning (姜魯寧先生), a deputy general manager of the Company. Please refer to the above section headed "Directors" for Mr. Jiang's profile.

Mr. Zhu Shiliang (朱世良先生), aged 51, a deputy general manager of the Company. Mr.Zhu joined Port of Dalian Authority in 1981 and held the Deputy Chief in charge of the Planning Section of the Cargo Business Division of Port of Dalian Authority, the Manager of the Freight Department of Dalian Port Freight Development and Service Center, the Deputy Manager in charge and the Manager of Dalian Port Freight Development and Service Center, the Manager of Dalian Port Dayaowan Stevedoring Company, and the General Manager of Dalian Port Bulk Gain Terminal Company. He is an economist. Mr. Zhu has more than thirty years of practical experience in port business operation and management.

Profiles of Directors, Supervisors and Senior Management

Mr. Sun Qian (孫謙先生), aged 45, a deputy general manager of the Company. Mr. Sun jointed Port of Dalian Authority in 1991 and held the general manager of DCT Logistics Co., Ltd., deputy general manager of Dalian Container Terminal Co., Ltd. and a director and the general manager of Dalian Jifa Logistics Co., Ltd. He is currently a director and the general manager of Dalian Port Container Co., Ltd. and Dalian Port Jifa Logistics Co., Ltd., the chairman of Dalian Jifa Bohai Rim Container Lines Co., Ltd, Dalian Jifa Shipping Agency Co., Ltd. and Dalian Jifa Shipping Management Co., Ltd, and the deputy chairman of Dalian Dagang China Shipping Container Terminal Co., Ltd. as well as a director of Dalian Port Container Co., Ltd and Dalian Jifa Logistics Co., Ltd.. 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. Zhang Guofeng (張國峰先生), aged 56, the chief accountant of the Company. He joined Port of Dalian Authority in 1975 and held the positions of the deputy manager of Dalian Gangwan Engineering Company, deputy head of financial department of Port of Dalian Authority, the chief of audit department of Port of Dalian Authority and the head of financial planning department of Dalian Port Corporation Limited. Mr. Zhang currently serves as a director of Dalian Harbour Construction Superintendence and Consulting Co., Ltd. and Dalian China Oil Dock Management Co., Ltd. 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. Zhu Hongbo (朱宏波先生), aged 38, the secretary to the board and a joint company secretary of the Company. He is currently an affiliate person of HKICS. Mr. Zhu joined Port of Dalian Authority in 1996 and held the positions of the deputy head and the head of finance management division of the planning and finance department of Dalian Port Corporation Limited as well as the deputy head of the planning and finance department of Dalian Port Corporation Limited. Mr. Zhu graduated from Dongbei University of Finance and Economics with a bachelor degree in accounting and from Dalian University of Technology with a Master degree in management and business administration in 2003. Mr. Zhu is a member of The Chinese Institute of Certified Public Accountant Association He has almost more than ten years of experience in accounting, finance and finance management in the port industry.

Mr. Lee Kin Yu, Arthur (李健儒先生), aged 51, a joint company secretary and the qualified accountant of the Company. 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 over seventeen years' experience in mergers and acquisitions, accounting, auditing and corporate finance.

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Dalian Port (PDA) Company Limited
(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 (together, the "Group") set out on pages 76 to 177, which comprise the consolidated and company statements of financial position as at 31 December 2010 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Company Ordinance, 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 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 about 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditors' Report

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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.

Ernst & Young
Certified Public Accountants

Hong Kong
28 March 2011

Consolidated Income Statement

Year Ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
REVENUE	7	**3,316,675**	3,017,653
Cost of sales and services		**(1,994,154)**	(1,893,416)
Gross profit		**1,322,521**	1,124,237
Other income and gains	8	**117,156**	66,973
Change in fair value of derivative financial liability		**29**	9,005
Selling and administrative expenses		**(371,044)**	(341,663)
Other expenses	9	**(3,427)**	(10,911)
Share of profits and losses of:			
Jointly-controlled entities	25	**122,611**	119,452
Associates		**1,784**	(3,379)
Finance costs	10	**(85,292)**	(74,221)
PROFIT BEFORE TAX	11	**1,104,338**	889,493
Income tax expense	12	**(236,580)**	(126,388)
PROFIT FOR THE YEAR		**867,758**	763,105
Attributable to:			
Owners of the parent		**834,233**	753,329
Non-controlling interests		**33,525**	9,776
		867,758	763,105
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (RMB)	18	**0.22**	0.21

Details of the dividends payable and proposed for the year are disclosed in note 17 to the financial statements.

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2010

	2010 RMB'000	2009 RMB'000 (Restated)
PROFIT FOR THE YEAR	**867,758**	763,105
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**(6,250)**	13,685
Income tax effect	**–**	–
	(6,250)	13,685
Exchange differences on translation of foreign operations	**9,732**	241
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,482**	13,926
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**871,240**	777,031
Attributable to:		
Owners of the parent	**837,715**	767,255
Non-controlling interests	**33,525**	9,776
	871,240	777,031

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	**31 December 2010 RMB'000**	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	19	**13,349,771**	10,736,051	9,887,848
Prepaid land lease payments	20	**280,993**	284,178	290,700
Investment properties	21	**816,372**	841,670	877,498
Intangible assets	22	**241,712**	154,528	160,118
Goodwill	23	**77,735**	16,035	16,035
Investments in jointly-controlled entities	25	**1,939,692**	1,621,395	1,562,607
Investments in associates	26	**1,070,445**	719,769	505,136
Available-for-sale investments	27	**155,982**	157,318	132,892
Deferred tax assets	28	**87,053**	74,229	58,264
Amounts due from jointly-controlled entities and associates	33	**25,591**	86,465	67,588
Total non-current assets		**18,045,346**	14,691,638	13,558,686
CURRENT ASSETS				
Inventories	29	**54,415**	48,926	40,079
Trade and bills receivables	30	**413,679**	410,185	291,779
Prepayments, deposits and other receivables	31	**424,990**	376,809	454,208
Prepaid land lease payments	20	**6,560**	6,501	6,480
Amounts due from jointly-controlled entities and associates	33	**101,239**	33,675	152,409
Amounts due from related companies	35	**5,096**	8,182	8,034
Amounts due from the holding company	36	**3,259**	1,207	21,621
Cash and bank balances	37	**3,257,585**	1,260,270	912,051
		4,266,823	2,145,755	1,886,661
Non-current assets classified as held for sale	16	**75,534**	–	–
Total current assets		**4,342,357**	2,145,755	1,886,661

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	**31 December 2010 RMB'000**	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
Total current assets		**4,342,357**	2,145,755	1,886,661
CURRENT LIABILITIES				
Trade and bills payables	38	**105,121**	116,046	118,489
Other payables and accruals	39	**1,410,443**	522,444	549,600
Amounts due to jointly-controlled entities and associates	34	**95,825**	25,133	6,181
Amounts due to related companies	35	**134,409**	133,890	102,830
Amounts due to the holding company	36	**1,615,967**	1,790	32,864
Tax payable		**41,975**	20,175	84,765
Interest-bearing bank borrowings	40	**1,270,000**	260,000	196,733
Government grants	42	**36,934**	35,446	38,380
Total current liabilities		**4,710,674**	1,114,924	1,129,842
NET CURRENT ASSETS/(LIABILITIES)		**(368,317)**	1,030,831	756,819
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,677,029**	15,722,469	14,315,505
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	40	**2,392,963**	2,244,317	1,455,000
Medium-term notes	41	**2,481,671**	2,476,730	–
Deferred tax liabilities	28	**61,700**	–	–
Amount due to a jointly-controlled entity	34	**14,229**	16,291	–
Government grants	42	**651,545**	670,483	711,178
Derivative financial liability	43	**–**	29	9,034
Amount due to the holding company	36	**–**	961,363	3,278,196
Other payables	44	**7,941**	11,846	–
Total non-current liabilities		**5,610,049**	6,381,059	5,453,408
Net assets		**12,066,980**	9,341,410	8,862,097
EQUITY				
Equity attributable to owners of the parent				
Issued capital	45	**4,426,000**	2,926,000	2,926,000
Reserves	46	**7,254,214**	5,542,245	5,376,620
Proposed final dividends	17	**221,300**	731,500	263,340
		11,901,514	9,199,745	8,565,960
Non-controlling interests		**165,466**	141,665	296,137
Total equity		**12,066,980**	9,341,410	8,862,097

Consolidated Statement of Changes in Equity

Year Ended 31 December 2010

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 45)	Share premium account RMB'000 (note 46)	Capital reserve RMB'000 (note 46)	Surplus reserve RMB'000 (note 46)	Other reserve RMB'000 (note a)	Available-for-sale investment revaluation reserve RMB'000	Translation reserve RMB'000	Proposed final dividend RMB'000 (note 46)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010												
As previously reported	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
Business combination under common control	–	–	2,332,465	–	–	–	–	–	156,390	2,488,855	95,345	2,584,200
As restated	2,926,000	1,460,941	3,204,346	357,935	(418,863)	13,685	(10,212)	731,500	934,413	9,199,745	141,665	9,341,410
Profit for the year	–	–	–	–	–	–	–	–	834,233	834,233	33,525	867,758
Other comprehensive income	–	–	–	–	–	(6,250)	9,732	–	–	3,482	–	3,482
Total comprehensive income	–	–	–	–	–	(6,250)	9,732	–	834,233	837,715	33,525	871,240
Contribution by PDA	–	–	21,793	–	–	–	–	–	–	21,793	–	21,793
Issue of A shares to public investors	761,820	2,010,272	–	–	–	–	–	–	–	2,772,092	–	2,772,092
Consideration Shares issued for the acquisition of the Target Assets	738,180	2,065,680	(2,354,258)	–	–	–	–	–	(336,638)	112,964	–	112,964
Business combination under common control (note 47)	–	(316,888)	–	–	–	–	–	–	5,587	(311,301)	–	(311,301)
Final 2009 dividend declared	–	–	–	–	–	–	–	(731,500)	–	(731,500)	–	(731,500)
Appropriations	–	–	–	57,055	–	–	–	–	(57,055)	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(9,724)	(9,724)
Transfer	–	–	–	–	23,546	–	–	–	(23,546)	–	–	–
Proposed 2010 dividend	–	–	–	–	–	–	–	221,300	(221,300)	–	–	–
Share of reserve of an associate	–	–	6	–	–	–	–	–	–	6	–	6
At 31 December 2010	4,426,000	5,220,005*	871,887*	414,990*	(395,317)*	7,435*	(480)*	221,300	1,135,694*	11,901,514	165,466	12,066,980

* These reserve accounts comprise the consolidated reserves of RMB7,254,214,000 as at 31 December 2010 in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year Ended 31 December 2009 (Restated)

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 45)	Share premium account RMB'000 (note 46)	Capital reserve RMB'000 (note 46)	Surplus reserve RMB'000 (note 46)	Other reserve RMB'000 (note a)	Available-for-sale investment revaluation reserve RMB'000	Translation reserve RMB'000	Proposed final dividend RMB'000 (note 46)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009												
As previously reported	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
Business combination under common control	–	–	2,192,785	–	–	–	–	–	12,329	2,205,114	106,391	2,311,505
As restated	2,926,000	1,460,941	3,074,476	292,620	(480,245)	–	(10,453)	263,340	1,039,281	8,565,960	296,137	8,862,097
Profit for the year	–	–	–	–	–	–	–	–	753,329	753,329	9,776	763,105
Other comprehensive income	–	–	–	–	–	13,685	241	–	–	13,926	–	13,926
Total comprehensive income	–	–	–	–	–	13,685	241	–	753,329	767,255	9,776	777,031
Acquisition of non-controlling interest	–	–	(9,810)	–	–	–	–	–	–	(9,810)	(140,200)	(150,010)
Contribution by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	3,750	3,750
Contribution by PDA	–	–	139,680	–	–	–	–	–	–	139,680	–	139,680
Final 2008 dividend declared	–	–	–	–	–	–	–	(263,340)	–	(263,340)	–	(263,340)
Appropriations	–	–	–	65,315	–	–	–	–	(65,315)	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(27,798)	(27,798)
Transfer	–	–	–	–	61,382	–	–	–	(61,382)	–	–	–
Proposed 2009 dividend	–	–	–	–	–	–	–	731,500	(731,500)	–	–	–
At 31 December 2009	2,926,000	1,460,941*	3,204,346*	357,935*	(418,863)*	13,685*	(10,212)*	731,500	934,413*	9,199,745	141,665	9,341,410

* These reserve accounts comprise the consolidated reserves of RMB5,542,245,000 as at 31 December 2009 in the consolidated statement of financial position.

Note:

(a) 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.

Consolidated Statement of Cash Flows

Year Ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,104,338**	889,493
Adjustments for:			
Bank interest income	8	**(12,768)**	(10,044)
Change in fair value of derivative financial liability		**(29)**	(9,005)
Depreciation and amortisation	11	**525,499**	489,816
Government grants released to the income statement to offset depreciation	11	**(35,296)**	(34,460)
Finance costs	10	**85,292**	74,221
(Gain)/loss on disposal of items of property, plant and equipment	8, 9	**(3,180)**	9,877
Foreign exchange gains		**(8,834)**	–
Gain on disposal of investments held for trading	8	**(17,170)**	(10,624)
Gain on disposal of an available-for-sale investment	8	**–**	(395)
Gain on disposal of prepaid land lease payments	8	**(31,676)**	–
Gain on disposal of investment properties	8	**(3,203)**	–
Net interest income from derivative financial liability	8	**–**	(2,317)
Interest income from a third party	8	**(3,376)**	(217)
Interest income from jointly-controlled entities and associates	8	**(3,221)**	(4,989)
Dividend income from available-for-sale investments	8	**(2,875)**	(4,469)
Recognition of prepaid land lease payments	11	**6,707**	6,501
Share of results of jointly-controlled entities	25	**(122,611)**	(119,452)
Share of results of associates	26	**(1,784)**	3,379
		1,475,813	1,277,315
Increase in inventories		**(9,210)**	(8,847)
Increase in trade and bills receivables		**(1,726)**	(118,406)
(Increase)/decrease in prepayments, deposits and other receivables		**(15,943)**	9,412
Increase in amounts due from jointly-controlled entities and associates		**(546)**	(12,783)
(Increase)/decrease in amounts due from related companies		**3,086**	(228)
(Increase)/decrease in amounts due from PDA		**(2,052)**	15,544
Increase/(decrease) in government grants		**17,846**	(1,246)
Decrease in trade and bills payables		**(51,787)**	(2,443)
Increase/(decrease) in other payables and accruals		**194,258**	(24,791)
Increase in amounts due to jointly-controlled entities and associates		**4,073**	13,583
Increase in amounts due to related companies		**750**	65,829
Increase/(decrease) in amounts due to PDA		**(1,790)**	231
Cash generated from operations		**1,612,772**	1,213,170
Interest received		**12,768**	10,044
Income tax paid		**(183,688)**	(161,039)
Net cash flows from operating activities		**1,441,852**	1,062,175

