



Dalian Port (PDA) Company Limited*

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2880)

CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTION

With reference to the August Announcement by the Company on 2 August 2006, the Directors announce that, on 9 January 2007, (i) DPC, a subsidiary of the Company entered into the Second Phase Assets Transfer Agreement with PDA, the controlling shareholder of the Company in relation to the disposal of the Assets for a cash consideration of RMB49,031,800 (equivalent to approximately HK\$48,885,145), and (ii) the Company, on its own account and on behalf of its certain subsidiaries entered into the Diesel Oil Agreement in connection with the purchase of diesel oil by the Company from PDA Materials Supply Company.

As both PDA and PDA Materials Supply Company are connected persons of the Company, the transactions contemplated under the Second Phase Assets Transfer Agreement and the Diesel Oil Agreement constitute a connected transaction and a continuing connected transaction for the Company, respectively. As the percentage ratios applicable to such connected transactions exceed 0.1% but are less than 2.5%, the transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules, but exempt from independent shareholders' approval requirements.

A. CONNECTED TRANSACTION – DISPOSAL OF ASSETS

(a) Second Phase Assets Transfer Agreement

Date

9 January 2007

Parties

DPC (as vendor); and

PDA (as purchaser).

Assets to be disposed of

As announced in the August Announcement, DPC intended to sell, and PDA intended to purchase, certain fixed assets located in the Dagang area of Dalian City in two phases, including terminals, stock yards, buildings, railways and light tower (the “Assets”). The first phase transfer of the Assets has been completed in August 2006. The assets to be transfer under the Second Phase Assets Transfer Agreement are the remaining portion of the Assets.

Consideration

A cash consideration of RMB49,031,800 (equivalent to approximately HK\$48,885,145) shall be paid by PDA to DPC for the acquisition of the Assets under the Second Phase Assets Transfer Agreement and such payment shall be made immediately following the delivery of the Assets to PDA.

The consideration under the Second Phase Assets Transfer Agreement was determined with reference to the net asset value of the assets to be transferred under the Second Phase Assets Transfer Agreement evaluated by Liaoning Zhengyuan Assets Valuation Company Limited, a PRC qualified valuer which was appointed by DPC and, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, is not a connected person of the Company and is independent of the Company. According to the valuation which was carried out by Liaoning Zhengyuan Assets Valuation Company Limited by way of cost replacement method, as at 30 November 2006, the appraised value of the assets to be transferred under the Second Phase Assets Transfer Agreement was RMB49,031,800 (equivalent to approximately HK\$48,885,145) whereas the net asset value of such assets, as at 30 November 2006, was approximately RMB49,020,793.79 (equivalent to approximately HK\$48,874,171.28) as shown in the unaudited management accounts of DPC prepared in accordance with the PRC accounting rules and regulations. As such, a gain of approximately RMB11,006.21 (equivalent to approximately HK\$10,973.29) will accrue to the Group as a result of such disposal under the Second Phase Assets Transfer Agreement.

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 Second Phase Assets Transfer Agreement. The completion is expected to take place within the first quarter of 2007.

(b) Reason for the Disposal of Assets

As disclosed in the August Announcement, the Assets were located on land, of which the use rights belong to PDA and are leased to 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. Due to the recent expansion of DDCT, it has decided to relocate its 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.

Under the non-competition agreement entered into between PDA and the Company on 23 March 2006 (the “Non-competition Agreement”), PDA has undertaken to the Company that it would not and would procure its associates (except any member of the Group) not to, within Dalian, carry on, participate, acquire, hold or be interested or engaged in, among other things, any terminal operation and related logistic services in relation to containers, oil products and liquefied chemicals (the “Restricted Business”). 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 the Restricted Business. As such, the disposal of the Assets by DPC to PDA will not result in PDA being breach of the Non-competition Agreement.

The Directors, including the independent non-executive Directors, consider that the transfer of the Assets contemplated under the Second Phase Assets Transfer Agreement is carried out on normal commercial terms and its terms 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 90.99% owned subsidiary of the Company and 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 and is the controlling shareholder of the Company holding approximately 62.09% of the total issued share capital of the Company as at the date of this announcement.

PDA, being the controlling shareholder of the Company, is a connected person of the Company as defined under Rule 14A.11(1) of the Listing Rules. As such, the disposal of the Assets contemplated under the Second Assets Transfer Agreement constitutes a connected transaction as defined under Rule 14A.13 of the Listing Rules. As the percentage ratios applicable to such connected transaction exceed 0.1% but are less than 2.5%, the transaction is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules, but exempt from independent shareholders' approval requirements.

B. CONTINUING CONNECTED TRANSACTION – PURCHASE OF DIESEL OIL

(a) Diesel Oil Purchase Agreement (the “Diesel Oil Agreement”)

Date

9 January 2007

Parties

PDA Materials Supply Company (大連港物資供銷公司, as supplier), a branch company of PDA; and

The Company (as purchaser, on its own account and for and on behalf of its subsidiaries).

Major terms and conditions

- The term of the Diesel Oil Agreement will be 1 year from 1 January 2007 to 31 December 2007, subject to the Company's right to terminate by giving at least 30 days' prior notice;
- 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;
- The quality of the diesel oil supplied by PDA Materials Supply Company shall conform to the state regulated standards;
- The price for each purchase under the Diesel Oil Agreement shall be determined based on the state regulated retail price of diesel oil with an appropriate discount. The particulars of discount method and the rate of discount shall be decided with reference to the then market situation;
- The payment for the purchase of diesel oil shall be settled on a monthly basis in arrears in cash out of the internal resources of the Company and/or its subsidiaries;
- The Company shall place orders with PDA Materials Supply Company at least one day in advance of delivery and PDA Materials Supply Company undertakes to deliver the goods to the Company within 24 hours; and
- 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 right 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.

