THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

If you have sold or transferred all your shares in Dalian Port (PDA) Company Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
GENERAL H SHARE REPURCHASE MANDATE
APPOINTMENT OF DIRECTOR AND SUPERVISORS
NOTICE OF EXTRAORDINARY GENERAL MEETING
NOTICE OF 2013 FIRST CLASS MEETING OF THE HOLDERS OF A SHARES
NOTICE OF 2013 FIRST CLASS MEETING OF THE HOLDERS OF H SHARES

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders

TC Capital
天財資本

TC Capital Asia Limited

A letter from the Board is set out on pages 5 to 17 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 18 to 19 of this circular.

A letter from TC Capital Asia Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 39 of this circular.

A notice convening an extraordinary general meeting of the Company, A Shareholders' Class Meeting of the Company and H Shareholders' Class Meeting of the Company to be consecutively held at Room 109, PDA Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian City, Liaoning Province, PRC at 10:00 a.m. on 25 January 2013 is set out in the Appendix of this circular.

A form of proxy and a reply slip for use in connection with the extraordinary general meeting are enclosed herewith and published on the website of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (www.hkex.com.hk). Whether or not you are able to attend the meeting, please complete and return the reply slip and the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not later than 20 days and 24 hours, respectively, before the time designated for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

* *The Company is registered as a Non-Hong Kong 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".*

6 December 2012

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"2009 Announcement and Circular"	the announcement and the circular of the Company dated 30 September 2009 and 15 October 2009, respectively, in respect of, among other things, certain continuing connected transactions between the Group and PDA and/or its associates;
"Articles of Association"	the articles of association of the Company;
"A Share(s)"	the domestic shares issued by the Company denominated in Renminbi and which are listed on the Shanghai Stock Exchange;
"A Shareholder(s)"	holders of A Share(s);
"A Shareholders' Class Meeting"	the 2013 First Class Meeting of the A Shareholders to be held at Room 109, PDA Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian City, Liaoning Province, PRC at 11:00 a.m. on 25 January 2013;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Company"	大連港股份有限公司 (Dalian Port (PDA) Company Limited), a sino-foreign joint stock limited company incorporated in the PRC;
"Company Law"	the Company Law of the PRC;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"CSRC"	中國證券監督委員會 (China Securities Regulatory Commission);
"Directors"	the directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be held at Room 109, PDA Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian City, Liaoning Province, PRC at 10:00 a.m. on 25 January 2013;
"Equity Transfer Agreement"	the equity transfer agreement dated 30 October 2012 entered into between the Company and Dalian Port Corporation in respect of the Transfer;
"Group"	the Company and its subsidiaries;

"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"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 Hong Kong Stock Exchange;
"H Share Repurchase Mandate"	subject to the conditions set out in the proposed resolution approving the Repurchase Mandate at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, the general mandate to exercise the power of the Company to repurchase H Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of H Shares of the Company in issue as at the date of the said resolution;
"H Shareholder(s)"	holders of H Shares;
"H Shareholders' Class Meeting"	the 2013 First Class Meeting of the H Shareholders to be held at Room 109, PDA Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian City, Liaoning Province, PRC at 11:10 a.m. on 25 January 2013;
"Independent Board Committee"	an independent committee of the Board comprising all of the independent non-executive Directors, namely Mr. Liu Yongze, Mr. Gui Liyi and Mr. Wan Kam To, Peter;
"Independent Shareholders"	the shareholders other than PDA and its associates;
"Latest Practicable Date"	3 December 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Mandatory Provisions"	the Mandatory Provisions for the Articles of Association of Companies Seeking a Listing outside the PRC;
"Mutual Supply Master Agreement"	the framework agreement in relation to the mutual supply and provision of goods and services entered into between the Company and PDA on 30 September 2009;

"Non-competition Agreement"	the non-competition agreement dated 23 March 2006 entered into between PDA and the Company in preparation of the Company's initial public offering and listing of its H Shares on the Stock Exchange, which was revised in September 2009 in connection with its application for listing of its A shares on the Shanghai Stock Exchange;
"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 circular, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan);
"Purchase of Goods and Services"	the purchase of certain goods and services such as diesel oil, spare parts, facilities and equipment maintenance, utilities, landscaping, labour, catering, medical check, printing, conference services and other related or similar services by the Group from PDA and/or its relevant associates;
"Purchase of Goods and Services Agreement"	the agreement entered into between the Company and PDA on 30 October 2012 in relation to purchase of goods and services by the Group from PDA and/or its associates;
"Restricted Period"	the period during which (i) the H Shares of the Company remain listed on the Stock Exchange; and (ii) PDA and/or its associates, individually or jointly, are entitled to exercise or control the exercise of not less than 30% of the voting power at general meetings of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"SAFE"	國家外匯管理局 (State Administration of Foreign Exchange);
"Sale Equity"	100% of the equity interests in the Target Company;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"Shareholders"	the shareholders of the Company;
"subsidiary"	has the meaning ascribed to it under the Listing Rules;
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Purchases;

"Target Company"	大連港石化有限公司 (Dalian Port Petrochemical Co., Ltd.), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;
"TC Capital"	TC Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
"Terminal Facilities Design and Construction Services"	the provision by PDA and/or its relevant associates of terminal facilities design and construction services (including land filling, dredging, caisson precasting and construction of electricity facilities and other supporting facilities) to the Group;
"Terminal Facilities Design and Construction Services Agreement"	the framework agreement in relation to the terminal facilities design and construction services entered into between the Company and PDA on 30 September 2009; and
"Transfer"	the conditional transfer of 100% equity interest in the Target Company by the Company to PDA pursuant to the terms and conditions of the Equity Transfer Agreement.

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)

Directors:
Executive Directors:
Hui Kai *(Chairman)*
Zhang Fengge
Xu Song
Zhu Shiliang

Non-executive Directors:
Xu Jian
Zhang Zuogang

Independent Non-executive Directors:
Liu Yongze
Gui Liyi
Wan Kam To, Peter

Registered Office:
Xingang Commercial Building
Dayao Bay
Dalian Free Trade Zone
PRC

Place of Business in PRC:
No. 1 Gangwan Street
Zhongshan District
Dalian, Liaoning
PRC

6 December 2012

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION
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1. INTRODUCTION

The purpose of this circular is to set out, among other things, (i) details of the Equity Transfer Agreement; and (ii) the renewal of continuing connected transactions, (iii) information relating to the proposal for the grant of the Repurchase Mandate; (iv) election of Director and supervisors of the Company; and (v) details of the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

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2. DISCLOSEABLE AND CONNECTED TRANSACTION

On 30 October 2012, the Company, as transferor, entered into the Equity Transfer Agreement with PDA, as transferee, pursuant to which the Company has conditionally agreed to sell, and PDA has conditionally agreed to purchase the entire equity interest of the Target Company for a total consideration of approximately RMB596 million.

Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are set out below:

Date	:	30 October 2012
Parties	:	the Company (as transferor)
		PDA (as transferee)
Subject of the Transfer	:	100% equity interest in the Target Company. The Target Company is a company incorporated in the PRC. The principal business of the Target Company is port business of loading and unloading for hazardous cargos including refined oil products, but it has not yet commenced commercial operations as at the Latest Practicable Date.

Consideration

The consideration for the Transfer shall be approximately RMB596 million in cash, subject to approval from the State-owned Assets Supervision and Administration Commission of Dalian Municipal Government. The consideration was arrived at after arm's length negotiations between the Company and PDA, and determined with reference to the appraised value of the entire equity interests in the Target Company as of 30 September 2012. The consideration shall be paid in a lump sum of cash within 15 working days upon the execution of the Equity Transfer Agreement. An estimated loss of approximately RMB0.62 million for this transfer is expected to accrue to the Company by reference to a total of approximately RMB597 million of long term investment as shown in its balance sheet in respect of the Target Company. The Company intends to apply the sale proceeds to the working capital of the Company.