Consolidated Statement of Cash Flows

Year Ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
Net cash flows from operating activities		**1,441,852**	1,062,175
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	19	**(1,276,677)**	(1,044,295)
Acquisition of a subsidiary	48	**(395,178)**	–
Investments in associates	26	**(349,600)**	(218,751)
Investments in jointly-controlled entities	25	**(295,158)**	(66,184)
Acquisition of the Target Assets	47	**(197,084)**	–
Deposit paid for acquisition of equity investment		**(137,470)**	–
Loans to jointly-controlled entities and associates		**(69,717)**	(22,465)
Entrusted loans to a third party		**(41,250)**	(47,800)
Purchase of prepaid land lease payments	20	**(17,603)**	–
Purchase of intangible assets	22	**(11,850)**	(15,400)
Acquisition of available-for-sale investments	27	**(3,135)**	(12,000)
Acquisition of non-controlling interests of a subsidiary		**–**	(150,010)
Purchase of investment properties	21	**–**	(1,503)
Dividends received from jointly-controlled entities and associates		**121,243**	146,386
Advance received for disposal of non-current assets held for sale	16	**71,217**	–
Collection of loans to jointly-controlled entities		**67,588**	25,000
Proceeds from disposal of prepaid land lease payments		**40,341**	–
Proceeds from disposal of items of property, plant and equipment		**18,236**	41,862
Proceeds from disposal of investments held for trading, net		**17,170**	10,624
Proceeds from disposal of investment properties		**8,665**	–
Dividends received from available-for-sale investments		**3,327**	4,017
Interest received from jointly-controlled entities and associates		**2,615**	4,989
Proceeds from disposal of intangible assets		**1,170**	–
Collection of a loan to an associate		**–**	110,000
Reduction of capital of a jointly-controlled entity and an associate		**–**	4,500
Net interest received from derivative financial liability		**–**	2,317
Proceeds from disposal of an available-for-sale investment		**–**	1,627
Net cash flows used in investing activities		**(2,443,150)**	(1,227,086)

Consolidated Statement of Cash Flows

Year Ended 31 December 2010

	2010 **RMB'000**	2009 RMB'000 (Restated)
Net cash flows used in investing activities	**(2,443,150)**	(1,227,086)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	**(939,600)**	(1,591,733)
Dividend paid	**(731,500)**	(263,340)
Interest paid	**(217,457)**	(148,096)
Settlement of amount due to PDA	**(102,916)**	–
Expenses relating to the issuance of A shares to public investors	**(10,009)**	(17,015)
Dividends paid to non-controlling shareholders	**(9,456)**	(38,003)
Repayment of loans from an associate	**(8,660)**	–
Expenses relating to the issuance of medium-term notes	**(3,905)**	–
Repayment of a loan from PDA	**–**	(788,377)
Proceeds from issuance of A shares to public investors	**2,799,116**	–
New bank loans raised	**1,691,888**	744,317
Increase in deposits payable	**530,266**	–
Loan from a jointly-controlled entity and an associate	**2,000**	21,660
Proceeds from issuance of medium-term notes	**–**	2,489,697
Government grants received	**–**	100,000
Contribution from non-controlling shareholders	**–**	3,750
Net cash flows from financing activities	**2,999,767**	512,860
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,998,469**	347,949
Cash and cash equivalents at 1 January	**1,260,270**	912,051
Effect of foreign exchange rate changes, net	**(1,154)**	270
Cash and cash equivalents at 31 December	**3,257,585**	1,260,270
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**3,257,585**	1,260,270

Statement of Financial Position

As at 31 December 2010

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	**11,055,610**	5,262,336
Prepaid land lease payments	20	**124,611**	143,927
Intangible assets	22	**39,333**	2,873
Investments in subsidiaries	24	**3,076,403**	1,843,776
Investments in jointly-controlled entities	25	**398,202**	328,888
Investments in associates	26	**818,727**	221,188
Available-for-sale investments	27	**16,751**	–
Deferred tax assets	28	**9,120**	11,263
Amounts due from subsidiaries	32	**892,800**	800,000
Amounts due from a jointly-controlled entity	33	**–**	64,000
Total non-current assets		**16,431,557**	8,678,251
CURRENT ASSETS			
Inventories	29	**41,270**	8,958
Trade and bills receivables	30	**317,410**	25,328
Prepayments, deposits and other receivables	31	**445,584**	327,976
Prepaid land lease payments	20	**2,780**	3,138
Amounts due from subsidiaries	32	**455,849**	771,384
Amounts due from jointly-controlled entities	33	**9,925**	8,098
Amounts due from related companies	35	**2,589**	10
Cash and bank balances	37	**2,829,874**	762,507
		4,105,281	1,907,399
Non-current assets classified as held for sale	16	**75,534**	–
Total current assets		**4,180,815**	1,907,399
CURRENT LIABILITIES			
Trade and bills payables	38	**16,581**	20,990
Other payables and accruals	39	**1,245,644**	276,432
Amounts due to subsidiaries	32	**56,634**	215
Amounts due to jointly-controlled entities and associates	34	**78,566**	5,768
Amounts due to related companies	35	**133,156**	54,640
Amounts due to the holding company	36	**1,615,739**	1,272
Tax payable		**8,399**	13,996
Interest-bearing bank borrowings	40	**400,000**	–
Government grants	42	**34,505**	34,505
Total current liabilities		**3,589,224**	407,818
NET CURRENT ASSETS		**591,591**	1,499,581
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,023,148**	10,177,832

Statement of Financial Position

As at 31 December 2010

	Notes	**31 December 2010 RMB'000**	31 December 2009 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,023,148**	10,177,832
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	40	**1,500,000**	–
Medium-term notes	41	**2,481,671**	2,476,730
Government grants	42	**628,355**	662,860
Amount due to a jointly-controlled entity	34	**14,229**	16,291
Derivative financial liability	43	**–**	29
Other payables	44	**7,941**	11,846
Total non-current liabilities		**4,632,196**	3,167,756
Net assets		**12,390,952**	7,010,076
EQUITY			
Issued capital	45	**4,426,000**	2,926,000
Reserves	46	**7,743,652**	3,352,576
Proposed final dividends	17	**221,300**	731,500
Total equity		**12,390,952**	7,010,076

Xu Song
Director

Jiang Luning
Director

Notes to the Financial Statements

31 December 2010

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. The Company's "H" shares and "A" shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK") and the Shanghai Stock Exchange (the "SSE") from 28 April 2006 and 6 December 2010 onwards, respectively. The registered office of the Company is located at No.1 Gangwan Street, Zhongshan District, Dalian City, Liaoning Province, the PRC.

On 30 September 2009, the Company and Dalian Port Corporation Limited ("PDA") entered into a conditional agreement (the "Acquisition Agreement") in relation to the acquisition (the "Acquisition") of the assets and liabilities (the "Target Assets") in respect of all of PDA's port business operating (i) ore terminal and related logistics services; (ii) general cargo terminal and related logistics services; (iii) bulk grain terminal and related logistics services; (iv) passenger and roll-on, roll-off terminal and related logistics services; and (v) certain ancillary port operations. The Company will settle the consideration for the Acquisition by (i) direct placement to PDA of a number of A shares (the "Consideration Shares"); or (ii) immediate payment to PDA, in cash and without any deduction, of the proceeds from the placement of the Consideration Shares, which is subject to the approval of the China Security and Regulatory Commission (the "CSRC").

The Acquisition Agreement became effective on 23 November 2010 after receiving the formal approval of the CSRC and the issue of public A shares. According to the Acquisition Agreement, all the rights and liabilities attached to the Target Assets are deemed to be transferred to the Company on the completion date (the "Completion Date") which is on the first day of the calendar month during which the Acquisition Agreement became effective. Upon completion of the issue of public A shares and the Acquisition pursuant to the Acquisition Agreement, an aggregate of 761,820,000 A shares and an aggregate of 738,180,000 Consideration Shares were issued to the public investors in the PRC and PDA, respectively.

Upon completion of the Acquisition, the Group's business has been expanded to the provision of: (i) oil/liquefied chemicals terminal and logistics services, (ii) container terminal and logistics services, (iii) automobile terminal and logistics services, (iv) ore terminal and related logistics services, (v) general cargo terminal and related logistics services; (vi) bulk grain terminal and related logistics services; (vii) passenger and roll-on, roll-off terminal and related logistics services; (viii) port value-added services and certain ancillary port operations.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is PDA, which is a state-owned enterprise established on 30 April 2003, under the laws of the PRC.

Notes to the Financial Statements

31 December 2010

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standard Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets, which have been measured at fair value, as explained in the accounting policies set out below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The Acquisition of the Target Assets from PDA is considered to be a business combination under common control since the Group and the Target Assets were under the common control of PDA both before and after the completion of the acquisition.

Acquisition under common control is accounted for using merger accounting. Merger accounting involves incorporating the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first come under the control of the controlling party. The net assets of the Group and the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the acquired entities' or business' identifiable assets, liabilities and contingent liabilities over cost of acquisition at the time of the business combinations under common control. The consolidated income statements include the results of the Group and the acquired entities under common control from 1 January 2009, the earliest date presented, or since the date when the combining entities first came under common control, where this is a shorter period, regardless of the date of the business combinations under common control.

Save for the aforesaid, acquisition method is used to account for any acquisition of subsidiaries not under common control. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Notes to the Financial Statements

31 December 2010

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or losses. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statement.

IFRS 1 (Revised)	*First-time Adoption of IFRSs*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs – Additional Exemption for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *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 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC – 17	*Distributions of Non-cash Assets to Owners*
Improvements to IFRSs (Issued 2009)	Amendments to a number of IFRSs

Other than as further explained below regarding the impact of IFRS 3 (Revised) and IAS 27 (Revised), the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

Notes to the Financial Statements

31 December 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combination achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the prior period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effect of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but not yet effective, in these financial statements.

IFRS 1 Amendments	Amendment to IFRS 1 *First-time Adoption of IFRSs – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
IFRS 9	*Financial Instruments*[5]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
IFRIC 14 Amendments	Amendment to IFRIC-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the IASB issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

Notes to the Financial Statements

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2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The Group is in the process of making assessment of the impact of these new and revised IFRSs upon initial application. So far, the directors of the Company anticipate that the application of these new and revised IFRSs will have no material impact on the results and the financial position of the Group except for the adoption of the Improvement to IFRS 1–First-time adoption of IFRSs.

The amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such remeasurement occurs after the date of transition to IFRS, but during the period covered by its first IFRS financial statements the adjustment is recognised directly in retained profits (or if appropriate, another category of equity). Entities that adopted IFRS in previous periods are permitted to apply the amendment retrospectively in the first annual period after the amendment is effective from 1 January 2011.

The directors of the Company anticipated that the adoption of the above amendment will eliminate major differences between the Group's consolidated financial statements under IFRS and the statutory financial statement which are prepared in accordance with the Chinese Accounting Standards for Business Enterprises ("CAS") issued by the Ministry of Finance of the PRC.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less than any impairment losses.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. Merger accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control consolidation occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The assets and liabilities of the acquired entities or business are combined using the existing book values from the controlling party's perspective.

No amount is recognised as consideration for goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination, to the extent of the continuation of the controlling party's interest.

Comparative amounts in the financial statements are presented using the principles as set out above as if the entities or businesses had been combined at the previous reporting date unless the combining entities or businesses first came under common control at a later date.

Business combinations not under common control and goodwill

Business combinations from 1 January 2010

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combinations not under common control, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measure at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations not under common control and goodwill *(Continued)*

Business combinations from 1 January 2010 *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following difference applied to business combinations prior to 1 January 2010.

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquire were not reassessed on the acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) The entity is an associate or jointly-controlled entity of the Group.

(iii) The entity and the group are jointly-controlled entities of the same third party.

(iv) The entity is a jointly-controlled entity/associate of a third entity and the Group is an associate/jointly-controlled entity of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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 accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carry amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 to their estimated residual values, using the straight-line method, at the following rates per annum.

Buildings	2% to 5%
Terminal facilities	2% to 6%
Terminal equipment	5% to 10%
Vessels and motor vehicles	5% to 14%
Other equipment	9% to 19%

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Construction in progress represents property, plant and equipment under construction and installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under financial leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any 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 when no future economic benefits are expected from its disposals. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Transfers to, or from, investment properties are made when, and only when, there is evidence of a change in use.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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 income statement when the asset is derecognised.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position 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 within the scope of IAS39 are classified into loans and receivables and available-for-sale financial investments. All regular way purchases or sales of financial assets are recognised on the trade date, is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carry amount of the financial asset or financial liability.

Interest income or expense 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. After initial recognition, loans and receivables (including cash and bank balances, trade and other receivables, amounts due from jointly-controlled entities, associates and related companies) are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivatives financial assets in listed and unlisted equity 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.

After, available-for-sale financial assets are subsequently measured at fair value, with gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement in other expenses and removed from the available-for-sale investment revaluation reserve.

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 impairment losses at each reporting date subsequent to initial recognition.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost 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, observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Available-for-sale financial investments assets

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in transferred from equity to the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities and equity instruments

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.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, financial guarantee contracts, amounts due to related parties, medium-term notes and interest-bearing bank borrowings.

Loans and borrowings

After initial recognition, loans and borrowings including interest-bearing bank borrowings and medium-term notes are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the financial guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 reporting date. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments investments that are traded in active organised financial markets is determined by reference to quoted market bid prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the cash management of the Group.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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 terminal and logistics services, port value-added services and other services are recognised when the respective services are rendered.

Rental income is recognised on the 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 or a shorter period, when appropriate, to that asset's net carrying amount.

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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 reporting date.

Deferred tax is provided on all temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities and their corresponding tax bases using liability method for financial reporting purpose.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax liability or deferred tax asset relating to the deductible temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the taxable profit nor the accounting profit; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting 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 deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements

31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. The 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Retirement benefit costs

The employees of the Group in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions to state-managed retirement benefit schemes are charged as an expense when they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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 at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting 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 rates of exchange prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless in the case where 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 in other comprehensive income as a separate component of equity (the translation reserve). The components of other comprehensive income relating to that particular foreign operation are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Financial Statements

31 December 2010

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives and impairment assessment of property, plant and equipment and investment properties

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and investment properties. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and investment properties 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.

Notes to the Financial Statements

31 December 2010

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on assessment of the recoverability of trade and other receivables. The identification of impairment of trade and other receivables requires management judgement and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and bad and doubtful debt expenses/write-back in the period in which the estimate has been changed.

Estimated recoverable amounts of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of goodwill are given in note 23 to the financial statements.

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 2010, the carrying amount of intangible assets was approximately RMB241,712,000 (2009: RMB154,528,000). 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 reflect 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.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the Financial Statements

31 December 2010

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 interest-bearing bank borrowings and medium-term notes disclosed in note 40 and 41 and equity attributable to equity holders of the Company, comprising issued capital, share premium account, capital reserve, surplus reserve, other reserve, revaluation reserve, translation reserve and retained profits. 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. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010

		Group	
Financial assets	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments (note 27)	–	155,982	155,982
Trade and bills receivables (note 30)	413,679	–	413,679
Financial assets included in prepayments, deposits and other receivables (note 31)	395,912	–	395,912
Amounts due from jointly-controlled entities and associates (note 33)	126,830	–	126,830
Amounts due from related companies (note 35)	5,096	–	5,096
Amounts due from the holding company (note 36)	3,259	–	3,259
Cash and bank balances (note 37)	3,257,585	–	3,257,585
	4,202,361	155,982	4,358,343

Notes to the Financial Statements

31 December 2010

6. FINANCIAL INSTRUMENTS *(Continued)*

6a. Financial instruments by category *(Continued)*

2010

Financial liabilities	Group Financial liabilities at amortised cost RMB'000
Trade and bills payables (note 38)	**105,121**
Financial liabilities included in other payables and accruals (note 39)	**1,253,476**
Amounts due to jointly-controlled entities and associates (note 34)	**24,608**
Amounts due to related companies (note 35)	**134,409**
Amounts due to the holding company (note 36)	**1,615,967**
Interest-bearing bank borrowings (note 40)	**3,662,963**
Medium-term notes (note 41)	**2,481,671**
Non-current other payables (note 44)	**7,941**
	9,286,156

2009 (restated)

Financial assets	Loans and receivables RMB'000	Group Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments (note 27)	–	157,318	157,318
Trade and bills receivables (note 30)	410,185	–	410,185
Financial assets included in prepayments, deposits and other receivables (note 31)	324,845	–	324,845
Amounts due from jointly-controlled entities and associates (note 33)	120,140	–	120,140
Amounts due from related companies (note 35)	8,182	–	8,182
Amounts due from the holding company (note 36)	1,207	–	1,207
Cash and bank balances (note 37)	1,260,270	–	1,260,270
	2,124,829	157,318	2,282,147

Notes to the Financial Statements

31 December 2010

6. FINANCIAL INSTRUMENTS *(Continued)*

6a. Financial instruments by category *(Continued)*

2009 (restated)

Financial liabilities	Group Financial liabilities at amortised cost RMB'000	Derivative financial liabilities RMB'000	Total RMB'000
Trade and bills payables (note 38)	116,046	–	116,046
Financial liabilities included in other payables and accruals (note 39)	462,709	–	462,709
Amounts due to jointly-controlled entities and associates (note 34)	25,133	–	25,133
Amounts due to related companies (note 35)	133,890	–	133,890
Amounts due to the holding company (note 36)	963,153	–	963,153
Interest-bearing bank borrowings (note 40)	2,504,317	–	2,504,317
Medium-term notes (note 41)	2,476,730	–	2,476,730
Non-current other payables (note 44)	11,846	–	11,846
Derivative financial liability (note 43)	–	29	29
	6,693,824	29	6,693,853

6b. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, medium-term notes and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operation.

