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)

(Stock Code: 2880)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

SUMMARY

- Revenue for the year ended 31 December 2008 was RMB1,586,512,000, representing an increase of 1.0% over 2007.
- Profit attributable to equity holders of the Company for the year ended 31 December 2008 was RMB779,614,000, representing an increase of 27.5% over 2007.
- Basic earnings per share for the year ended 31 December 2008 was RMB26.64 cents.
- The Board of Directors proposed a final dividend of RMB9 cents per share.

The Board of Directors (the "Board") of Dalian Port (PDA) Company Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Group's financial results have been audited by Deloitte Touche Tohmatsu.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	2008	2007
		RMB'000	RMB'000
Revenue		1,586,512	1,570,136
Cost of sales and services		(887,911)	(873,280)
Gross profit		698,601	696,856
Other income	5	452,224	56,867
Selling and administrative expenses		(160,306)	(111,781)
Changes in fair value of derivative financial liabilities		(6,123)	(2,911)

Impairment loss on available-for-sale investments		(53,001)	-
Share of results of jointly controlled entities		179,466	167,306
Share of results of associates		8,925	992
Finance costs		(87,761)	(57,813)
Profit before tax		1,032,025	749,516
Income tax expense	6	(209,321)	(119,134)
Profit for the year	7	822,704	630,382
Attributable to:			
Equity holders of the Company		779,614	611,368
Minority interests		43,090	19,014
		822,704	630,382
Dividend	8	234,080	175,560
Earnings per share - basic (RMB)	9	0.27	0.21

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		5,444,571	4,407,725
Prepaid lease payments		290,700	292,437
Investment properties		877,498	907,684
Intangible assets		133,415	48,738
Goodwill		16,035	-
Interests in jointly controlled entities		893,697	718,398
Interests in associates		951,265	717,545
Available-for-sale investments		118,642	160,559
Deferred tax assets		55,158	70,501
Amount due from a jointly controlled entity		3,588	-
Amount due from an associate		64,000	-
		8,848,569	7,323,587
Current assets			
Properties held for sale		9,655	84,207
Inventories - finished goods, at cost		7,699	24,931
Trade and other receivables	10	487,398	381,825
Prepaid lease payments		6,480	6,411
Amounts due from jointly controlled entities		30,318	58,040
Amounts due from associates		122,091	74,455
Amounts due from related companies		-	80
Amount due from a fellow subsidiary		351	2,679
Advance to Dalian Port Corporation Limited ("PDA")		5,175	37
Bank balances and cash		670,011	532,154
		1,339,178	1,164,819
Non-current assets held for sale		-	1,036,293

	Notes		
		1,339,178	2,201,112
Current liabilities			
Trade and other payables	11	446,871	375,855
Amounts due to jointly controlled entities		3,587	1,561
Amounts due to associates		2,594	4,761
Amounts due to related companies		88,789	96,683
Amounts due to fellow subsidiaries		2,892	4,891
Advance from PDA		31,634	16,547
Amount due to a minority shareholder		-	22,059
Tax liabilities		82,086	48,052
Bank borrowings - due within one year		196,733	698,060
Government grants		38,380	38,020
		893,566	1,306,489
Net current assets		445,612	894,623
Total assets less current liabilities		9,294,181	8,218,210
Non-current liabilities			
Bank borrowings - due after one year		1,235,000	1,529,900
Government grants		711,178	748,522
Derivative financial liabilities		9,034	2,911
Loan from PDA		788,377	-
		2,743,589	2,281,333
Net assets		6,550,592	5,936,877
Capital and reserves			
Paid-in capital		2,926,000	2,926,000
Share premium and reserves		3,434,846	2,850,425
Equity attributable to equity holders of the Company		6,360,846	5,776,425
Minority interests		189,746	160,452
Total equity		6,550,592	5,936,877

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008

1. GENERAL

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

The Company's parent and ultimate holding company is PDA, which is a state-owned enterprise established on 30 April 2003, under the laws of the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Group is engaged in oil/liquefied chemicals terminal and logistics services, container terminal and logistics services, automobile terminal and logistics services and port value-added services.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

The Group has early applied IFRS 8 "Operating Segments" in advance of its effective date, with effect from 1 January 2008. Amounts reported for prior year have been restated on the new basis. Details are set out in note 4.