As at the Latest Practicable Date, debt of the Target Company totaled RMB1,004 million out of which a total of RMB880 million is owed to the Company, that will be fully repaid to the Company before the consideration for the Transfer is paid according to the Equity Transfer Agreement.

Completion

Conditional upon the Company obtaining its Shareholders' approval of the Equity Transfer Agreement and the transactions contemplated thereunder, Completion shall take place upon completion of the registration of the Transfer with the relevant administration for industry and commerce in the PRC, which is expected to take place in the first quarter of 2013. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

Other Major Terms

Under the Non-competition Agreement entered into between PDA and the Company, PDA undertook to the Company that it would not within Dalian (which comprises Zhongshan District, Xigang District, Shahekou District, Ganjingzi District of Dalian, the Dalian Development Area and the Dalian Free Trade Zone) and during the Restricted Period, directly or indirectly, carry on or be interested or engaged in or acquire or hold the business of provision of terminal and logistics services for, among other things, oil products and liquefied chemicals (the "**Non-competition Undertaking**"). Accordingly, PDA would be restricted from carrying on business which the Target Company would engage in when it commences commercial operations. In this light, the Equity Transfer Agreement provides that, subject to the independent shareholders' approval, the Company exempts PDA from strict compliance with terms of the Non-competition Agreement, and it is entitled (but under no obligation) to buy-back the Sale Equity when the operations of the Target Company have become profitable. There is no premium on granting to the Company the option to buy-back the Sale Equity when the Target Company's operations have become profitable.

Should the exemption from strict compliance with the Non-competition Undertaking be granted, the consequences on the business operations of the Group would be minimal because: (a) the Target Company and the Group (other than the Target Company) have different clientele, and (b) due to restrictions regarding the berth registration requirements, it is anticipated that the refined oil products throughput of the Target Company will be minimal. On the other hand, the Group's oil/liquefied chemicals throughput for the year 2011 and nine months ended 30 September 2012 is approximately 40.88 million tonnes and 28.18 million tonnes, respectively, out of which approximately 10.63 million tonnes and 7.62 million tonnes are refined oil products.

Information about the Target Company

For the two years ended 31 December 2011, the audited net profit before and after taxation and extraordinary items of the Target Company was as follows:

	For the year ended 31 December	
	2010	**2011**
	RMB million	*RMB million*
Net profit before taxation and extraordinary items	0	0
Net profit after taxation and extraordinary items	0	0

According to the management account of the Target Company prepared in accordance with the PRC accounting rules and regulations, as at 30 September 2012, the consolidated net assets value of the Target Company was approximately RMB535.1 million whereas the appraised value of the entire equity interests in the Target Company as of 30 September 2012 was RMB596 million approximately. The valuation has been carried out by a qualified independent valuer by way of assets based method.

The Company acquired the entire equity interest in the Target Company in late 2010 from Dalian Huaxin Trust Co., Ltd. (大連華信信託股份有限公司), a third party independent of the Company and its connected persons. The consideration for the acquisition of the entire equity interest in the Target Company in 2010 was approximately RMB396.8 million (the "**2010 Consideration**") which was determined by reference to its then appraised total net asset value of the Target Company. The current consideration for the Transfer is approximately RMB596 million, reflecting an increase of approximately RMB199.2 million as compared to the 2010 Consideration. The increase is primarily attributable to the Company's subsequent investment into Target Company of approximately RMB200 million.

Reasons for Entering into the Equity Transfer Agreement and Benefits Expected To Accrue to the Company

The Company has invested substantial amounts to the Target Company for equipment upgrade since its acquisition of the Target Company in late 2010. The Target Company experienced financial difficulties as the port facilities developed by it has not been put into operation due to lack of proper permits, which may impose financial burden on the Company.

Having considered the recent market environment, the Directors are of the view that the Transfer would represent a good opportunity for the Company to realise its investment at a reasonable market price. On these bases, the Directors (excluding the independent non-executive Directors whose opinion stated in the letter from the Independent Board Committee to the Independent Shareholders set out on pages 18 to 19 of this circular) consider that the Transfer is in the interest of the Company and the Shareholders as a whole and the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable.

3. CONTINUING CONNECTED TRANSACTIONS

Background

Reference is made to the 2009 Announcement and Circular in relation to, among others, (i) Purchase of Good and Services and (ii) Terminal Facilities Design and Construction Services.

Each of the agreements governing the above continuing connected transactions will expire on 31 December 2012. The Company has agreed with PDA to renew the above-mentioned continuing connected transactions for a term of three years commencing from 1 January 2013 and ending on 31 December 2015.

3.1 Purchase of Goods and Services

The Group has purchased from PDA and/or its relevant associates certain goods and services such as diesel oil, facilities, equipment maintenance, landscaping, catering, medical check, printing, conference services and other related or similar services.

On 30 October 2012, the Company entered into a Purchase of Goods and Services Agreement with PDA in connection with its Purchase of Goods and Services from PDA and/or its associates for a term of three years, commencing on 1 January 2013 and ending on 31 December 2015. The agreement provides that PDA and its associate shall supply goods and provide services on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties.

(a) Pricing

The Purchase of Goods and Services Agreement provided that the price shall be determined in accordance with the following principles:

- the state price, being the price set by the PRC government (at central or local level) or its relevant departments;
- where there is no state price, the market price at which the same or comparable types of goods and services are provided from independent third parties in the normal course of business; and
- where there is neither a state price nor a market price, the price stipulated in the relevant purchase agreement(s), being the actual costs incurred in providing such goods and services.

Currently, the purchase of equipment, equipment maintenance and landscaping services is at market price. Purchase of catering services, medical check, printing and conference services currently is provided at actual cost incurred by PDA or its associates in provision of such services. Diesel oil is currently purchased at discount on state price which is within the permitted range of the relevant state price and in line with the current market practice in Dalian, the PRC.

(b) Historical figures/annual cap and estimated annual caps for each of the three years 2013, 2014 and 2015

	For the year ended 31 December 2010 *(RMB'000)*	**For the year ended 31 December 2011** *(RMB'000)*	**For 9 months ended 30 September 2012** *(RMB'000)*	**Annual cap for 2012** *(RMB'000)*	**Estimated annual cap for 2013** *(RMB'000)*	**Estimated annual cap for 2014** *(RMB'000)*	**Estimated annual cap for 2015** *(RMB'000)*
Purchase of goods and services	10,161	23,013	95,309	230,726	242,015	253,364	263,234

In arriving at the above proposed caps, the Directors have referenced to the historical amount and taken into account, among others, (i) the estimate increase in the demand of maintenance services mainly due to ageing facilities, (ii) the fact that certain suppliers are expected to become a connected person of the Company, and (iii) an expected increase in demand for diesel oil attributed to business growth of the Group and rise in the price of diesel oil.

3.2 Terminal Facilities Design and Construction Services

PDA and/or its associates have provided terminal facilities design and construction services (including land filling, dredging, caisson precasting and construction of electricity facilities and other supporting facilities) to the Group in the past pursuant to the Terminal Facilities Design and Construction Services Agreement. To continue to receive its stable and quality Terminal Facilities Design and Construction Services from PDA and/or its associates upon expiry of the agreement, on 30 October 2012, the Company entered into a new Terminal Facilities Design and Construction Services Agreement with PDA for a term of three years commencing on 1 January 2013 and ending on 31 December 2015. The agreement provides that PDA and its associate shall provide terminal facilities design and construction services on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties.