The main risks associated with these financial instruments are market risk (foreign currency 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 in a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to the risk of changes in market interest rates related primarily to the Group's interest-bearing bank borrowings with a floating interest rate. 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 London Interbank Offered Rate arising from the Group's RMB and United States Dollar ("USD") denominated borrowings.

Notes to the Financial Statements

31 December 2010

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) *Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the reporting 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 reporting dates, if interest rates had been increased/decreased by 27 basis points for each of years ended 31 December 2010 and 2009 and all other variables were held constant, the Group's profit before tax would decrease/increase by approximately RMB9,080,000 and RMB6,168,000 for the years ended 31 December 2010 and 2009, 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 reporting date.

If the prices of the listed available-for-sale investments had been 5% lower/higher as at 31 December 2010, the Group's investment revaluation reserve would decrease/increase by approximately RMB1,340,000 as a result of the changes in fair value of the listed available-for-sale investments for the year ended 31 December 2010.

If the prices of the listed available-for-sale investments had been 5% lower/higher as at 31 December 2009, the Group's investment revaluation reserve would decrease/increase by approximately RMB1,511,000 as a result of the changes in fair value of the listed available-for-sale investments for the year ended 31 December 2009.

Notes to the Financial Statements

31 December 2010

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure of the counterparties to discharge an obligation is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 reporting 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.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the end of reporting period, the Group has certain concentration of credit risk as 34% (2009: 40%) of the Group's trade receivables were due from the five largest customers. The failure of any of these customers to make required payments could have a substantial negative impact on the Group's profit.

The Group manages this risk by applying a limit on the credit to these customers. The Group performs ongoing credit evaluations of its customers' financial conditions. The allowance for doubtful debts is based upon a review of the expected collectability of all trade receivables.

Liquidity risk

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

The Group relies on medium-term notes and bank borrowings as significant sources of liquidity. As at 31 December 2010 and 2009, the Group had total available unutilised overdraft and bank loan facilities of approximately RMB6,880,000,000 and RMB4,530,000,000, respectively.

Notes to the Financial Statements

31 December 2010

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The maturity profile of the Group's non-derivative financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2010

	On demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	93,571	8,500	3,050	–	–	105,121
Other payables and accruals	1,181,759	4,028	67,689	–	–	1,253,476
Non-current other payables	–	–	–	7,941	–	7,941
Amounts due to jointly-controlled entities and associates	9,110	10,498	5,000	–	–	24,608
Amounts due to related companies	133,309	1,100	–	–	–	134,409
Amount due to PDA	1,615,967	–	–	–	–	1,615,967
Interest-bearing bank borrowings	–	63,943	1,451,688	2,245,695	597,157	4,358,483
Medium-term notes – fixed rate	–	–	43,216	2,821,000	–	2,864,216
	3,033,716	88,069	1,570,643	5,074,636	597,157	10,364,221

31 December 2009 (restated)

	On demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	97,746	10,650	7,650	–	–	116,046
Other payables and accruals	395,551	658	66,500	–	–	462,709
Non-current other payables	–	–	–	11,846	–	11,846
Amounts due to jointly-controlled entities and associates	3,473	–	6,660	15,000	–	25,133
Amounts due to related companies	130,690	150	3,050	–	–	133,890
Amount due to PDA	963,153	–	–	–	–	963,153
Interest-bearing bank borrowings	–	153,831	216,146	1,807,519	885,465	3,062,961
Medium-term notes – fixed rate	–	–	44,405	2,928,000	–	2,972,405
	1,590,613	165,289	344,411	4,762,365	885,465	7,748,143

Notes to the Financial Statements

31 December 2010

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value and fair value hierarchy

Fair value

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The followings methods and assumptions were used to estimate the fair values:

Cash and bank balances, the current portion of trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to jointly-controlled entities and associates, amounts due from/to related companies and amounts due from/to the holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of medium-term bank notes, non-current portion of interest-bearing bank borrowings, and amounts due from/to jointly-controlled entities and associates have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

Asset measured at fair value

	31 Dec 2010 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Quoted equity shares	**23,853**	**23,853**	**–**	**–**

	31 Dec 2009 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Quoted equity shares	30,224	30,224	–	–

Notes to the Financial Statements

31 December 2010

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value and fair value hierarchy *(Continued)*

Liability measured at fair value

	31 Dec 2009 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Interest rate swap contract	29	–	–	29

7. SEGMENT INFORMATION

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment.

For management purposes, the Group is organised into business units based on their products and services and has eight reportable segments as follows:

Oil/liquefied chemical 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
Ore terminal and logistics services	Loading and unloading of ore and provision of related logistics services
General cargo terminal and logistics services	Loading and unloading of general cargo and provision of related logistics services
Bulk grains terminal and logistics services	Loading and unloading of grains and provision of related logistics services
Passenger and roll-on, roll-off terminal and logistics services	Passenger transportation and general cargo roll-on and roll-off and provision of related logistics services
Port value-added services and ancillary port operations	Tallying, tugging, transportation, power supply, information technology and construction services

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

The Group's reportable segments adopt accounting policies that are the same as those described in note 3 to these consolidated financial statements.

Notes to the Financial Statements

31 December 2010

7. SEGMENT INFORMATION *(Continued)*

These reporting 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.

The following tables present the financial information for the Group's operating segments for the years ended 31 December 2010 and 2009.

Income statement

For the year ended 31 December 2010

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Ore terminal and logistics services RMB'000	General cargo terminal and logistics services RMB'000	Bulk grains terminal and logistics services RMB'000	Passenger and roll-on, roll-off terminal and logistics services RMB'000	Port value-added services and ancillary port operations RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	886,584	467,195	–	304,994	310,932	267,638	75,032	898,006	106,294	3,316,675
Cost of sales and services	(386,998)	(293,232)	–	(194,802)	(292,581)	(166,870)	(35,292)	(574,707)	(49,672)	(1,994,154)
Gross profit	499,586	173,963	–	110,192	18,351	100,768	39,740	323,299	56,622	1,322,521
Other income and gains	37,729	23,939	–	8	88	417	764	33,175	1,671	97,791
Interest income	828	3,421	32	1	5	106	25	2,735	12,212	19,365
Selling and administrative expenses	(43,233)	(64,669)	(218)	(24,154)	(35,000)	(18,652)	(12,364)	(110,597)	(62,157)	(371,044)
Other expenses	(3)	(4)	–	–	(64)	–	(3,343)	(13)	–	(3,427)
Change in fair value of derivative financial liability	–	–	–	–	–	–	–	–	29	29
Share of results of:										
Jointly-controlled entities	18,171	100,408	2,748	–	–	–	–	1,284	–	122,611
Associates	9,905	(6,647)	–	–	(3,581)	–	1,361	746	–	1,784
Finance costs	(11,639)	(9,988)	–	–	–	–	–	(448)	(63,217)	(85,292)
Profit/(loss) before tax	511,344	220,423	2,562	86,047	(20,201)	82,639	26,183	250,181	(54,840)	1,104,338
Income tax expense	(113,632)	(29,828)	–	(21,525)	2,323	(20,762)	(6,066)	(60,636)	13,546	(236,580)
Profit/(loss) after tax	397,712	190,595	2,562	64,522	(17,878)	61,877	20,117	189,545	(41,294)	867,758

Segment profit/loss after tax represents the profit/loss of 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 Financial Statements

31 December 2010

7. SEGMENT INFORMATION *(Continued)*

Statement of financial position

As at 31 December 2010

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal logistics services RMB'000	Automobile terminal and logistics services RMB'000	Ore terminal and logistics services RMB'000	General cargo terminal and logistics services RMB'000	Bulk grains terminal and logistics services RMB'000	Passenger and roll-on, roll-off terminal and logistics services RMB'000	Port value-added services and ancillary port operations RMB'000	Unallocated RMB'000	Total RMB'000
Assets										
Segment assets	6,239,287	2,936,773	478,189	1,957,634	2,159,700	1,327,179	60,758	1,930,129	2,287,917	19,377,566
Investments in jointly-controlled entities	276,922	1,502,107	150,710	–	–	–	–	9,953	–	1,939,692
Investments in associates	579,973	239,929	–	–	153,214	–	95,329	2,000	–	1,070,445
Total assets	7,096,182	4,678,809	628,899	1,957,634	2,312,914	1,327,179	156,087	1,942,082	2,287,917	22,387,703
Liabilities										
Segment liabilities	2,584,751	468,253	57,497	89,070	161,489	37,861	26,991	646,702	6,248,109	10,320,723

Other information

For the year ended 31 December 2010

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Ore terminal and logistics services RMB'000	General cargo terminal and logistics services RMB'000	Bulk grains terminal and logistics services RMB'000	Passenger and roll-on, roll-off terminal and logistics services RMB'000	Port value-added services and ancillary port operations RMB'000	Unallocated RMB'000	Total RMB'000
Capital expenditure*	636,752	291,187	148,491	168,422	506,414	138,706	531	33,456	22,215	1,946,174
Depreciation and amortisation	182,712	51,596	37	77,652	46,054	64,374	2,755	67,729	32,590	525,499
Government grants related to depreciable assets released to income statement	(34,505)	(791)	–	–	–	–	–	–	–	(35,296)
Government grants	–	(21,100)	–	–	–	–	–	(6,812)	(965)	(28,877)
Recognition of prepaid land lease payments	3,010	3,697	–	–	–	–	–	–	–	6,707
Reversal of impairment of receivables	–	(264)	–	(8)	(15)	–	–	(37)	–	(324)
(Gain)/loss on disposal of items of property, plant and equipment, net	4,438	50	(342)	–	–	–	–	(7,388)	62	(3,180)
Gain on disposal of prepaid land lease payments	(31,676)	–	–	–	–	–	–	–	–	(31,676)
Gain on disposal of investment properties	–	(3,203)	–	–	–	–	–	–	–	(3,203)
Gains on disposal of quoted investments held for trading	–	–	–	–	–	–	–	(17,170)	–	(17,170)
Intersegment sales	(362)	(1,410)	–	–	(1,370)	(54)	–	(120,492)	–	(123,688)

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets.

Notes to the Financial Statements

31 December 2010

7. SEGMENT INFORMATION *(Continued)*

Income statement

For the year ended 31 December 2009

	Oil/liquefied chemicals terminal and logistics services RMB'000 (Restated)	Container terminal and logistics services RMB'000 (Restated)	Automobile terminal and logistics services RMB'000 (Restated)	Ore terminal and logistics services RMB'000 (Restated)	General cargo terminal and logistics services RMB'000 (Restated)	Bulk grains terminal and logistics services RMB'000 (Restated)	Passenger and roll-on, roll-off terminal and logistics services RMB'000 (Restated)	Port value-added services and ancillary port operations RMB'000 (Restated)	Unallocated RMB'000 (Restated)	Total RMB'000 (Restated)
Revenue	894,077	384,103	–	303,649	293,924	195,627	73,925	781,392	90,956	3,017,653
Cost of sales and services	(419,863)	(292,241)	–	(185,800)	(289,717)	(152,264)	(36,860)	(485,348)	(31,323)	(1,893,416)
Gross profit	474,214	91,862	–	117,849	4,207	43,363	37,065	296,044	59,633	1,124,237
Other income and gains	12	15,707	–	4,959	3,491	1,518	1,687	20,083	1,949	49,406
Interest income	567	4,844	67	1	4	29	68	2,387	9,600	17,567
Selling and administrative expenses	(39,021)	(71,889)	(195)	(18,741)	(31,443)	(13,367)	(10,011)	(100,809)	(56,187)	(341,663)
Other expenses	(11,821)	550	–	(22)	935	(52)	(70)	(94)	(337)	(10,911)
Change in fair value of derivative financial liability	–	–	–	–	–	–	–	–	9,005	9,005
Share of results of:										
Jointly-controlled entities	14,294	108,040	(3,816)	–	–	–	–	934	–	119,452
Associates	2,401	(524)	(3,491)	–	(3,191)	–	475	951	–	(3,379)
Finance costs	(6,947)	(27,935)	–	–	–	–	–	(196)	(39,143)	(74,221)
Profit/(loss) before tax	433,699	120,655	(7,435)	104,046	(25,997)	31,491	29,214	219,300	(15,480)	889,493
Income tax expense	(74,790)	41,178	–	(26,012)	3,890	(7,873)	(6,923)	(57,017)	1,159	(126,388)
Profit/(loss) after tax	358,909	161,833	(7,435)	78,034	(22,107)	23,618	22,291	162,283	(14,321)	763,105

Segment profit/loss after tax represents the profit/loss of 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 Financial Statements

31 December 2010

7. SEGMENT INFORMATION *(Continued)*

Statement of financial position

As at 31 December 2009

	Oil/liquefied chemicals terminal and logistics services RMB'000 (Restated)	Container terminal and logistics services RMB'000 (Restated)	Automobile terminal and logistics services RMB'000 (Restated)	Ore terminal and logistics services RMB'000 (Restated)	General cargo terminal and logistics services RMB'000 (Restated)	Bulk grains terminal and logistics services RMB'000 (Restated)	Passenger and roll-on, roll-off terminal and logistics services RMB'000 (Restated)	Port value-added services and ancillary port operations RMB'000 (Restated)	Unallocated RMB'000 (Restated)	Total RMB'000 (Restated)
Assets										
Segment assets	4,354,539	2,660,328	292,592	1,883,802	1,585,100	1,215,829	54,151	1,399,591	1,050,297	14,496,229
Investments in jointly-controlled entities	263,321	1,270,656	77,134	–	–	–	–	10,284	–	1,621,395
Investments in associates	220,461	246,576	–	–	156,795	–	93,968	1,969	–	719,769
Total assets	4,838,321	4,177,560	369,726	1,883,802	1,741,895	1,215,829	148,119	1,411,844	1,050,297	16,837,393
Liabilities										
Segment liabilities	1,381,721	350,636	865	244,346	7,515	7,143	20,351	115,172	5,368,234	7,495,983

Other information

For the year ended 31 December 2009

	Oil/liquefied chemicals terminal and logistics services RMB'000 (Restated)	Container terminal and logistics services RMB'000 (Restated)	Automobile terminal and logistics services RMB'000 (Restated)	Ore terminal and logistics services RMB'000 (Restated)	General cargo terminal and logistics services RMB'000 (Restated)	Bulk grains terminal and logistics services RMB'000 (Restated)	Passenger and roll-on, roll-off terminal and logistics services RMB'000 (Restated)	Port value-added services and ancillary port operations RMB'000 (Restated)	Unallocated RMB'000 (Restated)	Total RMB'000 (Restated)
Capital expenditure*	231,311	153,702	100,643	93,712	333,644	170,506	448	284,407	45,943	1,414,316
Depreciation and amortisation	169,941	41,856	18	74,930	58,427	59,638	3,471	67,440	14,095	489,816
Government grants related to depreciable assets released to income statement	(33,669)	(791)	–	–	–	–	–	–	–	(34,460)
Government grants	–	(15,621)	–	(100)	(756)	–	(542)	(5,114)	–	(22,133)
Recognition of prepaid land lease payments	3,138	3,363	–	–	–	–	–	–	–	6,501
Reversal of impairment of receivables	–	(366)	–	(4,960)	(102)	(1,142)	(29)	(1,007)	–	(7,606)
(Gain)/loss on disposal of items of property, plant and equipment, net	11,206	65	–	4	(975)	20	(7)	(732)	296	9,877
Gains on disposal of quoted investments held for trading	–	–	–	–	–	–	–	(10,624)	–	(10,624)
Intersegment sales	(354)	(946)	–	–	(2,773)	–	–	(99,587)	–	(103,660)

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets.