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

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

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

[7] Effective for transfers on or after 1 July 2009

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidation and Separate Financial Statements. IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

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

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

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

Principal activities are as follows:

Oil/liquefied chemicals terminal and logistics services	-	Loading and discharging, storage and transhipment of oil products and liquefied chemicals and port management services;
Container terminal and logistics services	-	Loading and discharging, storage and transhipment of containers, leasing of terminals and related facilities and various container logistics services and sales of properties;
Automobile terminal and logistics services	-	Loading and discharging of automobile and related logistics services;

Port value-added services - Tallying, tugging and information technology services.

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

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

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

BALANCE SHEET
AT 31 DECEMBER 2008

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

Liabilities						
Segment liabilities	920,982	1,251,239	-	25,396	1,439,538	3,637,155

OTHER INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2008

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

Inter-segment sales are charged at prevailing market prices.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007 (Restated)

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Port value-added services RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	673,707	643,084	-	252,090	1,255	1,570,136
Cost of sales and services	(276,250)	(480,462)	-	(116,498)	(70)	(873,280)
Gross profit	397,457	162,622	-	135,592	1,185	696,856
Other (expense) income	(2,466)	32,755	-	1,113	6,899	38,301
Interest income	547	9,171	-	79	8,769	18,566
Selling and administrative expenses	(29,738)	(38,709)	-	(17,467)	(25,867)	(111,781)
Changes in fair value of derivative financial liabilities	-	-	-	-	(2,911)	(2,911)
Share of results of Jointly						

controlled entities	20,785	137,546	(203)	9,178	-	167,306
Share of results of associates	-	582	(2,506)	2,916	-	992
Finance costs	-	(26,053)	-	(9)	(31,751)	(57,813)
Profit (loss) before tax	386,585	277,914	(2,709)	131,402	(43,676)	749,516
Income tax (expense) credit	(52,661)	(54,786)	-	(18,894)	7,207	(119,134)
Profit (loss) for the year	333,924	223,128	(2,709)	112,508	(36,469)	630,382

BALANCE SHEET
AT 31 DECEMBER 2007 (Restated)

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

OTHER INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2007 (Restated)

	Oil/liquefied chemicals terminal and logistics services RMB'000	Container terminal and logistics services RMB'000	Automobile terminal and logistics services RMB'000	Port value-added services RMB'000	Unallocated RMB'000	Total RMB'000
Capital additions	839,969	243,839	-	123,354	899	1,208,061
Depreciation and amortisation	112,482	41,285	-	23,486	1,424	178,677
Government grant related to depreciation	(23,360)	-	-	-	-	(23,360)
Release of prepaid lease payments to consolidated income statement	2,228	2,683	-	-	-	4,911
Loss (gain) on disposal of property, plant and equipment	2,158	(11,204)	-	2,177	-	(6,869)
Loss on disposal of intangible assets	-	-	-	1	-	1
Gain on disposal of prepaid lease payment	(1,831)	-	-	-	-	(1,831)
Gain on disposal of properties held for sale	-	(20,692)	-	-	-	(20,692)
Loss on disposal of investment properties	-	253	-	-	-	253
Inter-segment sales	(69)	(475)	-	(2,302)	-	(2,846)

REVENUE FROM MAJOR PRODUCES AND SERVICES

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

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

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

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

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

Geographical segments

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

5. OTHER INCOME

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

	2008	2007
	452,224	56,867

6. INCOME TAX EXPENSE

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 16.5% to 25% for the Company and from 33% to 25% for the subsidiaries from 1 January 2008 except for specific concessions set out below. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled (adjusted as appropriate).