(a) Pricing

Under the new Terminal Facilities Design and Construction Services Agreement, the provision of Terminal Facilities Design and Construction Services shall be priced in accordance with the following principles:

- the state price, being the price set by the PRC government (at central or local level) or its relevant departments;
- where there is no state price, the market price at which the same or comparable types of services are provided from independent third parties in the normal course of business; and
- where the project is subject to public bidding, the price determined through the bidding process.

The Terminal Facilities Design and Construction Services are currently all provided at the bidding price.

(b) Historical figures/annual cap and estimated annual caps for each of the three years of 2013, 2014 and 2015

	For the year ended 31 December 2010 *(RMB'000)*	For the year ended 31 December 2011 *(RMB'000)*	For 9 months ended 30 September 2012 *(RMB'000)*	Annual cap for 2012 *(RMB'000)*	Estimated annual cap for 2013 *(RMB'000)*	Estimated annual cap for 2014 *(RMB'000)*	Estimated annual cap for 2015 *(RMB'000)*
Terminal facilities design and construction services	20,906	36,072	5,434	50,350	305,800	294,800	228,800

In determining the new annual caps, the Directors have considered historical amount of the services provided by PDA and/or its associates, the Company's investment plan and the expected construction works to be undertaken by PDA and/or its associates in the next three years and anticipation of certain service suppliers are to become a connected person of the Company.

4. 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) of the Listing Rules. As such, (i) the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company, and (ii) the transactions contemplated under the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transaction contemplated under the Equity Transfer Agreement exceed 5% but are less than 25% under Rule 14.07 of the Listing Rules, and the consideration exceeds HK$10,000,000, the Transfer is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Transfer also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios for each of the transactions under the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement is, on an annual basis, more than 5% and the proposed annual caps for such transactions are more than HK$10,000,000, such transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (excluding the independent non-executive Directors whose opinion stated in the letter from the Independent Board Committee to the Independent Shareholders set out on pages 18 to 19 of this circular) consider the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement, which have been entered into in its ordinary and usual course of business, on normal commercial terms, or on terms no less favourable to the Group than terms available from independent third parties, are in the interests of the Group and the Shareholders as a whole. The Directors (excluding all the independent non-executive Directors whose opinion stated in the letter from the Independent Board Committee to the Independent Shareholders set out on pages 18 to 19 of this circular) also consider the proposed annual caps for each of the three years ending 31 December 2013, 2014 and 2015 for such transactions are fair and reasonable.

Each of Mr. Hui Kai, Mr. Zhang Fengge, Mr. Xu Song, Mr. Xu Jian and Mr. Zhang Zuogang, being a Director, also holding a management position with PDA, has therefore abstained from voting at the board meeting held for considering the above connected transaction and continuing connected transactions. Save as disclosed above, none of the Directors attending the board meeting has a material interest in the aforementioned transactions.

The Board has appointed an independent board committee comprising all independent non-executive Directors, namely, Mr. Liu Yongze, Mr. Gui Liyi and Mr. Wan Kam To, Peter, each of whom has no material interests in the transactions to consider and advise the independent Shareholders on the terms of the Equity Transfer Agreement, the Purchase of Goods and Services Agreement and the new

Terminal Facilities Design and Construction Services Agreement, as well as the proposed annual caps for the Purchase of Goods and Services and the new Terminal Facilities Design and Construction Services for each of the three years ending 31 December 2013, 2014 and 2015. TC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders as to whether the terms of such transactions and the proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The text of the letter from TC Capital containing its advice to the Independent Board Committee and the independent Shareholders is set out on pages 20 to 39 of this circular and the text of the letter from the Independent Board Committee is set out on pages 18 to 19 of this circular.

5. GENERAL

The principal activities of the Group are: (i) the provision of terminal and logistics services for oil products and liquefied chemicals; (ii) the provision of terminal and related logistics services for containers; (iii) automobile terminal and related logistics services; (iv) ore terminal and related logistics services; (v) general cargo terminal and related logistics services; (vi) bulk grain terminal and related logistics services; (vii) passenger and roll-on, roll-off terminal and related logistics services; and (viii) port value-added services and ancillary port operations.

PDA is principally engaged in port development, financial services and property development. It is the controlling shareholder of the Company holding approximately 55.62% of the total issued share capital of the Company as at the Latest Practicable Date.

6. H SHARE REPURCHASE MANDATE

The Company Law (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC may not repurchase its shares unless such repurchase is effected for the purpose of (a) reducing its registered share capital; (b) in connection with a merger between itself and another entity that holds its shares; (c) granting shares as reward to the staff of the company; or (d) the repurchase is made at the request of its shareholders who disagrees with shareholders' resolutions in connection with a merger or division. The Mandatory Provisions, which the Company has incorporated in its Articles of Association, provide that subject to obtaining the approval of the relevant regulatory authorities and compliance with its articles of association, share repurchases may be effected by a joint stock limited company listed outside the PRC for the purpose of reducing its share capital or in connection with a merger between itself and another entity that holds its shares or in circumstances permitted by law or administrative regulations.

In accordance with the requirements of Article 35 of the Articles of Association applicable to capital reduction, the Company is required to notify its creditors of passing of the resolution for reduction of the registered capital of the Company within 10 days after passing of such resolution and also by way of a publication on a newspaper within 30 days after passing of the resolution. Creditors have a right during a period of up to 30 days after the Company's written notification or if no such notification has been received, up to 90 days after publication of the press announcement to require the Company to repay any amounts due to them or to provide guarantees in respect of such amounts.

The Hong Kong Listing Rules permit shareholders of a PRC joint stock limited company to grant a general mandate to the Directors to repurchase the H shares of such company that are listed on the Hong Kong Stock Exchange. Such mandate is required to be given by way of a special resolution passed by shareholders in general meeting and special resolutions passed by holders of domestic shares and overseas listed foreign shares in separate meetings.

As H Shares are traded on the Hong Kong Stock Exchange in Hong Kong dollars and the price payable by the Company upon any repurchase of H Shares will, therefore, be paid in Hong Kong dollars, the approval of the relevant regulatory institutions of the State is required. Additionally, the Company shall make a filing with CSRC 15 working days after the Company has repurchased its H Shares.

In accordance with the legal and regulatory requirements described above, the Directors will put forward the relevant resolutions at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. At each of such meeting, a special resolution will be proposed to grant to the Directors a conditional general mandate to repurchase H Shares in issue on the Hong Kong Stock Exchange with an aggregate nominal value of H Shares not exceeding 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of such resolution. The H Share Repurchase Mandate will be conditional upon (a) the special resolution for the grant of the H Share Repurchase Mandate being approved at each of the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting; (b) the approvals of the SAFE and/or any other regulatory authorities (if applicable) as required by the laws, rules and regulations of the PRC being obtained; and (c) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure under Article 35 of the Articles of Association as described above. If the Company determines to repay any amount to any of its creditors in circumstances described under condition (c), it expects to do so out of its internal resources. If the conditions are not fulfilled, the H Share Repurchase Mandate will not be exercised by the Directors.

The H Share Repurchase Mandate would expire on the earlier of (a) the conclusion of the annual general meeting of the Company for the year of 2012 following the passing of the relevant special resolution at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting; (b) the expiration of a period of twelve months following the passing of the relevant special resolution at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting; or (c) the date on which the authority conferred by the relevant special resolution is revoked or varied by a special resolution of the Shareholders at a general meeting or by H Shareholders or A Shareholders at their respective class meetings.

An explanatory statement giving certain information regarding the H Share Repurchase Mandate is set out in the Appendix II to this circular.

7. ELECTION OF DIRECTOR AND SUPERVISORS

(A) Election of Director

Reference is made to the announcement of the Company dated 28 June 2012 in relation to, among others, the nomination of Ms. Su Chunhua ("**Ms. Su**") as an executive Director.