Notes to the Financial Statements

31 December 2010

7. SEGMENT INFORMATION *(Continued)*

Revenues from major products and services

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the year.

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

	2010 **RMB'000**	2009 RMB'000 (Restated)
Loading services	**1,240,887**	1,169,959
Logistics services	**660,822**	557,147
Storage services	**334,074**	339,370
Port management services	**208,603**	195,291
Leasing services	**186,805**	177,077
Information technology services	**130,141**	112,565
Port facility maintenance services	**66,107**	47,114
Construction services	**56,110**	57,580
Tallying services	**53,533**	47,150
Construction management and supervision services	**52,140**	43,465
Agency services	**48,387**	42,751
Port security services	**35,797**	33,967
Sales of electricity	**111,500**	79,630
Sales of oil products	**–**	48,698
Sales of properties held for sale	**41,991**	–
Others	**89,778**	65,889
	3,316,675	3,017,653

Information about a major customer

Revenue from continuing operations of approximately RMB477,584,000 (2009: RMB457,902,000) was derived from sales to a single customer in the segment of oil/liquefied chemical terminal and logistics services, including sales to a group of entities which are known to be under common control with that customer.

Geographical information

The entire group's operations, and all its customers, are located in the PRC. Accordingly, no geographical information analysis of segment results, assets and costs incurred to acquire segment assets is presented.

Notes to the Financial Statements

31 December 2010

8. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2010 RMB'000	2009 RMB'000 (Restated)
Other income:		
Government grants (Note)	**28,877**	22,133
Bank interest income	**12,768**	10,044
Interest income from a third party	**3,376**	217
Interest income from jointly-controlled entities and associates	**3,221**	4,989
Net interest income from derivative financial liability	**–**	2,317
Dividend income from available-for-sale investments	**2,875**	4,469
Others	**498**	4,179
	51,615	48,348
Gains:		
Foreign exchange gains	**9,988**	–
Gain on disposal of items of property, plant and equipment	**3,180**	–
Gain on disposal of prepaid land lease payments	**31,676**	–
Gain on disposal of investment properties	**3,203**	–
Reversal of impairment of receivables	**324**	7,606
Gains on disposal of quoted investments held for trading	**17,170**	10,624
Gain on disposal of an unquoted available-for-sale investment stated at cost	**–**	395
	65,541	18,625
	117,156	66,973

Note: They represent various government grants received mainly for encouraging the Group's software development and container logistics activities.

Notes to the Financial Statements

31 December 2010

9. OTHER EXPENSES

	2010 RMB'000	2009 RMB'000 (Restated)
Loss on disposal of items of property, plant and equipment	–	9,877
Foreign exchange losses	–	501
Traffic accident compensation	3,338	–
Others	89	533
	3,427	10,911

10. FINANCE COSTS

	2010 RMB'000	2009 RMB'000 (Restated)
Interest on bank borrowings	112,644	96,144
Interest on deposits payable	486	–
Interest paid to a jointly-controlled entity and an associate	697	498
Interest on a loan from PDA	–	18,852
Interest on medium-term notes	113,130	65,379
Less: Amount capitalised in property, plant and equipment	(141,665)	(106,652)
	85,292	74,221

For the year ended 31 December 2010, the capitalisation rate was ranging from 4.5% to 5.8% per annum (2009: 4.7% to 5.5% per annum).

Notes to the Financial Statements

31 December 2010

11. PROFIT BEFORE TAX

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

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
Cost of sales and services		**1,994,154**	1,893,416
Staff costs, including directors' remuneration (note 13):			
– Salaries, wages and other benefits		**600,836**	534,413
– Defined contribution pension scheme (Note)		**63,111**	60,432
Total staff costs		**663,947**	594,845
Depreciation for property, plant and equipment	19	**485,205**	449,019
Depreciation for investment properties	21	**19,836**	20,340
Amortisation of intangible assets	22	**20,458**	20,457
		525,499	489,816
Less: Government grants related to depreciable assets released to the income statement	42	**(35,296)**	(34,460)
		490,203	455,356
Minimum lease payments under operating leases		**108,878**	71,883
Recognition of prepaid land lease payments	20	**6,707**	6,501
Reversal of impairment of receivables	8	**(324)**	(7,606)
Auditors' remuneration		**3,290**	1,862
Gains on disposal of quoted investments held for trading	8	**(17,170)**	(10,624)
Gain on disposal of an unquoted available-for-sale investment stated at cost	8	**–**	395
Foreign exchange loss/(gain), net	8, 9	**(9,988)**	501
Loss/(gain) on disposal of items of property, plant and equipment, net	8, 9	**(3,180)**	9,877
Gain on disposal of investment properties	8	**(3,203)**	–
Gain on disposal of prepaid land lease payments	8	**(31,676)**	–
Government grants recognised in the consolidated income statement	8	**(28,877)**	(22,133)
Dividend income from available-for-sale investments	8	**(2,875)**	(4,469)
Interest income from jointly-controlled entities and associates	8	**(3,221)**	(4,989)
Interest income from a third party	8	**(3,376)**	(217)
Net interest income from derivative financial liability	8	**–**	(2,317)
Bank interest income	8	**(12,768)**	(10,044)

Note: The Group's full-time employees in Mainland China 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' basic salaries. The related pension costs are expensed as incurred.

Notes to the Financial Statements

31 December 2010

12. INCOME TAX

	2010 RMB'000	2009 RMB'000 (Restated)
Group		
Current – Mainland China		
Charged for the year	**249,529**	142,233
Over/under provision in prior years	**(125)**	120
Deferred	**(12,824)**	(15,965)
Total tax charge for the year	**236,580**	126,388

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year ended 2010 (2009: Nil).

The Company and all its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% (2009: 25%) for the year under the income tax rules and regulations of the PRC except that:

(1) Dalian Port Logistics Technology Co., Ltd. ("PLT"), Dalian Tech Port Service Co., Ltd. ("TPS") and Dalian Portsoft Technology Co., Ltd. ("DPT") are subject a preferential rate of 15% as they are assessed by relevant government authorities as High and New Technology Enterprises ("HNTE") for a period of three years commencing 1 January 2008. Meanwhile, as these companies are engaged in software development, 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"《財政部國家稅務總局關於企業所得稅若干優惠政策的通知》, after approved by the Tax Bureau, software enterprises can be exempted from corporate income tax for their first two profitable years (after deducting losses incurred in previous years) and are entitled to a 50% tax reduction for the succeeding three years calculated based on their statutory income tax rate ("tax holidays"). However, pursuant to Guoshuihan [2010] No. 157 "The further clarification of certain issues related to the implementation of transitional arrangements of Corporate Income Tax preferential treatments"《關於進一步明確企業所得稅過渡期優惠政策執行口徑問題的通知》, such companies are required to choose to enjoy the preferential income tax rate of 15% or the tax holidays during the transition period. 2009 was the last year for PLT and DPT to enjoy the tax holiday, hence the applicable income tax rate of PLT and DPT for the year ended 31 December 2010 is 15% (2009: 12.5%). In 2010, TPS was in the last year of the tax holidays, hence the applicable income tax rate of TPS for the year ended 31 December 2010 is 12.5% (2009: 12.5%)

Notes to the Financial Statements

31 December 2010

12. INCOME TAX *(Continued)*

(2) Dalian Portnet Co., Ltd. ("DPN") is assessed as an HNTE located in the Dalian free trade zone, which is an entity qualified for preferential income tax rate of 15%. Meanwhile, pursuant to Guo Fa [2007] No. 39, the income tax rate of the company is gradually transmitted to the statutory tax rate in five years from 1 January 2008. The applicable income tax rate during 2010 was 22% (2009: 20%). Furthermore, according to "Bao Shui Guo Exemption [2006] No. 65" issued by the Dalian Branch State Administration of Taxation, DPN is also entitled to the tax holiday. As mentioned above, pursuant to Guoshuihan [2010] No. 157, DPN is required to choose to enjoy the preferential income tax rate of 15% or the tax holiday during the transition period. 2009 was the last year for DPN entitling to a 50% relief from the income tax of 20%, hence the applicable income tax rate of DPN for the year ended 31 December 2010 is 15% (2009: 10%).

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates and a reconciliation of the statutory tax rates to the effective tax rates is as follows:

	2010 **RMB'000**	2009 RMB'000 (Restated)
Profit before tax	**1,104,338**	889,493
Tax at statutory income tax rate of 25% (2009: 25%)	**276,085**	222,373
Preferential tax rate or consessions	**(567)**	(1,650)
Expenses not deductible for tax	**2,279**	8,096
Income not subject to tax	**(9,206)**	(14,461)
Deductible relocation expenses in previous year	**–**	(24,290)
Tax refunds	**–**	(46,942)
Profits and losses of jointly-controlled entities	**(30,653)**	(29,863)
Profits and losses of associates	**(446)**	845
Effect of different tax rates of entities operating in jurisdictions other than Mainland China	**1,223**	1,790
Tax losses not recognised	**5,277**	10,370
Tax losses utilised from previous periods	**(7,287)**	–
Adjustments in respect to current income tax of previous years	**(125)**	120
	236,580	126,388

The share of tax attributable to the jointly-controlled entities and associates amounting to RMB31,740,000 (2009: RMB32,264,000) and RMB3,796,000 (2009: RMB1,505,000) is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement, respectively.

Notes to the Financial Statements

31 December 2010

13. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010 RMB'000	2009 RMB'000
Fees	**330**	336
Other emoluments:		
Salaries, allowances and benefits in kind	**1,315**	1,144
Pension scheme contributions	**83**	72
	1,398	1,216
	1,728	1,552

The names of the directors and supervisors and their remuneration for the year are as follows:

(1) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010 RMB'000	2009 RMB'000
Wang Zuwen	**80**	80
Zhang Xianzhi	**80**	80
Ng Ming Wah, Charles	**170**	176
	330	336

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

Notes to the Financial Statements

31 December 2010

13. DIRECTORS' AND SUPERVISORS' REMUNERATION *(Continued)*

(2) Executive directors, non-executive directors and supervisors

	2010 RMB'000	2009 RMB'000
Salaries, allowance and benefits in kind		
Executive directors:		
Sun Hong	–	–
Zhang Fengge	–	–
Jiang Luning	512	429
Su Chunhua	469	394
Non-executive directors:		
Lu Jianmin	–	–
Xu Jian	–	–
Supervisors:		
Fu Bin	–	–
Zhang Guofeng	–	–
Diao Chengbao	60	60
Fu Rong	60	60
Xu Jinrong	97	94
Gui Yuchan	117	107
	1,315	1,144
Pension scheme contributions:		
Executive directors:		
Sun Hong	–	–
Zhang Fengge	–	–
Jiang Luning	21	18
Su Chunhua	21	18
Non-executive directors:		
Lu Jianmin	–	–
Xu Jian	–	–
Supervisors:		
Fu Bin	–	–
Zhang Guofeng	–	–
Diao Chengbao	–	–
Fu Rong	–	–
Xu Jinrong	20	18
Gui Yuchan	21	18
	83	72

There was no arrangement under which a director or a supervisor of the Company waived or agreed to waive any remuneration during the year.

Notes to the Financial Statements

31 December 2010

14. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, there were two directors (2009: a director) of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining three (2009: four) individuals are as follows:

	2010	2009
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,295**	2,698
Pension scheme contributions	**42**	54
	2,337	2,752

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Number of Employees	
	2010	2009
Nil to HKD1,000,000	**2**	3
HKD1,000,001 to HKD1,500,000	**1**	1

15. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB536,425,000 (2009: RMB641,962,000) which has been dealt with in the financial statements of the Company.

16. NON-CURRENT ASSETS HELD FOR SALE

On 28 December 2010, the Company entered into an agreement with Dalian North Petroleum Logistics Co., Ltd. (an associate of the Company) to transfer its certain construction in progress and related prepaid land lease payment with a carrying amount of RMB65,748,000 and RMB9,786,000, respectively. According to the agreement, the total consideration is RMB84,663,000 and the transfer should be finished before 30 September 2011.

On 31 December 2010, the Company has received an advance of RMB71,217,000 from Dalian North Petroleum Logistics Co., Ltd. according to the agreement (note 34).

