



CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTION

The announcement is made pursuant to Rule 14A.47 of the Listing Rules in connection with: (i) the disposal of the Assets by DPC, a subsidiary of the Company to PDA, the controlling shareholder of the Company and therefore a connected person of the Company; and (ii) the purchase of diesel oil by the Group from PDA Materials Supply Company, a branch company of the controlling shareholder of the Company and therefore a connected person of the Company, on a recurring basis till 31 December 2006.

The disposal of the Assets constitutes a connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

The purchase of diesel oil contemplated under the Diesel Oil Agreement constitutes a continuing connected transaction of the Company which is subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

A. CONNECTED TRANSACTION – DISPOSAL OF ASSETS

(a) First Phase Assets Transfer Agreement

Date

31 July 2006;

Parties

- (i) DPC (as vendor), a subsidiary of the Company; and
- (ii) PDA (as purchaser), the controlling shareholder of the Company.

DPC is principally engaged in container terminal operations, logistics services and port investment in Dalian City, the PRC.

PDA is principally engaged in dry bulk and general cargo terminal operations, passenger and roll-on and roll-off cargo terminal operations and ancillary terminal operations.

Assets to be disposed of

DPC intends to sell, and PDA intends to purchase, certain fixed assets located in the Dagang area of Dalian City, including terminals, warehouses, buildings, roads and light tower (the “Assets”). The Assets, free from any liability, are expected to be transferred in two phases on 31 July 2006 and 31 December 2006, respectively. An assets transfer agreement has been entered into in relation to the first phase transfer of the Assets (the “First Phase Assets Transfer Agreement”). A second agreement in respect of the second phase transfer (the “Second Phase Assets Transfer Agreement”) (the First Phase Assets Transfer Agreement and the Second Phase Assets Transfer Agreement, collectively, the “Assets Transfer Agreements”) will be entered into in due course and a further announcement will be made accordingly.

Consideration

RMB11,365,300 shall be paid by PDA in cash to DPC as consideration for the acquisition of the assets under the First Phase Assets Transfer Agreement within one month upon the execution of the First Phase Assets Transfer Agreement.

The consideration under the First Phase Assets Transfer Agreement is determined with reference to net assets value of the assets to be transferred under the First Phase Assets Transfer Agreement evaluated by Liaoning Zhengyuan Assets Valuation Company Limited, a PRC qualified valuer which, to be best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not a connected person (as defined in the Listing Rules) of the Company and is independent of the Company and its connected person (as defined under the Listing Rules). According to the valuation which was made by Liaoning Zhengyuan Assets Valuation Company Limited by way of cost replacement method, as at 31 May 2006, the appraised value of the assets to be transferred under the First Phase Assets Transfer Agreement was RMB11,365,300. As at 31 May 2006, the net assets value of the assets to be transferred under the First Phase Assets Transfer Agreement as shown in the unaudited management account of DPC was approximately RMB11,375,100. As such, a loss of approximately RMB9,800 will accrue to the Group as a result of such disposal under the First Phase Assets Transfer Agreement.

The parties intend to transfer the Assets under the Second Phase Assets Transfer Agreement at a price determined with reference to net assets value of such Assets to be evaluated by a PRC qualified valuer. As at 31 May 2006, the net assets value of all the Assets to be transferred under the Assets Transfer Agreement as shown in the unaudited management account of DPC prepared in accordance with the PRC accounting rules and regulations, was approximately RMB61,490,000.

The net profits attributable to the Assets for the two years ended 31 December 2004 and 2005 as shown in the unaudited management accounts of the DPC prepared in accordance with the PRC accounting rules and regulations were as follows:

| | Year ended 31 December 2004 (RMB) | Year ended 31 December 2005 (RMB) |
|------------------------------------|---|---|
| Before tax and extraordinary items | 7,105,000 | 7,850,000 |
| After tax and extraordinary items | 4,419,310 | 4,882,700 |

Proceeds from the transfer of the Assets will be applied towards the working capital of the Company.

Condition

There is no condition precedent for the completion of the transfer of the Assets under the First Phase Assets Transfer Agreement.

(b) Reason for and Benefits of the Assets Disposal

The Assets were fixed assets located on the land the use right of which belongs to PDA. Prior to the listing of the H shares of the Company on the Stock Exchange (the “Listing”), the Assets were owned by DPC and leased to Dalian Dagang China Shipping Container Terminal Co., Ltd., (大連大港中海集裝箱碼頭有限公司) (“DDCT”), an associated company but not a connected person of the Company, for its domestic trading container terminal operations in the Dagang area of Dalian City. As the Assets were mainly designed for domestic container trading terminal operations which PDA has undertaken not to carry on, participate, acquire, hold or be interested or engaged in under the non-competition agreement entered into between PDA and the Company on 23 March 2006 (the “Non-competition Agreement”), the Assets remained with DPC and such lease arrangement continued following the reorganization of the Group in preparation for the Listing. In light of the recent expansion of DDCT’s operations, DDCT has decided to relocate its domestic trading container terminal operations to Dayao Bay area of Dalian City and terminate the lease arrangement of the Assets in two phases. As the Assets were mainly designed for the domestic trading container terminal operations of DDCT, they will have no substantial economic use to the Group following