Pursuant to the Articles of Association of the Company and the applicable laws and regulations of the PRC, the appointment of Ms. Su will become effective only after approval of such appointment by the Shareholders at the EGM. Subject to the appointment of Ms. Su as director of the Company is approved by the Shareholders at the EGM, her term of office shall commence from the date of the resolution approving her appointment until the expiry of the term of the third session of the Board, and her remuneration will, subject to authorization of the Shareholders, be determined by the Board by reference to her performance appraisal results in accordance with the performance appraisal system for the senior management of the Company.

Particulars of Ms. Su Chunhua are set out as follows:

Ms. Su Chunhua (蘇春華), aged 49. Ms. Su joined the Port of Dalian Authority in 1988. She held various positions including the deputy head of the planning and finance department and the deputy head of the management center of the finance department heads of Dalian Port Corporation Limited, an executive director, supervisor and the chief accountant of the Company, also the head of the finance department of Dalian Port Corporation Limited. Currently, she is a director of Dalian Port Corporation Finance Company Limited (大連港集團財務有限公司). Ms. Su graduated from the faculty of water transport management in Shanghai Maritime University with a bachelor's degree in water transfer finance and accounting. She has also obtained a master's degree in water transportation and management from Dalian Maritime University. She is a senior accountant and has more than 20 years of experience in accounting and financial management.

Save as disclosed herein, Ms. Su does not currently, nor did she in the past three years, hold any directorships in any listed companies. She does not have any relationship with any director, supervisor, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Ms. Su does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Other than disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules nor are there any matters that need to be brought to the attention of the Shareholders in relation to the proposed appointment of Ms. Su.

(B) Election of Supervisor

Reference is made to the announcement of the Company dated 27 June 2012, in relation to the nomination of Mr. Sun Junyou ("**Mr. Sun**") and Mr. Zhang Guofeng ("**Mr. Zhang**") as supervisor of the Company.

Pursuant to the Articles of Association of the Company and the applicable laws and regulations of the PRC, the appointment of Mr. Sun and Mr. Zhang will become effective only after approval of such appointment by the Shareholders at the EGM. Subject to approval of the Shareholders on the nomination at the EGM, the term of office of each of Mr. Sun and Mr. Zhang shall commence from the date of the resolution approving their appointment until the expiry of the term of the third session of the supervisory committee.

No remuneration shall be paid to Mr. Sun Junyou and Mr. Zhang Guofeng for acting as supervisor of the Company.

Particulars of Mr. Sun Junyou and Mr. Zhang Guofeng are set out as follows:

Mr. Sun Junyou(孫俊友) , aged 55, is a member of the Communist Party of China (the "**CPC**"). Mr. Sun currently acts as the deputy secretary of the party committee of Dalian Port Corporation Limited and the secretary its disciplinary committee. He held various positions in the past, including the vice executive director in the executive division and the director of the secretary division of the organization department of the party committee of the Zhong Shan District in Dalian. At the Dalian Municipal Committee of the CPC, he was also the executive director of the finance and trade department, deputy commissioner and deputy director of the research and development department, commissioner of the research, policy and regulation department, the director of general office, director of the second executive division and a deputy-bureau-chief-level officer. Mr. Sun graduated from Dalian Radio and Television University majoring in finance in July 1995.

Mr. Zhang Guofeng (張國峰), aged 57. He joined the Port of Dalian Authority in 1975. He held the positions of the deputy manager of Dalian Gangwan Engineering Company, deputy head of financial department of Port of Dalian Authority, the chief of audit department and the director of the audit management center of Port of Dalian Authority, the head of financial planning department of Dalian Port Corporation Limited, and the chief accountant of the Company. Currently, Mr. Zhang serves as a director of Dalian Port Corporation Finance Company Limited (大連港集團財務有限公司), Dalian Automobile Terminal Co., Ltd. (大連汽車碼頭有限公司), Dalian China Oil Dock Management Co., Ltd. (大連中油碼頭管理有限公司) and Dalian Container Terminal Co., Ltd. (大連集裝箱碼頭有限公司). He is also a supervisor of Dalian International Container Terminal Co., Ltd. (大連國際集裝箱碼頭有限公司), Dalian Changxing Island Port Co., Ltd. (大連長興島港口有限公司) and Sino Rail Bohai Train Ferry Co., Ltd. (中鐵渤海輪渡有限公司). Mr. Zhang graduated from the faculty of water transportation economics in Shanghai Maritime University, majoring in accounting. He is a senior accountant and has extensive experience in corporation management, internal control and financial management. He was honoured as a pioneer of internal audit of the State and pioneer of internal audit of Liaoning Province.

Save as disclosed herein, as at the Latest Practicable Date, neither Mr. Sun nor Mr. Zhang currently, nor in the past three years, hold any directorships in any listed companies. They do not have any relationship with any director, supervisor, senior management or substantial or controlling shareholders of the Company other than disclosed above. As at the Latest Practicable Date, neither Mr. Sun nor Mr. Zhang has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Other than disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules nor are there any matters that need to be brought to the attention of the Shareholders in relation to the proposed appointment of supervisors of the Company.

Subject to the approval of the Shareholders on the proposed appointment of Directors or supervisors, as the case may be, the Company will enter into a service contract with each of the Director and supervisors, respectively, for his/her services to the Company stating, among other things, their respective annual remuneration and length of service.

8. EXTRAORDINARY GENERAL MEETING

The extraordinary general Meeting is to be held at Room 109, PDA Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian City, Liaoning Province, PRC at 10:00 a.m. on 25 January 2013 at which resolutions to approve, among other things, the Equity Transfer Agreement, the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement and the proposed annual caps of Purchase of Goods and Services and Terminal Facilities Design and Construction Services for each of the three years ended 31 December 2013, 2014 and 2015, H Share Repurchase Mandate and appointment of director and supervisors. An A Shareholders' meeting and H Shareholders' meeting will also be held on the same date and place to approve the H Share Repurchase Mandate.

Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and their associates with a material interest in the Equity Transfer Agreement, the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement are required to abstain from voting on the resolution in respect of the transactions contemplated thereunder at the EGM. Therefore, PDA, the controlling shareholder of the Company, together with its associates is required to abstain from voting at the EGM in respect of resolutions to approve the Equity Transfer Agreement, the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement and the proposed annual caps of Purchase of Goods and Services and Terminal Facilities Design and Construction Services for each of the three years ended 31 December 2013, 2014 and 2015.

The notice of EGM, the notice of A Shareholders' meeting and the notice of H Shareholders' meeting are set out on pages 91 to 103 of this circular. Whether or not you are able to attend A Shareholders' meeting or H Shareholder' meeting, please complete and return the proxy form in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time designated for holding such meetings or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meetings should you so wish.

For determining the Shareholders who are entitled to attend the EGM, the H Shares register of the members of the Company will be closed from 26 December 2012 to 25 January 2013 (both days inclusive), during which no transfer of H Shares will be effected. Holders of H Shares whose names appear on the H Shares registers of members as at 26 December 2012 are entitled to attend and vote at the EGM. In order to qualify for attending the EGM, instruments of transfer accompanied by share certificates and other appropriate documents in respect of transfer of H Shares must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 24 December 2012.

9. PROCEDURES FOR VOTING

Pursuant to rule 13.39(4) of the Listing Rules, the votes of the Shareholders at the EGM shall be taken by poll.

10. RECOMMENDATION

Given that the Directors (including the independent non-executive Directors whose opinion stated in the letter from the Independent Board Committee to the Independent Shareholders set out on pages 18 to 19 of this circular) are of the view that the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement were entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, or on terms no less favourable to the Group than terms available from independent third parties, and that the proposed annual caps for such transactions for each of the three years ending 31 December 2013, 2014 and 2015 are fair and reasonable and in the interests of the Company and its Shareholders as a whole, the Directors recommend that the independent Shareholders should vote in favor of the ordinary resolution in respect of the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement, as well as the proposed annual caps of such transactions.