Notes to the Financial Statements

31 December 2010

17. DIVIDEND

	2010 RMB'000	2009 RMB'000
Proposed final – RMB5 cents (2009: RMB25 cents) per ordinary share	**221,300**	731,500

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

18. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the years ended 31 December 2010 and 2009 is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the issue of the Consideration Shares during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

The calculations of basic earnings per share are based on:

	2010 RMB'000	2009 RMB'000 (Restated)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**834,233**	753,329
Weighted average number of ordinary shares (in thousand) in issue during the year used in the basic earnings per share calculation	**3,727,665**	3,664,180

Notes to the Financial Statements

31 December 2010

19. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Terminal facilities RMB'000	Terminal equipment RMB'000	Vessels and motor vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2009 (restated)	850,820	5,736,914	1,988,650	1,164,578	348,357	1,512,410	11,601,729
Additions	8,649	7,837	11,493	6,192	9,349	1,353,893	1,397,413
Transfers	77,315	332,746	220,453	166,443	72,112	(869,069)	–
Transfer from investment properties	20,427	–	–	–	–	–	20,427
Disposals	(51,601)	(41,833)	(28,191)	(4,493)	(32,278)	(22,370)	(180,766)
At 31 December 2009 and 1 January 2010 (restated)	905,610	6,035,664	2,192,405	1,332,720	397,540	1,974,864	12,838,803
Additions	85,354	15,497	14,369	3,351	7,404	1,786,317	1,912,292
Acquisition of a subsidiary	–	–	23	1,157	249	1,272,311	1,273,740
Transfers	(21,602)	117,825	77,344	225,615	17,210	(416,392)	–
Disposals	(9,513)	(21,000)	(10,552)	(5,658)	(9,866)	–	(56,589)
Classified as held for sale	–	–	–	–	–	(65,748)	(65,748)
At 31 December 2010	959,849	6,147,986	2,273,589	1,557,185	412,537	4,551,352	15,902,498
Accumulated depreciation:							
At 1 January 2009 (restated)	109,790	522,920	742,754	230,340	108,077	–	1,713,881
Depreciation charged for the year	31,044	186,616	130,257	75,149	25,953	–	449,019
Transfers	77	(3,869)	3,792	–	–	–	–
Transfer from investment properties	3,436	–	–	–	–	–	3,436
Disposals	(17,114)	(14,170)	(10,844)	(4,011)	(17,445)	–	(63,584)
At 31 December 2009 and 1 January 2010 (restated)	127,233	691,497	865,959	301,478	116,585	–	2,102,752
Depreciation charged for the year	27,340	202,925	138,243	88,103	28,594	–	485,205
Disposals	(3,131)	(9,272)	(8,349)	(5,370)	(9,108)	–	(35,230)
At 31 December 2010	151,442	885,150	995,853	384,211	136,071	–	2,552,727
Carrying amount:							
At 31 December 2010	808,407	5,262,836	1,277,736	1,172,974	276,466	4,551,352	13,349,771
At 31 December 2009 (restated)	778,377	5,344,167	1,326,446	1,031,242	280,955	1,974,864	10,736,051
At 1 January 2009 (restated)	741,030	5,213,994	1,245,896	934,238	240,280	1,512,410	9,887,848

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

Company

	Buildings RMB'000	Terminal facilities RMB'000	Terminal equipment RMB'000	Vessels and motor vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2009	300,742	3,388,862	236,998	597,126	98,256	1,202,482	5,824,466
Additions	–	–	347	–	534	569,308	570,189
Transfers	42,973	19,337	74,400	164,106	431	(301,247)	–
Disposals	(24,716)	(249,455)	(12,811)	(1,879)	(15,726)	(187,870)	(492,457)
At 31 December 2009 and 1 January 2010	318,999	3,158,744	298,934	759,353	83,495	1,282,673	5,902,198
Additions	9,434	330	650	–	2,125	984,429	996,968
Acquisition of the Target Assets	363,303	2,527,940	1,176,765	239,352	161,109	926,540	5,395,009
Transfers	–	93,796	3,848	166,031	6,281	(269,956)	–
Disposals	(4,786)	(295,613)	(1,296)	(3,514)	(239)	–	(305,448)
Classified as held for sale	–	–	–	–	–	(65,748)	(65,748)
At 31 December 2010	686,950	5,485,197	1,478,901	1,161,222	252,771	2,857,938	11,922,979
Accumulated depreciation:							
At 1 January 2009	24,989	273,453	56,069	101,922	13,080	–	469,513
Depreciation charged for the year	11,832	138,177	21,939	41,512	5,763	–	219,223
Transfers	74	(3,866)	3,792	–	–	–	–
Disposals	(3,403)	(37,225)	(4,579)	(1,717)	(1,950)	–	(48,874)
At 31 December 2009 and 1 January 2010	33,492	370,539	77,221	141,717	16,893	–	639,862
Depreciation charged for the year	14,131	133,415	49,766	55,173	8,137	–	260,622
Disposals	(813)	(28,295)	(668)	(3,241)	(98)	–	(33,115)
At 31 December 2010	46,810	475,659	126,319	193,649	24,932	–	867,369
Carrying amount:							
At 31 December 2010	640,140	5,009,538	1,352,582	967,573	227,839	2,857,938	11,055,610
At 31 December 2009	285,507	2,788,205	221,713	617,636	66,602	1,282,673	5,262,336

Notes to the Financial Statements

31 December 2010

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

As at 31 December 2010, the Group was in the process of applying for the real estate certificates for certain buildings with a net book value of approximately RMB26,975,000 (31 December 2009: RMB27,684,000).

As at 31 December 2010, certain vessels of the Group with a net carrying amount of approximately RMB57,396,000 (2009: Nil) were pledged to secure banking facilities granted to the Group (note 40).

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

20. PREPAID LAND LEASE PAYMENTS

		Group		Company	
		2010	2009	**2010**	2009
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Carrying amount at 1 January		**290,679**	297,180	**147,065**	150,203
Addition		**22,032**	–	**–**	–
Recognised during the year		**(6,707)**	(6,501)	**(3,010)**	(3,138)
Disposal		**(8,665)**	–	**(6,878)**	–
Classified as held for sale	16	**(9,786)**	–	**(9,786)**	–
Carrying amount at 31 December		**287,553**	290,679	**127,391**	147,065
Current portion		**(6,560)**	(6,501)	**(2,780)**	(3,138)
Non-current portion		**280,993**	284,178	**124,611**	143,927

The above prepaid land lease payments represent prepayments for medium leasehold land in the PRC.

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21. INVESTMENT PROPERTIES

Group

	Buildings RMB'000	Container terminals RMB'000	Total RMB'000
Cost:			
At 1 January 2009	26,147	934,758	960,905
Additions	–	1,503	1,503
Transfer to property, plant and equipment	(20,427)	–	(20,427)
At 31 December 2009 and 1 January 2010	5,720	936,261	941,981
Disposal	(1,730)	(6,084)	(7,814)
At 31 December 2010	3,990	930,177	934,167
Accumulated depreciation:			
At 1 January 2009	6,340	77,067	83,407
Depreciation charged for the year	336	20,004	20,340
Transfer to property, plant and equipment	(3,436)	–	(3,436)
At 31 December 2009 and 1 January 2010	3,240	97,071	100,311
Depreciation charged for the year	164	19,672	19,836
Disposal	(836)	(1,516)	(2,352)
At 31 December 2010	2,568	115,227	117,795
Carrying amount:			
At 31 December 2010	1,422	814,950	816,372
At 31 December 2009	2,480	839,190	841,670

The fair values of the Group's investment properties were approximately RMB846,802,000 and RMB872,951,000 as at 31 December 2010 and 2009, respectively.

The fair values of the Group's investment properties at 31 December 2010 and 2009 have been determined by the directors of the Company, where the valuations were determined by the then present values of discounted net cash inflows of the expected rental income from these investment properties over the remaining economic useful lives. The discount rate applied for the years ended 31 December 2010 and 2009 was 9.6%.

Notes to the Financial Statements

31 December 2010

21. INVESTMENT PROPERTIES *(Continued)*

The investment properties are depreciated on the 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 RMB120,979,000 and RMB118,080,000 for the years ended 31 December 2010 and 2009, respectively.

22. INTANGIBLE ASSETS

Group

	Priority right for using the railway transportation RMB'000	Computer software RMB'000	Customer relationships RMB'000	Port information platform RMB'000	Sea area use rights RMB'000	Others RMB'000	Total RMB'000
31 December 2010							
Cost at 1 January 2010, net of accumulated amortisation (restated)	36,453	50,010	12,932	54,128	–	1,005	154,528
Additions	–	11,850	–	–	–	–	11,850
Acquisition of a subsidiary	–	–	–	–	96,962	–	96,962
Amortisation provided during the year	(2,916)	(9,380)	(1,597)	(6,431)	–	(134)	(20,458)
Disposals	–	(1,170)	–	–	–	–	(1,170)
At 31 December 2010	33,537	51,310	11,335	47,697	96,962	871	241,712
At 31 December 2010							
Cost	46,660	86,889	15,970	64,310	96,962	1,340	312,131
Accumulated amortisation	(13,123)	(35,579)	(4,635)	(16,613)	–	(469)	(70,419)
Net carrying amount	33,537	51,310	11,335	47,697	96,962	871	241,712

Notes to the Financial Statements

31 December 2010

22. INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

	Priority right for using the railway transportation RMB'000	Computer software RMB'000	Customer relationships RMB'000	Port information platform RMB'000	Sea area use rights RMB'000	Others RMB'000	Total RMB'000
31 December 2009							
Cost at 1 January 2009, net of accumulated amortisation (restated)	39,369	44,515	14,529	60,559	–	1,146	160,118
Additions	–	15,400	–	–	–	–	15,400
Amortisation provided during the year	(2,916)	(9,372)	(1,597)	(6,431)	–	(141)	(20,457)
Disposals	–	(533)	–	–	–	–	(533)
At 31 December 2009 (restated)	36,453	50,010	12,932	54,128	–	1,005	154,528
At 31 December 2009 (restated)							
Cost	46,661	79,903	15,970	64,310	–	1,394	208,238
Accumulated amortisation	(10,208)	(29,893)	(3,038)	(10,182)	–	(389)	(53,710)
Net carrying amount	36,453	50,010	12,932	54,128	–	1,005	154,528

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

Priority right for using the railway transportation	15 years
Computer software	2–10 years
Customer relationships	10 years
Port information platform	10 years
Sea area use rights	50 years
Other intangible assets	10 years

According to the relevant agreement, the Group has the priority rights to use the railway transportation as provided by a third party for fifteen years.

Notes to the Financial Statements

31 December 2010

22. INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

Customer relationships and the port information platform were purchased as part of a business combination in prior years. The fair values of these intangible assets have been determined by independent qualified professional valuers, where the valuations were determined by the present values of discounted net cash inflows over the estimated useful lives based on assumptions with reference to market situations and industry growth rates.

Customer relationships represent a portfolio of customers with a 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.

The port information platform is an Electronic Data Interchange data transmission system to provide digital port integration service to international shipping centres in Northeast Asia.

Company

	2010 Computer software RMB'000	2009 Computer software RMB'000
Cost of 1 January, net of accumulated amortisation	**2,873**	1,318
Additions	**940**	1,900
Acquisition of the Target Assets	**36,840**	–
Amortisation	**(1,320)**	(345)
At 31 December	**39,333**	2,873
Carrying amount at 31 December		
Cost	**58,778**	3,651
Accumulated amortisation	**(19,445)**	(778)
Net carrying amount	**39,333**	2,873

Notes to the Financial Statements

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23. GOODWILL

Group

	Note	2010 RMB'000	2009 RMB'000
Cost:			
At 1 January		**16,035**	16,035
Acquisition of a subsidiary	48	**61,700**	–
At 31 December		**77,735**	16,035
Impairment:			
At 1 January and 31 December		**–**	–
Net carrying amount:			
At 31 December		**77,735**	16,035

Goodwill acquired through business combinations has been allocated to four cash-generating units ("CGUs") for impairment testing. The carrying amounts of goodwill with indefinite useful lives are as follows:

	2010 RMB'000	2009 RMB'000
DCT Logistics Co., Ltd. ("DCTL")	**6,218**	6,218
DPN	**7,420**	7,420
Dalian Jiyi Logistics Co., Ltd. ("Dalian Jiyi")	**2,397**	2,397
Dalian Port Petroleum & Chemical Co., Ltd. ("DPPC")	**61,700**	–
	77,735	16,035

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

Notes to the Financial Statements

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23. GOODWILL *(Continued)*

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

DCTL, DPN and Dalian Jiyi

The recoverable amounts of DCTL, DPN and Dalian Jiyi have been determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12% (2009: 16%). The growth rate used to extrapolate the cash flows beyond five-year period is 3% (2009: 3%). 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. This estimation is determined based on the units' past performance and management's expectation for the market development.

DPPC

The recoverable amount of DPPC have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12%. The growth rate used to extrapolate the cash flows beyond five-year period is 5%. 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. This estimation is determined based on the unit's past performance and management's expectation for the market development.

24. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Unlisted investments, at cost	**3,076,403**	1,843,776

Particulars of the Company's subsidiaries are set out in note 53.

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25. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Unlisted investments, at cost	**1,956,019**	1,662,861	**398,202**	328,888
Share of post-acquisition profits, net of dividends received	**(16,327)**	(41,466)	**–**	–
	1,939,692	1,621,395	**398,202**	328,888

Particulars of the Group's jointly-controlled entities are set out in note 54.

The Group's share of net assets as at 31 December 2010 and 2009 and share of profit of jointly-controlled entities for the years ended 31 December 2010 and 2009 are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Share of net assets		
Current assets	**283,539**	287,764
Non-current assets	**3,550,571**	3,500,527
Current liabilities	**(904,171)**	(663,224)
Non-current liabilities	**(990,247)**	(1,503,672)
Net assets	**1,939,692**	1,621,395
Share of profit		
Revenue	**670,561**	566,005
Total expenses	**(516,210)**	(414,289)
Profit before tax	**154,351**	151,716
Income tax expense	**(31,740)**	(32,264)
Profit after tax	**122,611**	119,452

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26. INVESTMENTS IN ASSOCIATES

	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)	Company 2010 RMB'000	Company 2009 RMB'000
Unlisted investments, at cost	**1,121,672**	772,072	**818,727**	221,188
Share of post-acquisition profits, net of dividends received	**(51,227)**	(52,303)	**–**	–
	1,070,445	719,769	**818,727**	221,188

Particulars of the Group's associates are set out in note 55.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)
Assets	**8,144,685**	5,485,222
Liabilities	**(3,991,906)**	(3,011,370)
Revenues	**470,072**	324,280
Profit/(loss)	**(51,540)**	17,279

Notes to the Financial Statements

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27. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Unlisted equity investments, at cost (note a)	**129,178**	127,094	**13,800**	–
Listed equity investments, at fair value:				
Hong Kong (note b)	**23,853**	30,224	**–**	–
Mainland China	**2,951**	–	**2,951**	–
	155,982	157,318	**16,751**	–

Notes:

(a) They represent non-controlling equity investments in entities 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 2010, the directors of the Company did not intend to dispose the investments in the foreseeable future.

(b) They represent an investment in approximately 0.24% shareholding of Sinotrans Shipping Limited, a company incorporated and listed in Hong Kong which was designated as available-for-sale financial assets and has no fixed maturity date. During the year, the gross gain/(loss) in respect of this investment recognised in other comprehensive income amounted to RMB(6,250,000) (2009: RMB13,685,000).

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28. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax liabilities and assets during the year are as follows:

Group

	Property, plant and equipment and prepaid land lease payments RMB'000	Intangible assets RMB'000	Unrealised profit RMB'000	Allowance for doubtful debts RMB'000	Other differences RMB'000	Total RMB'000
Deferred tax assets						
At 1 January 2009 (restated)	37,824	(12,716)	26,612	2,780	3,764	58,264
(Charge)/credit to the consolidated income statement for the year	2,415	1,364	3,300	(1,950)	10,836	15,965
At 31 December 2009 and 1 January 2010(restated)	40,239	(11,352)	29,912	830	14,600	74,229
(Charge)/credit to the consolidated income statement for the year	(5,139)	1,364	3,218	(130)	13,511	12,824
At 31 December 2010	35,100	(9,988)	33,130	700	28,111	87,053
Deferred tax liabilities						
At 1 January 2010	–	–	–	–	–	–
Acquisition of a subsidiary	49,741	11,946	–	–	13	61,700
At 31 December 2010	49,741	11,946	–	–	13	61,700

As at 31 December 2010, deferred tax assets that had not been recognised in respect of tax losses of the Group were RMB5,277,000 (2009: RMB10,370,000) which were available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Company

The deferred tax assets recognised by the Company arose from deductible temporary differences in respect of accrued expenses.

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29. INVENTORIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Raw materials	**47,389**	33,449	**41,270**	8,958
Work in progress	**9**	1,441	**–**	–
Finished goods	**1,440**	2,501	**–**	–
Properties held for sale	**5,577**	11,535	**–**	–
	54,415	48,926	**41,270**	8,958

30. TRADE AND BILLS RECEIVABLE

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Bills receivable	**95,241**	92,206	**89,646**	–
Trade receivables	**321,378**	321,220	**228,313**	25,746
Less: Impairment provision	**(2,940)**	(3,241)	**(549)**	(418)
	413,679	410,185	**317,410**	25,328

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. Credit limits attributed to customers are reviewed once a year.

The Group allows an average credit period of 90 days to its trade customers. Trade and bills receivables that were neither past due nor impaired are related to a number of independent customers that have a good credit history. Trade receivables are unsecured and non-interest-bearing.