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

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

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

(3) Dalian Tech Port Service Co., Ltd ("TPS") is a high-tech enterprise engaged in software development which is located in Dalian high-tech industrial development park. Pursuant

to the regulation of Income Tax Law, the income tax is 15%. Meanwhile, pursuant to Cai Shui [2008] No. 1 "Circular of the Ministry of Finance and the State Administration of Taxation Concerning Several Preferential Policies Relevant to Enterprise Income Tax", after approved by Tax Bureau, software enterprise can be entitled to income tax exemption for two years commencing from its first profit making year of operation and thereafter, entitled to a 50% relief from income tax for the following next three years. 2008 is the first year entitled to a 50% relief from income tax, hence the applicable income tax rate is 7.5%.

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

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

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

7. PROFIT FOR THE YEAR

	2008 RMB'000	2007 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff cost, including directors' remuneration :		
- Salaries, wages and other benefits	178,410	126,751
- Retirement benefits scheme contributions	41,358	28,437
Total staff costs	219,768	155,188
Depreciation for property, plant and equipment	184,278	156,694
Depreciation for investment properties	21,950	17,622
Amortisation of intangible assets	11,670	4,361
	217,898	178,677
Less: Government grants related to depreciable assets released to consolidated income statements	(38,380)	(23,360)

Total depreciation and amortisation	179,518	155,317
Recovery of allowance for bad and doubtful debts, net	(160)	(1,405)
Auditor's remuneration	3,042	3,701
Release of prepaid lease payments to consolidated income statement	6,907	4,911
Foreign exchange loss, net	4,331	2,594
Loss on disposal of intangible assets	155	1
(Gain) loss on disposal of investment properties	(13,543)	253
Interest income from jointly controlled entities and associates	994	413

8. .DIVIDEND

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

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

9. EARNINGS PER SHARE

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

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

10. TRADE AND OTHER RECEIVABLES

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

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

	2008 RMB'000	2007 RMB'000
0 - 90 days	75,114	54,800

	2008	2007
91 - 180 days	5,234	77
181 - 365 days	4,458	-
Over 365 days	765	685
	85,571	55,562

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

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

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

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

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

Movement in allowance for doubtful debts for trade receivables:

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

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

11. TRADE AND OTHER PAYABLES

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

	2008 RMB'000	2007 RMB'000
Trade payables		
0 - 90 days	36,974	61,931
91 - 180 days	47,738	383
181 - 365 days	185	230
Over 365 days	237	-
	85,134	62,544

Other payables		
Construction payables	204,313	206,703
Others	157,424	106,608
	361,737	313,311
	446,871	375,855

12. POST BALANCE SHEET EVENT

The following events have occurred subsequent to 31 December 2008:

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

(2) In February 2009, the Group set up a wholly owned subsidiary, 大連港越汽車船管理有限公司 ("港越汽車船"), by making capital contribution of RMB 196,000,000. 港越汽車船 will be engaged in automobile terminal and logistics services. The capital will be used for construction of a vessel.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Summary

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

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

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

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

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

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

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

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

Overall analysis of results

In 2008, the Company's profit attributable to equity holders amounted to RMB 779,614,000, representing an increase of 27.5% as compared with RMB 611,368,000 in 2007. Such increase was mainly driven by gains relating to the disposal of fixed assets (including property, plant and equipment, as well as non-current assets held for sale)，improved performance of the Group's associates and jointly controlled entities, and an increase in operating profit.

In 2008, the Company's basic earnings per share was RMB 26.64 cents representing an increase of 27.5% as compared with RMB 20.89 cents in 2007.