the termination of such lease arrangement. The Directors confirm that the disposal of the Assets would not result in a breach by PDA of its non-competition undertaking made under the Non-competition Agreement. In addition, so far as the Directors are aware after making reasonable enquiries, PDA intends to renovate the Assets to be suitable for appropriate purpose (including general cargo terminal operations) other than for any business or activities which PDA has undertaken not to carry on, participate, acquire, hold or be interested or engaged in under the Non-competition Agreement.

The Directors, including the independent non-executive Directors, consider that the transfer of the Assets contemplated under the First Phase Assets Transfer Agreement is carried out on normal commercial terms and the terms of the First Phase Assets Transfer Agreement are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

(c) Listing Rules Implications

DPC is a 89.5% owned subsidiary of the Company. PDA is the immediate holding company of the Company which holds approximately 62.09% of the total issued share capital of the Company as at the date of this announcement and is therefore, a substantial shareholder and a connected person of the Company as defined under Rule 14A.11(1) of the Listing Rules. As such, the disposal of the Assets constitutes a connected transaction as defined under Rule 14A.13 of the Listing Rules. As the percentage ratios applicable for classifying the disposal of the Assets under the Assets Transfer Agreements exceed 0.1%, it is subject to the reporting and announcement requirements set out under Rule 14A.45 and Rule 14A.47 of the Listing Rules. Nonetheless, as the percentage ratios applicable for classifying the disposal of the Assets under the Assets Transfer Agreements are all below 2.5%, it is exempt from the independent shareholders’ approval requirement set out under Rule 14A.18, 14A.48, 14A.52 and 14A.54 of the Listing Rules.

B. CONTINUING CONNECTED TRANSACTION – PURCHASE OF DIESEL OIL

(a) Diesel Oil Supply and Purchase Agreement (“Diesel Oil Agreement”)

Date

31 July 2006

Parties

- (i) PDA Materials Supply Company (大連港物資供銷公司) (the supplier), a branch company of PDA; and
- (ii) the Company (as purchaser, on its own account and for and on behalf of its subsidiaries).

PDA Materials Supply Company is a branch company of PDA which has been authorized by PDA to be engaged, in its own capacities, in the supply of production materials to PDA and/or its subsidiaries and/or affiliates.

The Company is principally engaged in oil and container port operations in Dalian City, the PRC.

Background

The Group has been purchasing fuel oil (including diesel oil and heavy oil) from PDA Materials Supply Company on a recurring basis in its ordinary course of business. Prior to the Listing, it was expected that, in the first half of 2006, PDA Materials Supply Company would undergo a restructuring to become a company with independent capacity in which PDA would not hold any interest. In such circumstances, PDA Materials Supply Company would cease to be a connected person of the Company as defined under Rule 14A.11(4) and therefore the purchase of fuel oil by the Company from PDA Materials Supply Company would not constitute a continuing connected transaction of the Company as defined under Rule 14A.14 of the Listing Rules, which is subject to the reporting, announcement or independent shareholders’ approval requirement (if applicable) under the Listing Rules. As such, no waiver from strict compliance with the otherwise applicable announcement and/or independent shareholders’ approval requirements under the Listing Rules was sought in relation to such continuing transaction.

The Company was not aware that the restructuring of PDA Materials Supply Company was not completed in the first half of 2006 as expected until it was recently notified (as result of the Company’s enquiries) by PDA Materials Supply Company of such unexpected delay in mid-July. The delay in the completion of the restructuring of the PDA Materials Supply Company is due to its internal reasons, including the unexpected delay in its assets valuation process. As such, the Company noted that PDA Materials Supply Company remained a connected person of the Company following the Listing and the continuing purchase of fuel oil by the Company from PDA Materials Supply Company constitute a continuing connected transaction of the Company which is subject to, if applicable, the reporting, announcement and/or independent shareholders’ approval requirements under the Listing Rules. As the amount of fuel oil purchased by the Company from PDA Materials Supply Company during the period following the Listing to 31 May 2006 was approximately RMB2,500,000 and the revenue ratio applicable for classifying such transaction exceeded 0.1%, it has constituted a continuing connected transaction subject to the reporting, announcement and annual review requirements under the Listing Rules.

It is expected that the restructuring of PDA Materials Supply Company will be completed on or before 31 December 2006. In light of the estimated aggregate amount of the Diesel Oil Purchase for the year ending 31 December 2006, the Diesel Oil Purchase constitutes a continuing connected transaction of the Company which is subject to the reporting and announcements under the Listing Rules.