30. TRADE AND BILLS RECEIVABLE *(Continued)*

The following is an aged analysis of trade and bills receivables before provision for impairment, based on invoice date, at the reporting date:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
0 to 90 days	**335,026**	325,513	**250,876**	25,328
91 to 180 days	**61,531**	26,643	**53,579**	–
181 to 365 days	**12,867**	54,059	**12,073**	–
Over 365 days	**7,195**	7,211	**1,431**	418
	416,619	413,426	**317,959**	25,746

Included in the Group's trade and bills receivables balance are debtors with an aggregate carrying amount of approximately RMB37,974,000 (2009: RMB76,195,000) which are past due at the reporting date and for which the Group has not provided for impairment loss as management considered that there has not been a significant change in credit quality and that the amounts are still recoverable. The Group does not hold any collateral or other enhancements over these balances.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
91 to 180 days	**20,852**	18,113	**15,619**	–
181 to 365 days	**12,867**	54,059	**12,073**	–
Over 365 days	**4,255**	4,023	**883**	–
	37,974	76,195	**28,575**	–

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

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30. TRADE AND BILLS RECEIVABLE *(Continued)*

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. Movements in the provision for impairment of trade receivables are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Balance as at 1 January	**3,241**	10,637	**418**	418
Acquisition of the Target Assets	**–**	–	**131**	–
Impairment loss reversed	**(301)**	(7,396)	**–**	–
Balance as at 31 December	**2,940**	3,241	**549**	418

The above provision for impairment of trade receivables of the Group and the Company is provision for individually impaired for trade receivables with a carrying amount before impairment of RMB2,940,000 (2009: RMB3,241,000) and RMB549,000 (2009: RMB418,000), respectively. The Group and the Company did not hold any collateral over these balances.

31. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Other receivables:				
Deposits for acquisition of equity investment	**137,470**	–	**137,470**	–
Receivable in respect of disposal of prepaid land lease payments	**47,783**	47,783	**47,783**	47,783
Receivable in respect of compensation for terminal relocation	**72,596**	72,596	**72,596**	72,596
Dividends receivable	**89,328**	112,837	**153,841**	140,311
Entrusted loans receivable	**–**	47,800	**–**	47,800
Others	**48,735**	43,829	**19,005**	19,258
	395,912	324,845	**430,695**	327,748
Prepayments:				
Rental prepayments	**–**	16,000	**–**	–
Prepayments for purchases of ships	**–**	16,920	**–**	–
Others	**29,078**	19,044	**14,889**	228
	29,078	51,964	**14,889**	228
	424,990	376,809	**445,584**	327,976

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32. BALANCES WITH SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Due from subsidiaries:		
Current:		
Dalian Port Container Co., Ltd. ("DPC")	**225,480**	702,214
Dalian International Logistics Park Development Co., Ltd. ("DPL")	**30,046**	36,053
Asia Pacific Ports Company Limited ("APP")	**1,865**	21,656
Dalian Gangyue Car-carrying Vessel Management Co., Ltd. ("Gangyue")	**46,525**	6,453
DCTL	**25,278**	5,008
Dalian Port Corporation Zhuanghe Terminal Co., Ltd.	**18,908**	–
DPPC	**107,747**	–
	455,849	771,384
Non-current:		
DPC	**800,000**	800,000
Gangyue	**92,800**	–
	892,800	800,000
	1,348,649	1,571,384

Except for the following amounts due from certain subsidiaries which are interest-bearing, amounts due from subsidiaries are unsecured, non-interest-bearing and repayable on demand:

(1) The amounts due from DPC of RMB800,000,000 and RMB224,000,000 are unsecured, bear interest at 4.83% and 4.37% per annum and are repayable in full on 2 June 2014 and 2 March 2011, respectively.

(2) The amount due from DPL of RMB30,000,000 is unsecured, bears interest at 4.83% per annum and is repayable in full on 16 December 2011.

(3) The amounts due from DCTL of RMB5,000,000, RMB10,000,000 and RMB10,000,000 are unsecured, bear interest at 4.83%, 4.83% and 5.00% per annum and are repayable in full on 17 August 2011, 2 February 2011 and 3 December 2011, respectively.

(4) The amounts due from Gangyue of RMB46,400,000 and RMB92,800,000 are unsecured, bear interest at 4.59% and 5.85% per annum and are repayable in full on 11 November 2011 and 1 December 2013, respectively.

Notes to the Financial Statements

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32. BALANCES WITH SUBSIDIARIES *(Continued)*

(5) The amounts due from Dalian Port Corporation Zhuanghe Terminal Co., Ltd of RMB13,000,000 and RMB3,000,000 are unsecured, bear interest at 5.27% and 5.35% per annum and are repayable on 14 February 2011 and 4 May 2011, respectively.

(6) The amounts due from DPPC of RMB11,500,000, RMB36,300,000, RMB9,000,000 and RMB9,000,000 are unsecured, bear interest at 5.31% per annum and are repayable in full on 20 December 2011, 19 November 2011, 18 March 2011 and 25 June 2011, respectively. The amounts due from DPPC of RMB9,000,000 and RMB14,250,000 are unsecured, bear interest at 4.78% and 5.23% per annum and are repayable in full on 30 August 2011 and 28 November 2011, respectively.

	Company	
	2010	2009
	RMB'000	RMB'000
Due to subsidiaries:		
Current:		
Asia Pacific Ports (Dalian) Co., Ltd.	**45,360**	–
Dalian Port Telecommunication Engineering Co., Ltd.	**5,345**	–
Dalian Port Power Supply Company Ltd.	**4,871**	–
Others	**1,058**	215
	56,634	215

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

33. AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

	Relationship	Group		Company	
		2010	2009	**2010**	2009
		RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Current:					
Dalian Vanguard International Logistics Co., Ltd. ("Vanguard")	Jointly-controlled entity	**17,485**	–	**–**	–
Dalian International Container Terminal Co., Ltd. ("DICT")	Jointly-controlled entity	**63,818**	8,431	**2,525**	–
Dalian China Oil Dock Management Co., Ltd.	Jointly-controlled entity	**2,881**	7,931	**2,453**	4,510
Dalian Harbour ECL Logistics Co., Ltd.	Jointly-controlled entity	**–**	3,588	**–**	3,588
Dalian Container Terminal Co., Ltd. ("DCT")	Jointly-controlled entity	**3,605**	3,009	**2,447**	–

Notes to the Financial Statements

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33. AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

	Relationship	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)	Company 2010 RMB'000	Company 2009 RMB'000
Liaoning Con-Rail International Logistics Co., Ltd.	Jointly-controlled entity	**1,106**	2,026	**–**	–
Dalian Port Container Terminal Co., Ltd. ("DPCM")	Jointly-controlled entity	**2,696**	1,067	**2,293**	–
Dalian Yidu Jifa Cold Logistics Co., Ltd ("Yidu Jifa")	Jointly-controlled entity	**2,000**	18	**–**	–
Dalian Singamas International Container Co., Ltd.	Jointly-controlled entity	**16**	1,812	**–**	–
Dalian Prologis-Jifa Logistic Development Co., Ltd.	Associate	**163**	1,170	**–**	–
Dalian Port Petro China International Terminal Co., Ltd.	Associate	**2,893**	–	**–**	–
Changxing Island Terminal Co., Ltd.	Associate	**3,230**	1,617	**–**	–
Others		**1,346**	3,006	**207**	–
		101,239	33,675	**9,925**	8,098
Non-current:					
Dalian Automobile Terminal Co., Ltd. ("Dalian Automobile")	Jointly-controlled entity	**–**	64,000	**–**	64,000
Jadeway Limited ("Jadeway")	Associate	**18,563**	17,106	**–**	–
SINOECL Auto Liners, Limited ("SINOECL")	Associate	**7,028**	5,359	**–**	–
		25,591	86,465	**–**	64,000
		126,830	120,140	**9,925**	72,098
Representing:					
Trade		**31,239**	30,087	**9,925**	4,510
Non-trade		**95,591**	90,053	**–**	67,588
		126,830	120,140	**9,925**	72,098

The amounts due from jointly-controlled entities and associates are on credit terms similar to those offered to the major customers of the Group.

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33. AMOUNTS DUE FROM JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

(Continued)

The following is an aged analysis of trade receivables due from jointly-controlled entities and associates at the reporting date:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
0 to 90 days	**24,665**	26,556	**8,465**	4,510
91 to 180 days	**2,682**	2,611	**–**	–
181 to 365 days	**1,346**	669	**–**	–
Over 365 days	**2,546**	251	**1,460**	–
	31,239	30,087	**9,925**	4,510

The above amounts due from jointly-controlled entities and associates of trade nature of the Group with an aggregate carrying amount of approximately RMB6,324,000 (2009: RMB3,531,000) 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 amount due from Yidu Jifa of RMB2,000,000 is related to the capital reduction of Yidu Jifa which is unsecured, non-interest-bearing and repayable on demand.

Except for the following amounts due from certain jointly-controlled entities and associates which are interest bearing, amounts due from jointly-controlled entities and associates are unsecured, non-interest-bearing and repayable on demand:

(1) The amount due from Vanguard of RMB13,000,000 is unsecured, bears interest at 4.779% per annum, and is repayable in full on 9 August 2011.

(2) The amount due from DICT of RMB55,000,000 is unsecured, bears interest at 4.779% per annum, and is repayable in full on 31 March 2011.

(3) The amount due from Jadeway of RMB18,563,000 is unsecured, bears interest at the market prevailing rate and is repayable in full on 29 January 2024.

(4) The amount due from SINOECL of RMB5,326,000 and RMB1,702,000 is unsecured, bears interest at the market prevailing rate and is repayable in full on 24 April 2012 and 2 December 2013, respectively.

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34. AMOUNTS DUE TO JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

		Group		Company	
		2010	2009	**2010**	2009
	Relationship	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Current:					
Dalian North Petroleum Logistics Co., Ltd.	Associate	**71,217**	–	**71,217**	–
Dalian Assembling Transportation Logistic Co., Ltd.	Jointly-controlled entity	**15,893**	16,181	**–**	–
Dalian Port Communication Engineering Co., Ltd.	Associate	**–**	–	**–**	5,529
DCT	Jointly-controlled entity	**2,303**	1,688	**1,849**	–
Shenyang Prologis-Jifa Logistic Development Co., Ltd.	Associate	**–**	6,660	**–**	–
DICT	Jointly-controlled entity	**2,861**	51	**2,625**	–
Odfjell Terminals (Dalian) Ltd.	Jointly-controlled entity	**1,591**	–	**1,591**	–
DPCM	Jointly-controlled entity	**1,456**	48	**1,190**	–
Others		**504**	505	**94**	239
		95,825	25,133	**78,566**	5,768
Non-current:					
DPCM	Jointly-controlled entity	**14,229**	16,291	**14,229**	16,291
		110,054	41,424	**92,795**	22,059
Representing:					
Trade		**23,837**	19,764	**21,578**	22,059
Non-trade		**86,217**	21,660	**71,217**	–
		110,054	41,424	**92,795**	22,059

Notes to the Financial Statements

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34. AMOUNTS DUE TO JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

(Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
0 to 90 days	**9,488**	18,531	**7,349**	16,491
91 to 180 days	**–**	–	**–**	23
181 to 365 days	**80**	605	**–**	5,529
Over 365 days	**14,269**	628	**14,229**	16
	23,837	19,764	**21,578**	22,059

The amount due to Dalian North Petroleum Logistics Co., Ltd. of RMB71,217,000 is an advance received for the transfer of non-current assets held for sale (note 16) which is unsecured and non-interest-bearing.

The non-current amount due to DPCM of RMB14,229,000 (2009: RMB16,291,000) is an advance received for granting DPCM the use of certain port facilities of the Group for eight years, which is unsecured and non-interest-bearing.

Except for 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% and nil per annum, and are repayable in full on 15 February 2011 and 20 May 2011, respectively, amounts due to jointly-controlled entities and associates are unsecured, non-interest-bearing and repayable on demand.

Notes to the Financial Statements

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35. BALANCES WITH RELATED COMPANIES

	Relationship	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)	Company 2010 RMB'000	Company 2009 RMB'000
Due from related companies:					
Current:					
Dalian Port Construction Engineering Co., Ltd.	Associate of PDA	**2,198**	4,245	**914**	–
大連創意產業有限公司	Fellow subsidiary	**857**	1,601	**–**	–
Dalian Port Machinery and Electric Co., Ltd.	Associate of PDA	**270**	1,179	**–**	–
大連經濟技術開發區灣港儲運公司	Jointly-controlled entity of PDA	**1,671**	1,066	**1,671**	–
Others		**100**	91	**4**	10
		5,096	8,182	**2,589**	10

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

	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)	Company 2010 RMB'000	Company 2009 RMB'000
0 to 90 days	**1,405**	7,236	**363**	10
91 to 180 days	**271**	563	**258**	–
181 to 365 days	**1,381**	–	**–**	–
Over 365 days	**2,039**	383	**1,968**	–
	5,096	8,182	**2,589**	10

Notes to the Financial Statements

31 December 2010

35. BALANCES WITH RELATED COMPANIES *(Continued)*

The amounts due from related companies are on credit terms similar to those offered to the major customers of the Group.

	Relationship	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)	Company 2010 RMB'000	Company 2009 RMB'000
Due to related companies:					
Current:					
Dalian Port Construction Engineering Co., Ltd.	Associate of PDA	**88,043**	106,173	**86,950**	35,269
Dalian Port Machinery and Electric Co., Ltd.	Associate of PDA	**18,958**	11,736	**18,958**	5,373
Dalian Port New Harbour Construction Engineering Co., Ltd.	Associate of PDA	**6,363**	7,152	**6,363**	5,414
大連港日興鍋爐安裝有限公司	Associate of PDA	**16,381**	4,654	**16,381**	4,654
Dalian Port Machinery Co., Ltd.	Fellow subsidiary	**2,356**	1,703	**2,356**	1,390
Dalian Port Design & Research Institute Co., Ltd.	Associate of PDA	**1,017**	1,431	**857**	640
Dalian Port Power Supply Company Ltd.	Fellow subsidiary	**–**	–	**–**	708
Others	Associate of PDA	**1,291**	1,041	**1,291**	1,192
		134,409	133,890	**133,156**	54,640
Representing:					
Trade		**2,569**	1,819	**2,346**	1,047
Non-trade		**131,840**	132,071	**130,810**	53,593
		134,409	133,890	**133,156**	54,640

Notes to the Financial Statements

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35. BALANCES WITH RELATED COMPANIES *(Continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
0 to 90 days	**1,765**	1,819	**1,702**	1,040
91 to 180 days	**37**	–	**37**	–
181 to 365 days	**102**	–	**102**	–
Over 365 days	**665**	–	**505**	–
	2,569	1,819	**2,346**	1,040

The amounts due to related companies are unsecured, non-interest-bearing and repayable on demand.

36. BALANCES WITH THE HOLDING COMPANY

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Due from PDA:				
Current – trade	**3,259**	1,207	**–**	–

The amounts due from PDA are on credit terms similar to those offered to the major customers of the Group. The following is an aged analysis of trade receivables due from PDA at the reporting date:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
0 to 90 days	**1,797**	1,125	**–**	–
91 to 180 days	**44**	82	**–**	–
181 to 365 days	**1,113**	–	**–**	–
Over 365 days	**305**	–	**–**	–
	3,259	1,207	**–**	–

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36. BALANCES WITH THE HOLDING COMPANY *(Continued)*

Amounts due from PDA are unsecured, non-interest-bearing and repayable on demand.