In 2008, the Group's revenue amounted to RMB 1,586,512,000, representing an increase of 1.0% as compared with RMB 1,570,136,000 in 2007. The revenue increase was mainly attributable to the increase in income of the Group's oil segment business resulting from the increased handling volume of imported crude oil, the increase of tugging revenue, and the newly consolidated container logistics business. However, the income from sales of land use rights by Dalian International Logistics Park Development Co., Ltd. ("Logistics Park") decreased in 2008. The Group's income from leasing storage tanks and handling oil trans-shipment also decreased as a result of the disposal of crude oil tanks with a total storage capacity of 450,000 cubic meters to accommodate a major customer's construction of crude oil tanks.

In 2008, the Group's cost of sales and services amounted to RMB 887,911,000 which increased by 1.7% as compared with RMB 873,280,000 in 2007. The increase of cost in the current year was mainly due to the recognition of the cost associated with the newly consolidated container logistics business, as well as the increase of labor costs, rental expenditure and fuel costs which were mainly caused by our business growth. However, Logistics Park's cost of sales in respect of disposal of land use rights decreased in 2008.

In 2008, the Group's gross profit reached RMB 698,601,000 which increased by 0.3% as compared with RMB 696,856,000 in 2007 and represented a gross margin of 44% which was approximately the same level as that of 2007.

In 2008, the Group's other income increased to RMB 452,224,000 from RMB 56,867,000 in 2007. The increase was mainly due to the disposal of container berths, oil tanks, land use rights and container vessels.

In 2008, the Group's income tax expense amounted to RMB 209,321,000 which increased by 75.7% as compared with RMB 119,134,000 in 2007. The significant increase in the Group's income tax expenses in 2008 was mainly due to an increase in the Group's pre-tax profit, as well as the fact that the preferential tax treatment which provided for a 50% reduction in applicable PRC income tax in 2007 had ceased to be available to the Company in 2008.

Assets and liabilities

As of 31 December 2008, the Group's total assets and net assets amounted to RMB 10,187,747,000 and RMB 6,550,592,000, respectively, and the net asset value per share was RMB 2.24, representing an increase of 10.3% over that as at 31 December 2007.

As of 31 December 2008, the Group's total liabilities amounted to RMB 3,637,155,000 of which total outstanding loans accounted for RMB 2,220,110,000.

Financial resources and liquidity

In 2008, the Group's net cash flows generated from operating activities amounted to RMB 561,493,000 and net cash generated from investing activities amounted to RMB30,308,000 of which RMB 1,566,384,000 was net proceeds from disposal of fixed assets. These cash inflow will fund the Group's capital expenditure and other investments. The Group maintained a sound financial position throughout 2008.

As of 31 December 2008, the Group had a balance of cash and cash equivalents of RMB 670,011,000 which represented an increase of RMB 137,857,000 as compared with that as of 31 December 2007.

In 2008, the Group obtained new loans of RMB 971,110,000 and repaid loans of RMB 978,961,000. As of 31 December 2008, the Group's loans from banks and advance from Dalian Port Corporation Limited amounted to RMB 2,220,110,000 of which RMB2,023,377,000 are due after one year, and RMB 196,733,000 are due within one year.   Gearing, as measured by net debts to equity, was 23.7% as at 31

December 2008 (28.6% as at 31 December 2007).

As of 31 December 2008, the Group's unutilized banking facilities amounted to RMB 2,500,000,000.

As of 31 December 2008, the Group had net current assets of RMB 445,612,000, representing a decrease of RMB 449,011,000 as compared with that at 31 December 2007. The Group's current ratio was 1.5 times as at 31 December 2008 (1.7 times as at 31 December 2007).

During 2007, the Group entered into an interest rate swap contract with a financial institution with a principal amount of approximately USD52.9 million. This contract was classified as a derivative financial instrument and recognized in the balance sheet at its fair value as of 31 December 2008.

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

Use of proceeds

Net proceeds of the Group's global offering of H shares in 2006, after deducting related expenses, amounted to approximately RMB 2,385,343,000. As at 31 December 2008, the Group had utilized approximately RMB 2,242,343,000 of the net proceeds, and the balance of the net proceeds was RMB 143,000,000.