Annual cap for 2007

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 2004, 2005 and 2006 was approximately RMB40,110,000 (equivalent to approximately HK\$39,990,030), RMB53,360,000 (equivalent to approximately HK\$53,200,399) and RMB23,330,000 (equivalent to approximately HK\$23,260,219) respectively. The aggregate amount of the fuel oil purchased by the Company from PDA Materials Supply Company for the year ended 31 December 2006 did not exceed the annual cap for that year which is RMB25,000,000 (equivalent to approximately HK\$24,925,224). Based on such historical figures, the projected operation scale of the Company for the year ending 31 December 2007 and taking into consideration that the restructuring of PDA Materials Supply Company will be completed by the end of 2007 (please refer to the subsection headed “Background” of this announcement), it is estimated by the Company that the aggregate amount of the diesel oil to be purchased from PDA Materials Supply Company by the Group for the year ending 31 December 2007 will not exceed RMB29,350,000 (equivalent to approximately HK\$29,262,213).

(b) Background

PDA Materials Supply Company is a branch company of PDA which has been authorized by PDA to be engaged, 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.

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. During the course of preparation of the listing of the Company on the Stock Exchange, PDA Materials Supply Company underwent a restructuring to become a company with legal person status in which PDA would not hold any interest. It was expected that, in the first half of 2006, the restructuring would be completed and therefore PDA Materials Supply Company would cease to be a connected person of the Company as defined under Rule 14A.11(1) and the purchase of fuel oil by the Company from PDA Materials Supply Company would not constitute a continuing connected transaction of the Company. 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 when the Company made the application for the listing of its H shares on the Stock Exchange.

Due to various internal reasons, including the unexpected delay in its assets valuation process, the restructuring of PDA Materials Supply Company was not completed as expected. As a result, it remained as a connected person of the Company as defined under Rule 14A.11(1) after the listing of the Company. Because it had been estimated that the aggregate amount of the purchase of diesel oil by the Company and/or its certain subsidiaries from PDA Materials Supply Company for the year ended 31 December 2006 was RMB25,000,000 (equivalent to approximately HK\$24,925,224) and the percentage ratios applicable for classifying such transaction exceeded 0.1% but were less than 2.5%, the Company made the August Announcement in connection with such purchase to comply with the applicable reporting and announcement requirements under Rules 14A.45 to 14A.47. Because the restructuring is still ongoing PDA Materials Supply Company remains as a connected person of the Company. As the restructuring currently is under review by the State-owned Assets Supervision and Administration Commission of Dalian Municipal Government for public announcement following which registration with the Dalian Industrial and Commercial Administration Bureau regarding the restructuring, being the last stage for completing the restructuring, may take place, the Company formed the view that the restructuring will be completed by the end of 2007.

(c) Reasons for entering into the Diesel Oil Agreement

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 would be able to 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.

The Directors, including the independent non-executive Directors, consider that entering into the Diesel Oil Agreement is in the ordinary course of business of the Company and the terms and conditions of such agreement are on normal commercial terms based on arm's length negotiation and fair and reasonable, so the Diesel Oil Agreement is in the interest of the Company and the Shareholders as a whole. The Directors, including the independent non-executive Directors, also consider that the cap for the year ending 31 December 2007 is fair and reasonable.

(d) Listing Rules Implications

PDA, being the controlling shareholder of the Company, is a connected person of the Company as defined under Rule 14A.11(1). PDA Materials Supply Company is a branch company of PDA and therefore is also a connected person of the Company as defined under the Rule 14A.11(1) As such, the transaction contemplated under the Diesel Oil Agreement constitutes a continuing connected transaction for the Company. Based on the estimated cap of RMB29,350,000 (equivalent to approximately HK\$29,262,213) for such continuing connected transaction for the year ending 31 December 2007, as the percentage ratio applicable to such continuing connected transaction exceed 0.1% but are less than 2.5%, the transaction is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 to 14A.40, but exempt from independent shareholders' approval requirements.

C. DEFINITIONS

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

"August Announcement"	the announcement made by the Company on 2 August 2006 in connection with the first phase transfer of the Assets;
"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;
"DDCT"	大連大港中海集裝箱碼頭有限公司 (Dalian Dagang China Shipping Container Terminal Co., Ltd.), a PRC incorporated limited liability company in which DPC holds 22% equity interest;
"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 90.99% owned subsidiary of the Company;
"H shares"	Foreign Shares in the share capital of the Company, with Renminbi-denominated par value of RMB1.00 each which listed and traded on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
"PDA"	大連港集團有限公司 (Dalian Port Corporation Limited), 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;
"Shareholders"	The shareholders of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules.

For the purpose of this announcement and for illustrative purpose only, amounts denominated in RMB have been translated into HK\$ using the following rate: HK\$1 = RMB1.003.

No representation is made that any amount in RMB or HK\$ could have been or could be converted at the above rate or at any other rates at all.

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

Dalian City, Liaoning Province, the PRC

9 January 2007

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

<i>Executive Directors:</i>	SUN Hong, JIANG Luning and SU Chunhua
<i>Non-executive Directors:</i>	LU Jianmin and ZHANG Fengge
<i>Independent non-executive Directors:</i>	YANG Zan, ZHANG Xianzhi and NG Ming Wah, Charles

* 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".