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Due to PDA:				
Current	**1,615,967**	1,790	**1,615,739**	1,272
Non-Current	**–**	961,363	**–**	–
	1,615,967	963,153	**1,615,739**	1,272
Representing:				
Trade	**–**	1,790	**–**	1,272
Non-trade	**1,615,967**	961,363	**1,615,739**	–
	1,615,967	963,153	**1,615,739**	1,272

Amounts due to PDA are unsecured, non-interest-bearing and repayable on demand.

37. CASH AND BANK BALANCES

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

The Group's cash and bank balances were denominated in RMB as at 31 December 2010 and 2009, except for amounts of RMB18,582,000 (2009: RMB16,000,000) which are denominated in USD2,806,000 (2009: USD2,344,000); RMB184,000 (2009: RMB239,000) which are denominated in JPY2,277,000 (2009: JPY3,230,000); and RMB2,930,000(2009: RMB5,195,000) which are denominated in HKD3,443,000 (2009: HKD5,900,000).

The Company's cash and bank balances were denominated in RMB as at 31 December 2010 and 2009, except for an amount of RMB79,000 (2009: RMB81,000) which is denominated in HKD92,000 (2009: HKD92,000).

The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to the Financial Statements

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38. TRADE AND BILLS PAYABLES

The credit period taken for trade and bills purchases and ongoing costs is 0 to 90 days. The following is an aged analysis of trade and bills payables, based on invoice date, at the reporting dates:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
0 to 90 days	**91,398**	102,800	**16,042**	13,340
91 to 180 days	**9,778**	910	**–**	7,650
181 to 365 days	**3,222**	10,573	**539**	–
Over 365 days	**723**	1,763	**–**	–
	105,121	116,046	**16,581**	20,990

Trade and bills payables are unsecured, non-interest-bearing and are normally settled on 90-day terms.

39. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Advances from customers	**44,028**	15,639	**29,623**	385
Construction payables	**360,258**	205,336	**307,517**	143,557
Interest payable	**67,812**	63,253	**66,777**	62,595
Dividends payable	**6,792**	6,524	**–**	–
Payroll payable	**83,678**	47,605	**48,614**	–
Deposits payable (Note)	**530,266**	–	**625,732**	–
Other taxes payable	**112,939**	44,096	**47,916**	12,221
Others	**204,670**	139,991	**119,465**	57,674
	1,410,443	522,444	**1,245,644**	276,432

Note: Deposits payable represents the demand deposits collected by the finance centre of the Company from its subsidiaries, PDA and PDA's subsidiaries, jointly-controlled entities and associates which bear interest at 0.36% per annum and are repayable on demand.

Other payables are unsecured, non-interest-bearing and repayable on demand.

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40. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)	Company 2010 RMB'000	Company 2009 RMB'000
Current						
Bank loans – unsecured	4.86-5.23	2011	400,000	–	400,000	–
Bank loans – secured	4.86-5.35	2011	850,000	–	–	–
Current portion of long term bank loans – unsecured	6.08	2011	20,000	260,000	–	–
			1,270,000	260,000	400,000	–
Non-current						
Bank loans – unsecured	4.52-6.40	2012–2017	1,610,000	1,780,000	1,500,000	–
Bank loans – secured	5.60	2012–2015	28,200	–	–	–
USD bank loans – secured	1.53-2.72	2012–2015	754,763	464,317	–	–
			2,392,963	2,244,317	1,500,000	–

	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)	Company 2010 RMB'000	Company 2009 RMB'000
Analysed into:				
Bank loans repayable:				
On demand or within one year	**1,270,000**	260,000	**400,000**	–
In the second year	**680,210**	20,000	**200,000**	–
In the third year	**346,000**	684,317	**250,000**	–
In the fourth year	**256,000**	270,000	**250,000**	–
In the fifth year	**560,753**	470,000	**250,000**	–
Beyond five years	**550,000**	800,000	**550,000**	–
	3,662,963	2,504,317	**1,900,000**	–

Certain of the Group's bank loans of RMB28,200,000 (2009: Nil) are secured by mortgages over the certain vessels of the Group, which have an aggregate carrying value as at the end of the reporting period of approximately RMB57,396,000 (2009: Nil).

Certain of the Group's bank loans of RMB754,763,000 (2009: RMB464,317,000) are denominated in USD and were secured by a guarantee provided by the Company as at the end of the reporting period.

The Group's bank loans of RMB850,000,000 (2009: Nil) were secured by guarantee provided by PDA as at the end of the reporting period.

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41. 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 31 December 2010, the carrying amount of the medium-term notes was RMB2,481,671,000 (31 December 2009: RMB2,476,730,000).

42. GOVERNMENT GRANTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Construction of vessels (note a)	**7,623**	8,414	**–**	–
Compensation for the relocation (note b)	**662,860**	697,365	**662,860**	697,365
Operation subsidy (note c)	**17,846**	–	**–**	–
Others	**150**	150	**–**	–
	688,479	705,929	**662,860**	697,365
Less: Amount related to depreciable assets to be released to the income statement within one year	**(36,934)**	(35,446)	**(34,505)**	(34,505)
Amount shown under non-current liabilities	**651,545**	670,483	**628,355**	662,860

Notes:

(a) 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 income statement over the useful lives of the relevant assets. The amount credited to the income statement to offset depreciation for the year ended 31 December 2010 was RMB791,000 (2009: RMB791,000).

(b) 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 income statement to offset depreciation for the year ended 31 December 2010 was RMB34,505,000 (2009: RMB33,669,000).

(c) The amount was received in respect of the subsidy for the first five years operation of Heilongjiang Suimu Logistics Co., Ltd. The amount will be released to the income statement over the next five years upon the commencement of operation of this subsidiary.

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43. DERIVATIVE FINANCIAL LIABILITY

The derivative financial liability has been fully disposed of during the year ended 31 December 2010.

44. NON-CURRENT OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Payables for the issuance costs	**7,941**	11,846	**7,941**	11,846

The balance represents the amount payable to a financial institution for rendering professional services relating to the issuance of medium-term notes during the year which is unsecured, interest-free and repayable within five years. The current portion of RMB3,905,000 (2009: RMB3,905,000) has been included in other payables and accruals as at 31 December 2010.

45. ISSUED CAPITAL

Shares

	2010	2009
	RMB'000	RMB'000
Registered, issued and fully paid:		
Domestic shares	**–**	1,863,400
A shares of RMB1 each		
– Shares owned by PDA	**2,408,745**	–
– other legal person and natural person shares	**954,655**	–
H shares of RMB1 each	**1,062,600**	1,062,600
	4,426,000	2,926,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

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45. ISSUED CAPITAL *(Continued)*

Shares *(Continued)*

During the current year, the movements in issued capital were as follows:

(1) Pursuant to the ordinary resolution passed on 30 November 2009 and the board resolution passed on 27 October 2010, the authorised share capital of the Company was increased from RMB2,926,000,000 to RMB4,426,000,000 by creation of not more than 1,500,000,000 public A shares and Consideration Shares of RMB1 each, ranking pari passu in all respects with the existing shares of the Company.

(2) On 26 November 2010, an aggregate of 761,820,000 public A shares and an aggregate of 738,180,000 Consideration Shares were issued at the issue price of RMB3.80 per share to the public investors in the PRC and PDA, respectively.

(3) Upon the issue of the public A shares and Consideration Shares and approval of SSE, the Company's domestic shares were converted into A shares.

46. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 7 and 8 of the financial statements.

Surplus reserve

Surplus reserve comprises the statutory surplus reserve, enterprise development fund and reserve fund. In accordance with the PRC Company Law and the articles of association of the relevant companies, the Company, its subsidiaries, associates and jointly-controlled entity are required to appropriate a certain percentage of their net profits after tax to the surplus reserves comprising the statutory surplus reserve and discretionary surplus reserve. Subject to certain restrictions set out in the relevant PRC regulations and in the Company's articles of association, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

Distributable reserve

At 31 December 2010, the Company's reserve available for distribution, calculated in accordance with the relevant regulations, amounted to RMB1,198,320,000 (2009: RMB1,416,333,000), out of which dividend of RMB221,300,000 (2009: RMB731,500,000) for the year ended 31 December 2010 was proposed on 28 March 2011. In addition, the Company's share premium account in its statutory financial statements, in the amount of RMB6,212,550,000 (2009: RMB2,435,729,000), may be distributed in the form of fully paid bonus shares.

The amount for which the Company can legally distribute by way of a dividend is determined based on the lower of the retained profits determined in accordance with the generally accepted accounting principles in the PRC and the IFRSs.

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46. RESERVES *(Continued)*

Company

	Share premium account RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2009	1,460,941	894,918	180,595	905,660	3,442,114
Profit for the year	–	–	–	641,962	641,962
Proposed final dividend	–	–	–	(731,500)	(731,500)
Appropriations	–	–	64,973	(64,973)	–
At 31 December 2009	1,460,941	894,918	245,568	751,149	3,352,576
Profit for the year	–	–	–	536,425	536,425
Issue of A shares to public investors	2,010,272	–	–	–	2,010,272
Issue of consideration shares to PDA	2,065,679	–	–	–	2,065,679
Proposed final dividend	–	–	–	(221,300)	(221,300)
Appropriations	–	–	57,054	(57,054)	–
At 31 December 2010	5,536,892	894,918	302,622	1,009,220	7,743,652

47. BUSINESS COMBINATIONS UNDER COMMON CONTROL

The Company acquired the Target Assets in November 2010 upon in accordance with the Acquisition Agreement. The total consideration of RMB3,002,197,000 was settled by the Company with the Consideration Shares of RMB2,805,113,000 and cash of RMB197,084,000.

As mentioned in note 2.1 to the financial statements, the Group has applied merger accounting to account for the business combination under common control. Accordingly, the Target Assets have been combined since 1 January 2009, the earliest financial period presented, as if the acquisition had occurred at that time. No significant adjustments were made to the net assets and net profit of the Target Assets as a result of the common control combination in order to align its accounting policies with the Group.

The considerations paid for the acquisition of the Target Assets and the carrying amount of the net assets acquired in the combination as at the Completion Date are set out below:

	RMB'000
Total consideration paid	3,002,197
Less: carrying amount of the Target Assets	(2,690,896)
Adjustment against the consolidated reserve	311,301

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47. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

The reconciliation of the effect arising from the common control combination on the consolidated income statement for the year ended 31 December 2009 and on the consolidated statement of financial position as at 31 December 2009 is as follows:

	The Group as previously reported RMB'000	Target Assets RMB'000	Adjustments RMB'000	The Group as restated RMB'000
Revenue	1,678,037	1,401,032	(61,416)	3,017,653
Cost of sales and services	(925,663)	(1,015,832)	48,079	(1,893,416)
Gross profit	752,374	385,200	(13,337)	1,124,237
Others	(85,778)	(144,370)	(4,596)	(234,744)
Profit before tax	666,596	240,830	(17,933)	889,493
Income tax expenses	(61,840)	(64,548)	–	(126,388)
Profit for the year	604,756	176,282	(17,933)	763,105
Attributable to:				
Non-controlling interest	(4,512)	20,996	(6,708)	9,776
Owners of the parent	609,268	155,286	(11,225)	753,329
Assets and liabilities				
Property, plant and equipment	5,927,127	4,835,117	(26,193)	10,736,051
Investment in jointly-controlled entities	1,629,893	–	(8,498)	1,621,395
Investment in associates	471,493	251,157	(2,881)	719,769
Other non-current assets	1,566,290	48,703	(570)	1,614,423
Current assets	1,516,284	668,065	(38,594)	2,145,755
Current liabilities	(654,182)	(499,336)	38,594	(1,114,924)
Non-current liabilities	(3,699,696)	(2,681,363)	–	(6,381,059)
Net assets	6,757,209	2,622,343	(38,142)	9,341,410
Equity				
Equity attributable to owners of the parent				
Issued capital	2,926,000	–	–	2,926,000
Reserves	3,053,389	2,516,529	(27,673)	5,542,245
Proposed final dividend	731,500	–	–	731,500
	6,710,889	2,516,529	(27,673)	9,199,745
Non-controlling interest	46,320	105,814	(10,469)	141,665
Total equity	6,757,209	2,622,343	(38,142)	9,341,410

Notes to the Financial Statements

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48. ACQUISITION OF A SUBSIDIARY

On 31 December 2010, the Group acquired a 100% interest in DPPC. DPPC is engaged in the storage and transportation of petroleum and petroleum products and providing the related logistics services. The acquisition was made as part of the Group's strategy to obtain more shoreline resources to expand its market share of oil terminal and related logistics services. The purchase consideration for the acquisition was in the form of cash, with RMB396,800,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of DPPC as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	19	1,273,740
Available-for-sale investments		1,900
Intangible assets	22	96,962
Cash and bank balances		1,622
Trade receivables		1,768
Other receivables		12
Inventories		708
Interest-bearing bank borrowings		(939,050)
Other payables and accruals		(40,862)
Deferred tax liabilities		(61,700)
Total identifiable net assets at fair value		335,100
Goodwill on acquisition	22	61,700
Satisfied by cash		396,800

None of the goodwill recognised is expected to be deductable for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(396,800)
Cash and bank balances acquired	1,622
Net outflow of cash and cash equivalents included in cash flows from investing activities	(395,178)

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49. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Comprehensive services income received from:			
PDA	(i)	**11,618**	18,241
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**13,304**	35,904
Jointly-controlled entities and associates		**123,960**	97,938
		148,882	152,083
Rental income received from:			
PDA	(i)	**–**	1,817
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**511**	–
Jointly-controlled entities and associates		**163,696**	160,311
		164,207	162,128
Maintenance services income received from:			
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**–**	250
Sales of goods to:			
PDA	(i)	**4,222**	20,546
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**562**	–
Jointly-controlled entities and associates		**18**	–
		4,802	20,546

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49. RELATED PARTY TRANSACTIONS *(Continued)*

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Construction and project management services income received from:			
PDA	(i)	**690**	1,838
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**300**	–
Jointly-controlled entities and associates		**10,570**	–
		11,560	1,838
Comprehensive services paid to:			
PDA	(i)	**9,777**	12,214
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**31,742**	20,585
Jointly-controlled entities and associates		**4,831**	3,668
		46,350	36,467
Maintenance services paid to:			
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**5,867**	11,625
Land leasing expenses paid to:			
PDA	(i)	**3,150**	1,288
Property leasing expenses paid to:			
PDA	(i)	**6,993**	12,571
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**3,343**	4,633
Jointly-controlled entities and associates		**25,580**	11,534
		35,916	28,738

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49. RELATED PARTY TRANSACTIONS *(Continued)*

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Acquisition of property, plant and equipment from:			
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**142,661**	280,651
Jointly-controlled entities and associates		**–**	153
		142,661	280,804
Transfer of property, plant and equipment to:			
PDA	(i)	**25,721**	–
A subsidiary of PDA	(i)	**–**	970
		25,721	970
Interest expenses paid to:			
PDA	(i)	**188**	18,852
Subsidiaries, associates and jointly-controlled entities of PDA	(i)	**298**	–
A jointly-controlled entity and an associate		**697**	498
		1,183	19,350
Interest income received from:			
Jointly-controlled entities and associates		**3,221**	4,989

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

(i) PDA is the holding company owning a 54% interest of the Company as at 31 December 2010. The related party transactions disclosed above were entered into with PDA and its subsidiaries, associates and jointly-controlled entities, mainly including PDA, Dalian Port Construction Engineering Co., Ltd and 大連港日興鍋爐安裝有限公司.

Notes to the Financial Statements

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49. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

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

	2010 RMB'000	2009 RMB'000
Short-term benefits	**4,431**	4,058
Post-employment benefits	**144**	125
	4,575	4,183

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

50. OPERATING LEASES COMMITMENTS

As lessor

The group leases its investment properties (note 21 to the financial statement) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years.