There has been no change in the proposed use of proceeds from the H share global offering as stated in the Company's prospectus dated 18 April 2006. As at 31 December 2008, the details of the use of proceeds were as follows:

Projects	**Proceeds from IPO**	**Use of proceeds as of 31 December 2008**	**Balance**	**Completion of construction /purchase**
Construction of four new container berths at Dayaowan	400,000,000	400,000,000	0	two container berths
Construction of twelve crude oil storage tanks in Xingang	680,000,000	550,000,000	130,000,000	twelve crude oil storage tanks
Purchase of eight tugboats	270,000,000	257,000,000	13,000,000	eight tugboats
Repayment of a long-term bank loan	850,000,000	850,000,000	0	
General working capital	185,343,000	185,343,000	0	
Total	2,385,343,000	2,242,343,000	143,000,000	

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

Capital expenditure

In 2008, the Group's capital expenditure amounted to RMB 1,253,946,000 which was mainly funded by surplus cash generated from operating activities, the proceeds from disposal of fixed assets and the proceeds of the global offering of H shares.

Business Review

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

Oil Segment

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

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

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

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

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

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

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

In 2008, the revenue from the oil/liquefied chemicals terminal and logistics services amounted to RMB 670,025,000, representing a decrease of RMB 3,682,000 which amounted to a 0.5% decrease as compared with that in 2007. The decrease of the Group's income from leasing storage tanks and handling oil trans-shipment was mainly caused by a shortage of storage tanks after the disposal of crude oil tanks with a total storage capacity of 450,000 cubic meters to accommodate a major customer's construction of crude oil tanks. However, the oil handling revenue increased as a result of the throughput growth of imported crude oil.

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

In 2008, the gross profit from the oil/liquefied chemicals terminal and logistics services amounted to RMB377,840,000, a decrease of 4.9% as compared with RMB 397,457,000 in 2007, and accounted for 54.1% (57.0% in 2007) of the Group's total gross profit in 2008, representing a gross margin of 56.4% (59.0% in 2007). Such decrease in gross margin was mainly caused by the cost of lease-back of certain crude oil tanks, increased labor cost and depreciation charges. The shortage of crude oil storage capacity resulted from the disposal of tanks with a storage capacity of 450,000 cubic meters necessitated the lease-back of certain oil tanks during 2008.

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

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

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

- The new 300,000 dwt crude oil terminal project was approved by the National Development and Reform Commission of the PRC (the "NDRC"). The Group established a joint venture with

PetroChina International Dalian Co., Ltd. on 22 August 2008 to develop, construct and operate a new 300,000 dwt crude oil terminal. The construction of the terminal commenced in 2008.

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

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

<u>Container Segment</u>

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

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

Note 1: The throughput at other ports for 2007 refers to the aggregate of the full year throughput of Jinzhou New Age Container Terminal Co., Ltd. (which is owned as to 15% by the Company) and the two-month throughput of Qinhuangdao Port New Harbour Container Terminal Co., Ltd. (which is owned as to 15% by the Company) as it commenced operation at the end of October 2007. The throughput at other ports for 2008 refers to the aggregate of the full year throughput of such two ports.

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

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

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

In 2008, the revenue from the container terminal and logistics services amounted to RMB 572,798,000, representing a decrease of RMB 70,286,000 or 10.9% as compared with that in 2007. Such decrease was mainly due to the decrease in the sales of land use rights by Logistics Park and in freight income after the disposal of two container vessels.

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

In 2008, the gross profit from the container terminal and logistics services amounted to RMB162,688,000, which was approximately the same level as RMB 162,622,000 in 2007, accounting for 23.3% (23.3% in 2007) of the Group's total gross profit, and represented a gross margin of 28.4% (25.3% in 2007). Such increase in gross margin was mainly due to the decrease of small margined land sales.