The Directors (including the independent non-executive Directors whose opinion stated in the letter from the Independent Board Committee to the Independent Shareholders set out on pages 18 to 19 of this circular) are also of the view that the Equity Transfer Agreement was entered into on normal commercial terms and believe the transaction under the Equity Transfer Agreement is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favor of the resolutions in respect of the Equity Transfer Agreement at the EGM.

Furthermore, the Directors believe that the proposals for the grant of H Share Repurchase Mandate and the election of Director and supervisors are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders vote in favour of the relevant proposals at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

Yours faithfully,
By Order of the Board
Hui Kai
Chairman

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)

6 December 2012

Independent Board Committee:
Liu Yongze
Gui Liyi
Wan Kam To, Peter

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 6 December 2012 of the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular have the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider whether (a) the terms of the Equity Transfer Agreement and the Transfer contemplated thereunder; and (b) the terms of the Purchase of Goods and Services Agreement and the Terminal Facilities Design and Construction Services Agreement and the transaction contemplated respectively thereunder (together, the "**Continuing Connected Transactions**") and the proposed annual caps for such continuing connected transactions for each of the three years ending 31 December 2013, 2014 and 2015, are fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. TC Capital Asia Limited has been appointed as the independent financial adviser (the "**Independent Financial Adviser**") to advise the Independent Board Committee and the independent Shareholders in this respect.

Your attention is drawn to the "Letter from the Board" set out on pages 5 to 17 of the Circular which contains, inter alia, information about the Transfer and the Continuing Connected Transactions, and the "Letter from the Independent Financial Adviser" set out on pages 20 to 39 of the Circular which contains its advice in respect of (a) the terms of the Equity Transfer Agreement; and (b) the terms of the

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

Purchase of Goods and Services Agreement and the Terminal Facilities Design and Construction Services Agreement, and the proposed annual caps for such continuing connected transactions for each of the three years ending 31 December 2013, 2014 and 2015.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Equity Transfer Agreement, the Purchase of Goods and Services Agreement and the Terminal Facilities Design and Construction Services Agreement, the basis upon which their respective terms have been determined, and the major factors taken into account by the Company in arriving at the proposed annual caps for each of the Continuing Connected Transactions. We have also considered the key factors taken into consideration by the Independent Financial Adviser in forming its opinion regarding the terms of the Transfer and the Continuing Connected Transaction (including the proposed annual caps for each of the Continuing Connected Transactions) as set out in the "Letter from the Independent Financial Adviser" contained in the Circular, which we urge you to read carefully.

Having considered the advice given by the Independent Financial Adviser and the matters which it reported having considered in giving at its advice, we consider that:

(a) the Equity Transfer Agreement were entered into on normal commercial terms, fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and

(b) the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement were entered into in the Group's ordinary and usual course of business and on normal commercial terms or terms no less favorable to the Group than terms available from independent third parties; the terms of each of the agreements and the respective proposed annual caps for each of the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend the independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of (a) the Equity Transfer Agreement; and (b) the new Purchase of Goods and Services Agreement and the Terminal Facilities Design and Construction Services Agreement, and the proposed annual caps for such continuing connected transactions for each of the three years ending 31 December 2013, 2014 and 2015.

Yours faithfully,
Independent Board Committee

Liu Yongze	**Gui Liyi**	**Wan Kam To, Peter**
Independent non-executive director	*Independent non-executive director*	*Independent non-executive director*

TC Capital Asia Limited
天財資本亞洲有限公司

6 December 2012

The Independent Board Committee and the Independent Shareholders
Dalian Port (PDA) Company Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the proposed conditional transfer of the entire equity interest in the Target Company for a consideration of approximately RMB596 million, and (ii) the renewal of the continuing connected transactions contemplated under the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement entered into between the Company and PDA, as described in the letter from the Board (the "**Board Letter**") contained in the circular to the Shareholders dated 6 December 2012 (the "**Circular**"). Our letter is made for incorporation into the Circular. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

References are made to the 2009 Announcement and Circular, the announcement dated 27 April 2012 and the circular dated 11 May 2012, in relation to, amongst other matters, the continuing connected transactions under the old purchase of goods and services agreement and the old terminal facilities design and construction services agreement.

PDA, being the controlling shareholder of the Company, is a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. As such, (i) the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company, and (ii) the transactions contemplated under the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transaction contemplated under the Equity Transfer Agreement exceed 5% but are less than 25% under Rule 14.07 of the Listing Rules, and the consideration exceeds HK$10,000,000, the Transfer is a connected transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Transfer also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios for each of the transactions contemplated under the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement under the Listing Rules, are on an annual basis, more than 5% and the proposed annual caps for such transactions are more than HK$10,000,000, such transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the approval of the Shareholders, on among others, (i) the Equity Transfer Agreement, and (ii) the Purchase of Goods and Services Agreement, the new Terminal Facilities Design and Construction Services Agreement and the respective proposed annual caps, in the EGM to be held on 25 January 2013. PDA and its associates will abstain from voting at the EGM in respect of, (i) the Equity Transfer Agreement, and (ii) the Purchase of Goods and Services Agreement, the new Terminal Facilities Design and Construction Services Agreement and the respective proposed annual caps pursuant to the Listing Rules.

Mr. Liu Yongze, Mr. Gui Liyi and Mr. Wan Kam To, Peter, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether (i) the Equity Transfer Agreement, and (ii) the Purchase of Goods and Services Agreement, the new Terminal Facilities Design and Construction Services Agreement and the respective proposed annual caps for the three financial years ending 31 December 2015 are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and to vote in favour of or against the resolutions to be proposed at the EGM for approving (i) the Equity Transfer Agreement, and (ii) the Purchase of Goods and Services Agreement, the new Terminal Facilities Design and Construction Services Agreement and the respective proposed annual caps for the three financial years ending 31 December 2015. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our recommendation, we have relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, are true, accurate and complete in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of each of the Target Company, the Group and PDA.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE EQUITY TRANSFER AGREEMENT

In arriving at our opinions regarding the entering into of the Equity Transfer Agreement, we have taken into consideration the following factors and reasons:

(I) Introduction of the Equity Transfer Agreement

On 30 October 2012, the Company, as transferor, entered into the Equity Transfer Agreement with PDA, as transferee, pursuant to which the Company has conditionally agreed to sell, and PDA has conditionally agreed to purchase the entire equity interest in the Target Company at a consideration of approximately RMB596 million. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will not have any interest in the Target Company. Therefore, the financial results and net assets of the Target Company will no longer be consolidated into the Group's financial statements.

(II) Background of the Group, PDA and the Target Company

The Group

The Group mainly operates the Dalian port in Dalian, Liaoning Province, the PRC. The principal business of the Group are (a) the provision of terminal and logistics services for oil products and liquefied chemicals; (b) the provision of terminal and related logistics services for containers; (c) the provision of automobile terminal and related logistics services; (d) the provision of ore terminal and related logistics services; (e) the provision of general cargo terminal and related logistics services; (f) the provision of bulk grain terminal and related logistics services; (g) the provision of passenger and roll-on, roll-off terminal and related logistics services; and (h) the provision of port value-added services and ancillary port operations.

PDA

PDA is principally engaged in port development, financial services and property development. It is the controlling shareholder of the Company holding approximately 55.62% of the total issued share capital of the Company as at the Latest Practicable Date.

Target Company

The Target Company is a company incorporated in Dalian, the PRC. The principal business of the Target Company is port business of loading and unloading for hazardous cargos including refined oil products, but it has not yet commenced commercial operations as at the Latest Practicable Date.