Major terms and conditions

- (1) The Diesel Oil Agreement is for a term of 1 year from 1 January 2006 to 31 December 2006;
- (2) PDA Materials Supply Company shall supply diesel oil to the Company and/or its subsidiaries as requested from time to time during the term of the Diesel Oil Agreement;
- (3) The quality of the diesel oil supplied by PDA Materials Supply Company shall conform to the state regulated standards;

- (4) The price for each purchase under the Diesel Oil Agreement shall be determined based the state regulated retail price of diesel oil with a discount according to the market situation;
- (5) The payment for each purchase of diesel oil shall be settled on a monthly basis by cash out of the internal resources of the Company and/or its subsidiaries;
- (6) The Company shall place the order with PDA Materials Supply Company at least one day in advance and PDA Materials Supply Company undertakes to deliver the goods ordered by the Company in 24 hours;
- (7) The terms and conditions (including the pricing and payment terms) on which the diesel oil are to be provided by PDA Materials Supply Company should be no less favorable to the Group than those offered by independent third parties to the Group. The Company and/or its subsidiaries retain the rights to choose to purchase diesel oil from an independent third party where the terms (including the pricing and payment terms) offered by such independent third party may be more favorable than those offered by PDA Materials Supply Company.

Proposed annual cap for 2006

The aggregate amount of the fuel oil purchased by the Company from PDA Materials Supply Company for each of the three years ended 31 December 2003, 2004 and 2005 and the seven months ended 31 July 2006 was approximately RMB30,520,000, RMB40,110,000, RMB53,360,000 and RMB15,900,000, respectively. Based on such historical figures and the projected operation scale of the Company for the year ending 31 December 2006, it is estimated by Directors that the aggregate amount of the diesel oil to be purchased from PDA Materials Supply Company by the Group will not exceed RMB25,000,000 for the year ending 31 December 2006. The substantial reduction in such estimated aggregate amount as compared with the aggregate amount of fuel oil purchase in the year ended 31 December 2005 was mainly due to the fact that the Company has ceased the purchase of heavy oil from PDA Materials Supply Company.

(b) Reasons for and benefits of the Diesel Oil Purchase

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

As such, the Directors, including independent non-executive Directors, consider that the terms and conditions of the Diesel Oil Agreement conform to the normal commercial terms which are fair and reasonable and it is in the interest of the Company and its shareholders as a whole to continue to purchase diesel oil on the terms and conditions set out in the Diesel Oil Agreement in the ordinary and usual course of business of the Company. The Directors also consider the annual cap of RMB25,000,000 proposed for the purchase of diesel under the Diesel Oil Agreement for the year ending 31 December 2006 was fair and reasonable.

(c) Listing Rules Implications

PDA Materials Supply Company is a branch company of PDA and therefore is a connected person of the Company as defined under Rule 14A.11(4). As such, the transaction contemplated under the Diesel Oil Agreement constitutes a continuing connected transaction of the Company. Based on the proposed annual cap of RMB25,000,000 for such continuing connected transaction for the year ending 31 December 2006, as the percentage ratio applicable to such continuing connected transaction exceed 0.1%, it is subject to the reporting and announcement requirements set out under Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements set out under Rules 14A.37 to 14A.40. Nonetheless, as the percentage ratio applicable to such continuing connected transaction is below 2.5%, it is exempt from independent shareholders' approval requirement set out under Rule 14A.18, 14A.48, 14A.52 and 14A.54 of the Listing Rules.

C. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

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|---------------------------|---|
| "Board" | the board of Directors; |
| "Company" | 大連港股份有限公司 (Dalian Port (PDA) Company Limited*), a joint stock limited company incorporated in the PRC with H shares listed and traded on the main board of the Stock Exchange; |
| "connected person" | has the meaning ascribed to it under the Listing Rules; |
| "controlling shareholder" | has the meaning ascribed to it under the Listing Rules; |
| "Directors" | the directors of the Company; |
| "DPC" | 大連港集裝箱股份有限公司 (Dalian Port Container Co., Ltd.), a joint stock limited company incorporated in the PRC and a 89.5% owned subsidiary of the Company; |
| "Group" | the Company and its subsidiaries; |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited; |
| "PDA" | Dalian Port Corporation Limited (大連港集團有限公司), the controlling shareholder of the Company and a limited liability company established in the PRC and wholly-owned by Dalian Municipal Government; |
| "PRC" | the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan); |
| "RMB" | renminbi, the lawful currency of the PRC; |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited; and |
| "substantial shareholder" | has the meaning ascribed to it under the Listing Rules. |

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

Dalian City, Liaoning Province, the PRC
 2 August 2006

As at the date of this announcement, the Directors are:

Executive Directors: SUN Hong, JIANG Luning and SU Chunhua

Non-executive Directors: LU Jianmin and ZHANG Fengge

Independent non-executive Directors: YANG Zan, ZHANG Xianzhi and NG Ming Wah, Charles

* The Company is registered as an oversea 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".