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

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

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

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

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

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

Automobile Terminal Segment

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

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

In 2008, the Group's share of loss in relation to its automobile terminal and logistics services amounted to RMB 10,336,000, representing an increase of RMB 7,627,000 from RMB 2,709,000 in 2007.

In 2008, the Group took the following major measures:

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

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

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

Value-added Services Segment

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

Tugging

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

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

Tallying

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

In 2008, the revenue from port value-added services amounted to RMB 338,573,000, which increased by 34.3% as compared with RMB 86,483,000 in 2007. Such increase was mainly caused by the growth of our tugging business and IT business. The growth of tugging business was mainly attributable to the throughput growth of Dalian port, the business development in nearby shipyards, as well as an increase in the number of tugboats on long-term lease and increased leasing fees.

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

In 2008, the gross profit from port value-added services amounted to RMB 153,561,000, an increase of by 13.3% from RMB 135,592,000 in 2007, which accounted for 22.0% (19.5% in 2007) of the Group's total gross profit and represented a gross margin of 45.4% (53.8% in 2007) in 2008. Such decrease in gross margin was mainly caused by the growth of IT business which had a low gross margin in 2008.

Prospects for 2009

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

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

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

Oil Segment

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

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

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

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

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

- In the first quarter of 2009, the Company entered into a joint venture contract with PetroChina

Company Limited and Dalian Construction Investment Company for the formation of a joint venture enterprise to invest in, construct, manage and operate an LNG terminal and a receiving station in Xingang, Dalian, the PRC. The project is expected to commence trial operation in 2011.

Container Segment

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

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

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

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

Automobile Terminal Segment

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

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

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

Value-added Services Segment

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

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

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

Others

Human Resources

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

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

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

Investor Relations

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

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

- The Company delivers interim and annual reports to its shareholders;
- In accordance with the continuing disclosure requirements under the Listing Rules, the Company publishes announcements and circulars on both the Stock Exchange's website and the Company's website; and
- The Company arranges annual general meetings and extraordinary general meetings.

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

- Following the annual result announcement for financial year 2007 and the interim result announcement for the first half of 2008, our management conducted roadshows, respectively. The

management introduced the Company's business results to the market and answered investors' questions by organizing analyst presentations, press releases and one-on-one meetings;
- In 2008, the Company's management participated in six investment conferences hosted by different investment banks, to provide a better understanding of the Company's operations; and
- The management met with more than 130 investors in Dalian and arranged various site visits.

Corporate Social Responsibility

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rule") during the year ended 31 December 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Group's code of conduct for the Directors' securities transactions. All Directors of the Company confirmed that they have complied with the Model Code in their securities transactions throughout 2008.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company's audit committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board has proposed a final dividend of RMB9 cents per share, which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 19 June 2009. The final dividends will be paid to shareholders whose names appear on the register of members of the Company on Monday, 25 May 2009.

The register of the members of the Company will be closed from Wednesday, 20 May 2009 to Monday, 25 May 2009 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the final dividends, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. on Tuesday, 19 May 2009.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

In accordance with the requirements under the Listing Rules of the SEHK applicable to the reporting period, the 2008 annual report containing all information about the Company set out in this announcement including the financial results for the year ended 31 December 2008 will be posted on the Company's website at www.dlport.cn and the website of the SEHK (www.hkex.com.hk) in due course.

DIRECTORS

As at the date of this announcement, the Board of Directors consists of four executive directors, namely Mr. SUN Hong, Mr. ZHANG Fengge, Mr. JIANG Luning and Ms. SU Chunhua, two non-executive directors, namely Mr. LU Jianmin and Mr. XUN Jian, and three independent non-executive directors, namely Mr. ZHANG Xianzhi, Mr. NG Ming Wah, Charles and Mr. WANG Zuwen.

By Order of the Board of Directors
MA Jinru LEE, Kin Yu Arthur
Joint Company Secretaries

Dalian City, Liaoning Province, the PRC
3 April 2009

** The Company is registered as an overseas company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under the English name "Dalian Port (PDA) Company Limited".*