(III) The Equity Transfer Agreement

Key terms of the Equity Transfer Agreement

Date	:	30 October 2012
Parties	:	(a) The Company, as the transferor; and (b) PDA, as the transferee.
Subject matter of the Transfer	:	100% equity interest in the Target Company.
Consideration	:	Approximately RMB596 million in cash, subject to approval from the State-owned Assets Supervision and Administration Commission of Dalian Municipal Government.
Completion	:	The completion of the Equity Transfer Agreement is conditional upon (a) the obtaining of the Shareholders' approval on the Equity Transfer Agreement and the transactions contemplated thereunder; and (b) the completion of the registration of the Transfer with the relevant administration for industry and commerce in the PRC, which is expected to take place in the first quarter of 2013.
Other major terms	:	Under the Non-competition Agreement entered into between PDA and the Company, PDA undertook to the Company that it would not within Dalian (which comprises Zhongshan District, Xigang District, Shahekou District, Ganjingzi District of Dalian, the Dalian Development Area and the Dalian Free Trade Zone) and during the Restricted Period, directly or indirectly, carry on or be interested or engaged in or acquire or hold the business of provision of terminal and logistics services for, among other things, oil products and liquefied chemicals. Accordingly, PDA would be restricted from carrying on business which the Target Company would engage in when it commences commercial operations. In this light, the Equity Transfer Agreement provides that, subject to the Independent Shareholders' approval, the Company exempts PDA from strict compliance with terms of the Non-competition Agreement, and it is entitled (but under no obligation) to buy-back the Sale Equity when the operations of the Target Company have become profitable. There is no premium on the granting of the rights to buy-back the Sale Equity to the Company when the Target Company's operations have become profitable.

Payment terms

After obtaining the Shareholders' approval on the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM, the consideration for the Transfer will be settled by PDA in a lump sum of cash within 15 working days upon the execution of the Equity Transfer Agreement. We are of the opinion that 15 working days is a reasonable time frame required to process administrative matters in relation to the payment of the consideration, we are of the view that the payment terms are on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

(IV) Consideration

As set out in the Board Letter, the cash consideration under the Equity Transfer Agreement is approximately RMB596 million, subject to approval from the State-owned Assets Supervision and Administration Commission of Dalian Municipal Government. The consideration was determined after arm's length negotiations between the Company and PDA, and with reference to the value of the entire equity interests in the Target Company of approximately RMB596 million as of 30 September 2012 as appraised by the valuer who is an independent third party of the Company.

(a) Valuation of the Target Company

In assessing the fairness and reasonableness of the valuation of the Target Company, we have reviewed the valuation report and studied the expertise of the valuer.

We understood from the valuation report that the valuer has considered three common approaches in the PRC to evaluate the market value of the Target Company, including (i) the market approach, (ii) the income approach and (iii) the asset-based approach.

According to the valuer, the readily identifiable market comparables that are required by the valuer for the adoption of market approach refers to comparable market transactions as available in the relevant market involving the companies of similar business and operational scale with that of the Target Company at around the valuation date of the Target Company. As the valuer could not identify a readily available market comparable of the Transfer, the market approach which makes reference to a comparable market transaction is not applicable.

Based on the valuation report, since the acquisition of the Target Company by the Company in 2010, the port business of the Target Company is still in the trial operational phase. Hence, the valuer considered that the income approach, which makes reference to the historical financial performance of the Target Company, is not suitable in light of the operational status of the port facilities before the valuation date.

Under the asset-based approach, the company is valued by its net asset value taking into consideration of the replacement cost of assets and liabilities. The valuer considers that this is an appropriate measure to evaluate the market value of the Target Company as an entity with continuing business, in which its core assets are mainly port facilities, machineries and the construction in-progress. These core assets have suitable parameters and foundations, and enough data for valuation.

Taking into account the factors above, we concur with the valuer and are of the view that the asset-based approach is an appropriate measure to evaluate the market value of the Target Company and the valuation is a good reference for the determination of the consideration.

(b) Evaluation of the consideration

Apart from referencing the valuation report, in order to assess the fairness and reasonableness of the consideration, we have considered the commonly adopted comparable approaches used in determining the value of the Target Company, namely the price-to-earnings ratio (the "**P/E Ratio**") and the price-to-book ratio (the "**P/B Ratio**"). Nevertheless, as disclosed in the Board Letter, there was nil net profits before and after taxation and extraordinary items for the Target Company and therefore, the P/E Ratio is not applicable for this evaluation.

On a best effort basis, we have identified 10 listed companies (including the Company) on the Hong Kong Stock Exchange (the "**Comparable Companies**") with their respective principal business of port business, which are similar to the present principal business of the Target Company. The following table sets forth details of the Comparable Companies.

Company	**Stock code**	**Stock price as at the Latest Practicable Date ("A")** *HK$*	**Book value per share ("B")** *HK$*	**P/B (=A/B)** *Times*
China Merchants Holdings (International) Company Limited	144	23.50	22.23	1.06
Orient Overseas (International) Limited	316	48.50	53.79	0.90
Chu Kong Shipping Enterprises (Group) Company Limited	560	1.18	2.22	0.53
Sinotrans Limited	598	1.16	3.62	0.32
Dragon Crown Group Holdings Limited	935	0.82	0.80	1.03
COSCO Pacific Limited	1199	10.80	10.42	1.04
Dalian Port (PDA) Company Limited	2880	1.75	3.53	0.50
Xiamen International Port Company Limited	3378	0.91	2.29	0.40
Tianjin Port Development Holdings Limited	3382	0.97	3.36	0.29
CIG Yangtze Ports PLC	8233	0.24	0.13	1.78

		Minimum	**0.29**
		Maximum	**1.78**
		Median	**0.72**
		Average	**0.78**
	RMB million	*RMB million*	*Times*
Target Company	596.2 *(Note 2)*	535.1 *(Note 3)*	1.11

Sources: Bloomberg, www.hkex.com.hk and the latest annual and interim report/results announcements of the Comparable Companies.

* The Comparable Companies are identified on the basis that they are listed in Hong Kong, which are principally engaged in the port business similar with that of the Target Company. The criteria set for identification of the Comparable Companies is dissimilar to the comparable as defined in the valuation report, which attempts to identify transactions similar to the Transfer.

Notes:

1. Translation of RMB into HK$ or United States Dollars into HK$ is made for illustration purposes only at the exchange rates of RMB1.00 to HK$1.24 or United States Dollar 1.00 to HK$7.75.

2. The consideration represents the market capitalization of the Target Company.

3. The figure is the book value of the Target Company as at 30 September 2012.

Based on the respective closing prices of the shares of the Comparable Companies as at the Latest Practicable Date, the P/B Ratios of the Comparable Companies range from approximately 0.29 times to approximately 1.78 times, with an average of approximately 0.78 times and a median of approximately 0.72 times. The implied P/B Ratio of the Target Company of approximately 1.11 times, which is higher than the average as well as the median of the P/B Ratios of the Comparable Companies calculated based on the closing price of shares as of the Latest Practicable Date.

Accordingly, in light of the P/B Ratio implied by the consideration is higher than both of average and median values of the P/B Ratios of the Comparable Companies, which corresponds to a higher sale price by the Company, we are of the view that the consideration is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole.

(V) Other Factors Considered for the entering into of the Equity Transfer Agreement

(a) Historical business and financial performance of the Target Company

We are advised by the Company that the consideration exceeds the original acquisition cost of the Target Company in late 2010 by approximately RMB199.2 million. However, the Company has already invested an accumulated amount of approximately RMB200 million into the Target Company since its acquisition in the late 2010 for equipment upgrade, construction and engineering works of the port businesses for the Target Company.