At the reporting date, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000 (Restated)	2010 RMB'000	2009 RMB'000
Within one year	**124,319**	109,277	**998**	903
In the second to fifth year inclusive	**355,715**	330,650	**2,717**	1,090
After five years	**414,066**	411,950	**–**	–
	894,100	851,877	**3,715**	1,993

In addition to the above, the Group and the Company have future storage income from leasing its oil tanks that is calculated based on the capacity of oil tanks and the contracted leasing fees per day pursuant to the relevant agreements. These agreements will be expired from November 2011 to December 2013.

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50. OPERATING LEASES COMMITMENTS *(Continued)*

As lessee

The Group leases certain of its terminals, land, warehouses, offices properties and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At the reporting date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Within one year	**36,890**	4,554	**1,262**	566
In the second to fifth year inclusive	**1,657**	3,912	**1,208**	1,044
	38,547	8,466	**2,470**	1,610

51. COMMITMENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment:				
– Authorised but not contracted	**4,319,066**	3,001,130	**4,276,123**	2,990,665
– Contracted but not provided for	**556,686**	585,771	**434,014**	225,114
Capital expenditure in respect of the acquisition of equity interests and business:				
– Authorised but not contracted	**416,130**	1,032,200	**858,130**	1,032,200
– Contracted but not provided for	**90,000**	544,000	**90,000**	3,349,000

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52. CONTINGENT LIABILITIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Guarantees given to banks in connection with banking facilities granted to and utilised by:				
– A jointly-controlled entity	**116,000**	116,000	**–**	–
– A subsidiary	**–**	–	**754,763**	464,316

53. PARTICULARS OF THE SUBSIDIARIES

Particulars of the 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 Company		Principal activities
			2010	2009	
Directly held by the Company					
Dalian Port Container Development Co., Ltd.	PRC	RMB2,066,210,000	**100.00%**	100.00%	Provision of wide range of container terminal and logistics services as well as port investment
Asia Pacific Ports Company Limited	Hong Kong	75,000,000 ordinary shares of HKD1 each	**100.00%**	100.00%	Investment holding
Dalian ETDZ Jin Xin Petrochemistry Company Limited	PRC	RMB5,000,000	**100.00%**	100.00%	Provision of agency services and trading of oil and other related products
Dalian Jifa Shipping Management Co., Ltd.	PRC	RMB80,000,000	**70.00% (directly) and 29.21% (indirectly)**	70.00% (directly) and 29.21% (indirectly)	Provision of trading, leasing and management of ships

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53. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Company 2010	2009	Principal activities
Directly held by the Company *(Continued)*					
*Dalian Gangyue Car-carrying Vessel Management Co., Ltd.	PRC	RMB196,000,000	**51.00% (directly) and 49.00% (indirectly)**	51.00% (directly) and 49.00% (indirectly)	Leasing and management of car-carrying vessels
Dalian Port Power Supply Company Limited	PRC	RMB20,000,000	**100% (note a)**	–	Provision of power supply construction services
Dalian Port Corporation Zhuanghe Terminal Co., Ltd.	PRC	RMB30,000,000	**100% (note a)**	–	Provision of cargo handling, loading and unloading services
Dalian Portsoft Technology Co., Ltd.	PRC	RMB10,000,000	**49% (note a)**	–	Provision of information system and related computerised support services
Dalian Port Construction Supervision & Consultation Co., Ltd.	PRC	RMB5,000,000	**75% (note a)**	–	Provision of terminal construction supervisory services
Dalian Port Construction Management Co., Ltd.	PRC	RMB5,000,000	**100% (note a)**	–	Provision of terminal construction management services
Dalian Port Telecommunication Engineering Co., Ltd.	PRC	RMB10,000,000	**45.00% (directly) and 14.29% (indirectly) (note a)**	14.29% (indirectly)	Provision of information technology engineering and air-conditioning construction services
Dalian Ocean Shipping Tally Co., Ltd.	PRC	RMB3,089,200	**84.00% (note a)**	49.00%	Provision of shipping tally services

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53. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Company 2010	2009	Principal activities
Directly held by the Company *(Continued)*					
Dalian Golden Bay Grain Logistics Co., Ltd.	PRC	RMB97,330,000	**37.50% (note a)**	–	Provision of cargo storage and delivery services
Dalian Port Petroleum & Chemical Co., Ltd.	PRC	RMB1,500,000,000	**100.00% (note b)**	–	Provision of storage and transportation of petroleum and petroleum & chemical products and related logistics services
Indirectly held by the Company					
Dalian Port Jifa Logistics Co., Ltd.	PRC	RMB717,650,000	**100.00%**	100.00%	Provision of depot leasing business and a wide range of other container related logistics services
Dalian Jifa Shipping Agency Co., Ltd.	PRC	RMB500,000	**98.94%**	98.94%	Provision of port logistics and supporting services
Dalian Port Logistics Technology Co., Ltd.	PRC	RMB10,000,000	**100.00%**	100.00%	Development and sales of computer software
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	PRC	RMB49,230,000	**97.36%**	97.36%	Provision of port logistics and supporting services
Dalian International Container Services Co., Ltd.	PRC	USD1,440,000	**74.00%**	74.00%	Provision of port logistics and supporting services
Dalian Port Jihuo Logistics Co., Ltd.	PRC	RMB2,000,000	**99.66%**	99.66%	Provision of port logistics and supporting services
Dalian International Logistics Park Development Co., Ltd.	PRC	RMB150,000,000	**90.00%**	90.00%	Operation of a bonded logistics park
Dalian Jifa Port Engineering Co., Ltd.	PRC	RMB5,000,000	**100.00%**	100.00%	Provision of port logistics and supporting services

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53. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Company 2010	2009	Principal activities
Indirectly held by the Company *(Continued)*					
Dalian Jifa International Freight Co., Ltd.	PRC	RMB5,000,000	**98.65%**	98.65%	Provision of port logistics and supporting services
Dalian TBT Consulting Co., Ltd.	PRC	RMB1,000,000	**100.00%**	100.00%	Development of software and ERP system
DCT Logistics Co., Ltd.	PRC	RMB100,000,000	**97.78%**	97.78%	Provision of port logistics and supporting services
Dalian Jiyi Logistics Co., Ltd.	PRC	RMB6,500,000	**80.00%**	80.00%	Provision of port logistics and supporting services
*Dalian Portnet Co., Ltd.	PRC	USD2,800,000	**71.43%**	71.43%	Provision of logistics data transmission, conversion and processing services
Dalian Techport Service Co., Ltd.	PRC	RMB3,500,000	**58.46%**	58.46%	Development of software and ERP system
Asia Pacific Carrier Ltd.	British Virgin Island ("BVI")	50,000 ordinary shares of USD1 each	**60.00%**	60.00%	Investment holding
Harbour Full Group Limited	BVI	USD50,000	**100.00%**	100.00%	Provision of vessel and chartering services
Asia Pacific Ports Investment Co., Ltd.	HK	1 ordinar yshare of HKD1 each	**100%**	100%	Investment holding
Asia Pacific Ports (Dalian) Co., Ltd.	PRC	USD31,580,000	**100%**	100%	Development and operation of port logistics facilities

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53. PARTICULARS OF THE SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Company 2010	2009	Principal activities
Indirectly held by the Company *(Continued)*					
Heilongjiang Suimu Logistics Co., Ltd.	PRC	RMB45,000,000	**85.00%**	85.00%	Provision of assembling, storage and logistics services
Dalian Portsoft Network Co., Ltd.	PRC	RMB10,000,000	**49% (note a)**	–	Provision of information system and related computerised support services

* The subsidiary is a foreign investment enterprise.

Notes:

(a) The equity interests of these subsidiaries were acquired from PDA as part of the Target Assets during the year.

(b) This subsidiary was acquired through business combinations during the year.

54. PARTICULARS OF THE JOINTLY-CONTROLLED ENTITIES

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

Name of jointly-controlled entity	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Company 2010	2009	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
Odfjell Terminals (Dalian) Ltd.	PRC	USD28,000,000	**50.00%**	50.00%	Provision of storage and loading and discharging services of liquefied chemicals
Dalian Harbour ECL Logistics Co., Ltd.	PRC	USD3,000,000	**50.00%**	50.00%	Provision of automobile terminal and logistics services

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54. PARTICULARS OF THE JOINTLY-CONTROLLED ENTITIES *(Continued)*

Name of jointly-controlled entity	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Company 2010	2009	Principal activities
Directly held by the Company *(Continued)*					
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%**	50.00%	Provision of terminal construction management and discharging services of refined oil
Dalian Automobile Terminal Co., Ltd.	PRC	RMB320,000,000	**40.00%**	40.00%	Provision of automobile terminal and logistics services
Indirectly held by the Company					
Dalian Assembling Transportation Logistics Co., Ltd.	PRC	RMB30,000,000	**68.45% (note a)**	68.45% (note a)	Provision of port logistics and supporting services
Dalian Container Terminal Co., Ltd.	PRC	RMB1,350,000,000	**51.00%**	51.00%	Provision of container terminal and logistics services
Dalian United International Shipping Agency	PRC	RMB5,000,000	**50.00%**	50.00%	Provision of port logistics and supporting services
Dalian Yidu Jifa Cold Logistics Co., Ltd.	PRC	RMB36,000,000	**50.00%**	50.00%	Provision of port logistics and supporting services
Liaoning Con-Rail International Logistics Co., Ltd.	PRC	RMB16,000,000	**50.00%**	50.00%	Provision of port logistics and supporting services
Liaoning Electronic Port Co., Ltd.	PRC	RMB12,000,000	**39.29%**	39.29%	Provision of logistics data transmission transfer and processing services
Dalian Vanguard International Logistics Co., Ltd.	PRC	RMB74,000,000	**50.00%**	50.00%	Provision of port logistics and supporting services
Dalian Dagang China Shipping Container Terminal Co., Ltd	PRC	RMB10,000,000	**22.00%**	22.00%	Provision of container terminal and logistics services
Dalian Port Container Terminal Co., Ltd.	PRC	RMB730,000,000	**35.00%**	35.00%	Provision of container terminal and logistics services

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54. PARTICULARS OF THE JOINTLY-CONTROLLED ENTITIES *(Continued)*

Name of jointly-controlled entity	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Company 2010	2009	Principal activities
Indirectly held by the Company *(Continued)*					
Dalian Singamas International Container Co., Ltd.	PRC	USD11,120,000	**32.31%**	32.31%	Provision of port logistics and supporting services
Dalian Shunda Logistic Services Corporation	PRC	USD5,800,000	**50.00%**	50.00%	Provision of bonded goods warehousing, processing and consultation services
Dalian Jilong Logistics Co., Ltd.	PRC	RMB70,000,000	**30.00%**	30.00%	Provision of port logistics and supporting services
China Unite Northeast Rail Containers Co., Ltd.	PRC	RMB160,000,000	**40.00%**	40.00%	Provision of container terminal and logistics services
Dalian International Container Terminal Co., Ltd.	PRC	RMB1,400,000,000	**40.00%**	40.00%	Provision of container terminal and logistics services
ODFJELL AP Port Holding Pte. Ltd.	Singapore	2 ordinary shares of USD500,000 each	**50.00% (note b)**	–	Investment holding

Note:

(a) 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.

(b) This company was newly established during the year as a private company limited by shares.

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55. PARTICULARS OF THE ASSOCIATES

Particulars of the associates of the Group are as follows:

Name of associate	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Company 2010	2009	Principal activities
Directly held by the Company					
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 tugging services
Dalian North Petroleum Logistics Co., Ltd.	PRC	RMB148,000,000	**20.00% (note a)**	–	Construct, operate and maintain oil tanks and related warehouse and facilities
Dalian Changxing Island Port Co., Ltd.	PRC	RMB420,000,000	**40.00% (note b)**	–	Provision of cargo handling, loading and unloading services.
China Shipping Gang Lian Co., Ltd.	PRC	RMB300,000,000	**30.00% (note b)**	–	Provision of shipping agency services
PetroChina Dalian LNG Co., Ltd.	PRC	RMB2,600,000,000	**20.00%**	20.00%	Provision of LNG receiving, storage, regasification and related services

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55. PARTICULARS OF THE ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Attributable equity interest to the Company 2010	2009	Principal activities
Indirectly held by the Company					
Dalian Prologis-Jifa Logistic Development Co., Ltd.	PRC	USD80,000,000	**36.00%**	36.00%	Development of a bonded logistics park
Shenyang Prologis-Jifa Logistic Development Co., Ltd.	PRC	USD16,667,000	**36.00%**	36.00%	Development of a bonded logistics park
SINOECL Auto Liners, Limited	HK	HKD 4,149,332	**20.00%**	20.00%	Provision of international automobile transportation services
Jadeway Limited	HK	10,000 ordinary shares of HKD1 each	**20.00%**	20.00%	Provision of vessel and chartering services
Dalian Wanpeng Port Engineering Examination & Testing Co., Ltd.	PRC	RMB800,000	**30.00% (note b)**	–	Provision of construction surveying services

Notes:

(a) The company was newly established during the year as a Sino-foreign joint venture.

(b) The equity interests of these companies were acquired from PDA as part of the Target Assets during the year.

56. COMPARATIVE AMOUNTS

Comparative figures have been adjusted to apply merger accounting for the businesses combination under common control, as explained in note 2.1, and certain comparatives have been reclassified to conform with the current year's presentation.

57. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2011.

Financial Highlights for the Past Five Financial Years

	2010	2009	2008	2007	2006
		(Restated)	(Restated)	(Restated)	(Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue and Profit					
Revenue	**3,316,675**	3,017,653	2,952,947	2,702,632	2,108,268
Gross profit	**1,322,521**	1,124,237	1,031,923	931,732	802,148
Operating profit	**1,065,235**	847,641	1,090,649	705,384	689,429
Profit before tax	**1,104,338**	889,493	1,182,510	817,772	763,900
Net profit	**867,758**	763,105	929,770	674,178	696,714
Profit attributable to equity holders	**834,233**	753,329	860,594	640,684	677,120
Earnings per share – basic (RMB)	**0.22**	0.21	0.23	0.17	0.18
Assets and Liabilities					
Cash and bank balances	**3,257,585**	1,260,270	912,051	695,385	1,703,508
Current assets	**4,342,357**	2,145,755	1,886,661	2,708,710	2,637,228
Non-current assets	**18,045,346**	14,691,638	13,558,686	11,767,264	9,240,139
Borrowings	**6,144,634**	4,981,047	2,440,110	2,449,215	2,408,632
Current liabilities	**4,710,674**	1,114,924	1,129,842	1,665,816	1,370,970
Non-current liabilities	**5,610,049**	6,381,059	5,453,408	4,636,848	2,752,563
Total assets	**22,387,703**	16,837,393	15,445,347	14,475,974	11,877,367
Net assets	**12,066,980**	9,341,410	8,862,097	8,173,310	7,753,834
Capital and Reserves					
Paid-in capital	**4,426,000**	2,926,000	2,926,000	2,926,000	2,926,000
Reserves	**7,254,214**	5,542,245	5,376,620	4,760,405	4,385,014
Proposed final dividends	**221,300**	731,500	263,340	234,080	175,560
Equity attributable to equity holders of the Company	**11,901,514**	9,199,745	8,565,960	7,920,485	7,486,574
Minority interests	**165,466**	141,665	296,137	252,824	267,259
Total equity	**12,066,980**	9,341,410	8,862,097	8,173,309	7,753,833
Net assets per share (RMB)	**2.69**	2.51	2.34	2.16	2.04

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)
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