Accordingly, the Company is expected to accrue an estimated loss of approximately RMB0.62 million. As disclosed in the Board Letter, there were nil profits both before and after taxation and extraordinary items for the two financial years ended 31 December 2011 because the port facilities developed by the Company have not been put into normal operation due to lack of proper permits as of the Latest Practicable Date. Therefore, we concur with the Directors' view that continuing with the holding of the Target Company may impose burdens on the Company, in the absence of revenue generating full business operations of the Target Company.

(b) Waiver of Non-competition Agreement

We note that the Company and PDA have been engaging in the similar port businesses before the Transfer albeit in different regions of the PRC. As a result, potential business competition amongst the parties may have existed, and accordingly, PDA and the Company entered into the Non-competition Agreement regarding the Non-competition Undertaking as at 23 March 2006, and the amendment agreement as at 30 September 2009. However, according to the Equity Transfer Agreement, subject to the Independent Shareholders' approval, the Company will exempt PDA from strict compliance with terms of the Non-competition Agreement, and the Company will be entitled (but under no obligation) to buy-back the Sale Equity when the operations of the Target Company have become profitable. Shareholders should note that if the waiver from strict compliance of the Non-competition Agreement is not granted to PDA, PDA will not be able to operate the Target Company, and the Transfer would be meaningless to PDA. Therefore, we are of the opinion that the waiver of Non-competition Agreement is fair and reasonable in view of it being required for the purpose of the Transfer.

(c) Minimal conflict of interest

We note that that the Group, including the Target Company, has been engaging in the similar port business before the Transfer. As a result, potential business competition amongst the parties may exist after the Transfer. Although the Company exempts PDA from strict compliance with the terms of the Non-competition Agreement, as disclosed in the Board Letter, the Target Company and the Group (other than the Target Company) have different clientele, and due to restrictions regarding the berth registration requirements, it is anticipated that the refined oil products throughput of the Target Company will be minimal. Furthermore, only approximately 26% and 27% of the Group's total oil/liquefied chemicals throughput for the year 2011 and nine months ended 30 September 2012 are refined oil products, respectively. Accordingly, we believe that the interest of the Company will be well protected with minimal conflict of interest after the Transfer.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE PURCHASE OF GOODS AND SERVICES AGREEMENT AND THE NEW TERMINAL FACILITIES DESIGN AND CONSTRUCTION SERVICES AGREEMENT

In considering whether the terms of the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Agreement, together with the respective proposed annual caps for the three financial years ending 31 December 2015, are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

(I) Background of the Group and PDA

Please refer to the section headed "Background of the Group, PDA and the Target Company" above.

(II) Background of and reasons for entering into the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement

On 30 September 2009, the old purchase of goods and services agreement and the old terminal facilities design and construction services agreement were entered into between PDA (for itself and on behalf of its relevant subsidiaries) and the Company (for itself and on behalf of its relevant associates) for a term of three years ending 31 December 2012.

Pursuant to the old purchase of goods and services agreement, the Group had purchased from PDA and/or its relevant associates, certain goods and services such as diesel oil, facilities, equipment maintenance, landscaping, catering, medical check, printing, conference services and other related or similar services. Pursuant to the old terminal facilities design and construction services agreement, PDA and/or its associates had provided terminal facilities design and construction services (including land filling, dredging, caisson precasting and construction of electricity facilities and other supporting facilities) to the Group.

As discussed with the Company, the following are the reasons and benefits of the Group in the purchases of goods and services as well as the terminal facilities design and construction services with PDA:

(a) in light of the long-established and closing working relationships between the Group and PDA, and the understanding of each other's operations and practices, it lowers the counter-party risk in purchasing materials and services, as well as receiving terminal facilities design and construction services to and from any independent third parties;

(b) the Group is able to obtain a better pricing condition with satisfactory quality standards for materials and services from the PDA. In particular, PDA is able to obtain better pricing of products such as diesel oil when purchasing in bulk from suppliers, and pass on such savings to the Group in the form of discounts;

(c) the reliability of the purchase of materials and services from the PDA as well as the stability and quality of terminal facilities design and construction services provided by PDA and/or its associates have been established. Accordingly, the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement ensure the continuity and stability of the Company's normal operations, which has a positive impact in terms of operational integration and geographical convenience; and

(d) the flexibility of PDA relative to the independent suppliers in terms of the delivery of goods and services and the variation of orders or construction plans. The Group would be able to easily negotiate with PDA if there are any changes in the supply of goods and services, and in terms of design and construction services, and the variation orders, which are quite common in large-scale construction projects, can be easily negotiated with PDA.

To conclude, with reference to the reasons and benefits mentioned above, we consider that the entering into of the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement between the Group and PDA is in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(III) Purchase of Goods and Services Agreement

Pursuant to the Purchase of Goods and Services Agreement, the Company will purchase the Purchase of Goods and Services from PDA and/or its associates for a term of three years ending 31 December 2015. Details of the principal terms of the Purchase of Goods and Services Agreement are set out in the Board Letter.

Key terms of the Purchase of Goods and Services Agreement

Date	:	30 October 2012
Parties	:	(1) The Company (on behalf of the Group); and (2) PDA (on behalf of itself and its subsidiaries).
Subject matter	:	The Purchase of Goods and Services by the Group from PDA and/or its relevant associates.
Term	:	For a term of three years, commencing on 1 January 2013 and ending on 31 December 2015.
Payment terms	:	The payment terms for the Purchase of Goods and Services will be specified on each separate contract to be agreed by the parties. The payment terms shall not be less favourable to the Group than those available from the independent third parties.

Pricing mechanisms : The prices of certain products and services provided under the Purchase of Goods and Services Agreement will be determined according to one of the following manners:

(1) the state price, being the price set by the PRC government (at central or local level) or its relevant departments;

(2) where there is no state price, the market price at which the same or comparable types of goods and services are provided from independent third parties in the normal course of business; and

(3) where there is neither a state price nor a market price, the price stipulated in the relevant purchase agreement(s), being the actual costs incurred in providing such goods and services.

Compared with the old purchase of goods and services agreement, all the major terms under the Purchase of Goods and Services Agreement remain the same. Consequently, we consider that the terms of the Purchase of Goods and Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Details of the pricing mechanisms

The pricing mechanisms have been outlined above and we are of the view that the above pricing mechanisms are fair and reasonable so far as the Independent Shareholders are concerned as:

(a) the prices are determined according to the state price and market price, in which the state price and market price are public information and therefore reflect the fair values of the materials and services; and

(b) some of the services and/or supplies to be provided by PDA to the Group under the Purchase of Goods and Services Agreement are of a unique or comprehensive range, and there are no comparable services/supplies of similar nature conducted between the Group and independent third parties available for comparison purpose, it is reasonable to set the relevant services and/or supplies charges under the Purchase of Goods and Services Agreement by reference to the actual cost, which incurred in providing such goods and services.

As advised by the Company, except for the items of catering services, medical check, printing, conference services and purchasing of diesel oil and petrol, all the items under the old purchase of goods and services agreement were determined according to the market price. The prices of catering services, medical check, printing and conference services were determined according to the actual costs incurred by PDA or its associates, and the diesel oil and petrol is currently purchased at a discount to the state price, which is within the permitted range of the relevant state price and is in line with the current market practice in Dalian in the PRC. Such pricing method is also in line with the pricing mechanism as mentioned above.

We have also obtained and reviewed the contracts and invoices in respect of the Company or its subsidiaries purchasing materials or obtaining services from independent third parties and from PDA or its subsidiaries. We note that the terms of the contracts with PDA or its subsidiaries, in particular the pricing of materials and services and settlement terms, are no less favourable to the Company or its subsidiaries than the terms available from the independent third parties.

Basis of determination of the annual caps for the three years ending 31 December 2015 of the Purchase of Goods and Services Agreement

As disclosed in the Board Letter, the proposed annual caps for the three years ending 31 December 2015 under the Purchase of Goods and Services Agreement are determined with reference to:

(a) the historical transaction amounts in respect of the purchase of goods and services from PDA;

(b) the fact that certain suppliers are expected to become connected persons of the Company resulting in existing transactions being classified as connected transactions in the future;

(c) the expected increase in demand for the diesel oil attributed to the business growth of the Group and the rise in the price of the diesel oil, which grew at the compounded annual growth rate (the "**CAGR**") of approximately 14.9% in the last twenty four months; and

(d) the estimate increase in the demand of maintenance services mainly due to ageing facilities.

In determining the fairness and the reasonableness of the proposed annual caps for the three years ending 31 December 2015 under the Purchase of Goods and Services Agreement, we have considered the following factors:

(a) Historical transactions amounts

Set out below are the details of (i) the actual transaction amounts for 2010, 2011, the nine months ended 30 September 2012, and the nine months ended 30 September 2012 with the expected expenditure for the last three months ending 31 December 2012, (ii) the utilization rate, and (iii) the proposed 2013, 2014 and 2015 annual caps under the Purchase of Goods and Services Agreement ending 31 December 2015:

	Actual expenditure for the year ended 31 December		Actual expenditure for the nine months ended 30 September	Actual expenditure for the nine months ended 30 September with the expected expenditure for the last three months ending 31 December[1]	Utilization rate[2]			Proposed annual caps ending 31 December		
	2010	2011	2012	2012	2010	2011	2012	2013	2014	2015
	(In RMB'000)	*(In RMB'000)*	*(In RMB'000)*	*(In RMB'000)*	*(%)*	*(%)*	*(%)*	*(In RMB'000)*	*(In RMB'000)*	*(In RMB'000)*
Purchase of goods and services	10,161	23,013	95,309	143,697	15.4	34.3	62.3	242,015	253,364	263,234

Notes:

1. As advised by the Company, this amount is the sum of the amounts of actual expenditure for the nine months ended 30 September 2012 with the expected expenditure for the last three months ending 31 December 2012.

2. The utilization rate is calculated as the historical transaction amount divided by the respective annual cap.

The utilization rates of the annual caps increased from approximately 15.4% to 62.3% between 2010 and 2012. As discussed with the Company, PDA had undergone restructuring in 2010 and reduced their equity interest in 大連港實業有限公司 (Dalian Port Industrial Company Limited) and its associates. These companies were no longer deemed as the connected persons under the Listing Rules as the Company owned 29.87% of the equity interest in Dalian Port Industrial Company Limited. As a result, the transactions between Dalian Port Industrial Company Limited and the Company did not constitute connected transactions of the Company under the old purchase of goods and services agreement since the restructuring by PDA in 2010. However, when determining the annual caps under the old purchase of goods and services agreement in 2009, the Company has referenced the estimated transaction volumes of goods and services between the Company and Dalian Port Industrial Company Limited for the three years ending 31 December 2012. Consequently, the utilization rates approved by the Independent Shareholders under the old purchase of goods and services agreement in 2009 are lower than expected in 2010 and 2011. Over the years, business of the Group has grown and the utilization rate has once again risen back to a reasonable level. This growth is shown in the CAGR of the total historical and projected transactions between 2010 and 2012, which is approximately 276.1%. Such significant increase was mainly due to the additional procurement of diesel oil and petrol from PDA and/or its relevant associates in 2012.

(b) Anticipated connected person of the Company

As advised by the Company, PDA is expected to increase its shareholding interest in Dalian Port Industrial Company Limited to over 30%, and Dalian Port Industrial Company Limited and its subsidiaries will be deemed as the connected person of the Company again thereafter. The principal business of Dalian Port Industrial Company Limited and its subsidiaries is the provision of ancillary services, such as communication, greening, heat supplying, property management, engineering and construction, pipeline maintenance and installation, gas stations, vehicles maintenances, catering services, bathing and staff accommodations. Taking into the account the factor that the transactions between Dalian Port Industrial Company Limited, its subsidiaries and the Company will become connected transactions, the Company has proposed the increase in annual caps for the three years ending 31 December 2015, in order to cope with the anticipated connected transactions with Dalian Port Industrial Company Limited and its subsidiaries, although the utilization rates of the previous annual caps are relatively low as discussed above.

(c) The forecast of price and consumption of diesel oil and petrol

As advised by the Company, the purchasing amounts of diesel oil and petrol in determining the proposed annual caps for the years ending 31 December 2013, 2014 and 2015 account for approximately 66.3%, 66.2% and 65.7% of the total proposed annual caps. Therefore, the proposed annual caps are related to and significantly influenced by the price fluctuation of diesel oil and petrol. In arriving at our view on the fairness and reasonableness of the proposed annual caps of the Company, we have considered the following factors:

(1) Fluctuation of crude and diesel oil price

Both petrol and diesel fuel is obtained from crude oil. Based on the data reported by the Organization of the Petroleum Exporting Countries ("**OPEC**"), an intergovernmental organization of twelve oil-exporting developing nations, the crude oil basket price in the last twenty four months ranged from a low of US$80.1 per barrel on 23 November 2010 to a high of US$124.6 per barrel on 23 March 2012, and represented a CAGR of approximately 14.9%. Furthermore, the Singapore diesel cargoes prices (as Singapore is the largest oil trading hub in Asia) as reported by OPEC registered a 18.5% CAGR for the last twenty four months.

(2) Consumption of diesel oil and petrol

We have discussed with the Company the anticipated consumption of the Group for diesel oil and petrol. The Company confirms that the historical volumes of usage of the diesel oil and petrol for the two years ended 31 December 2010 and 2011 were 17,967 tons and 26,695 tons, respectively. To assess the fairness and reasonableness of the predicted volume of usage of the diesel oil and petrol for the years ending 31 December 2015, we have reviewed and calculated, based on the information contained in the China Statistical Yearbook 2011, the CAGR between 2007 and 2011 of the aggregate cargo throughput of the major coastal ports in the PRC is approximately 12.1%.

(d) Business growth of the Group

As disclosed in the latest interim report of the Company, the Company has been implementing various major measures for market development and maintaining business growth in spite of the possible exposure to recent unfavorable market environment. We have reviewed the "twelfth-five" business plan of the Company which illustratives a comprehensive strategic plan for the eight core businesses of the Group as mentioned above.

(e) The aging assets

As advised by the Company, the assets and equipment used for the operations of the terminals, such as terminal facilities, storage facilities, machineries and equipment, have already been operating for years. Therefore, the Company estimates that the maintenance costs will be increased in the coming years due to more frequent repairs, replacement and maintenance services required.

We note that the proposed 2013 to 2015 annual caps under the Purchase of Goods and Services Agreement are higher than the historical transactions amounts in 2010, 2011 and 2012. However, having considered as discussed above, in particular (i) the historical growth in the amount of purchases from PDA, which could grow significantly when suppliers become connected persons of the Company, (ii) the expected price increase of diesel oil and petrol, (iii) the business plan of the Company, and (iv) the continuous growth and development of the coastal ports in the PRC, we are of the view that it is fair and reasonable to determine the proposed 2013, 2014 and 2015 annual caps based on the aforesaid factors incorporating buffers for the future price fluctuation and the expected business growth. Consequently, we are of the view that the proposed annual caps under the Purchase of Goods and Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and Shareholders as a whole.

(IV) New Terminal Facilities Design and Construction Services Agreement

Key terms of the new Terminal Facilities Design and Construction Services Agreement

Date	:	30 October 2012
Parties	:	(1) The Company (on behalf of the Group); and (2) PDA (on behalf of itself and its subsidiaries).
Subject matter	:	The provision of terminal facilities design and construction services (including land filling, dredging, caisson precasting and construction of electricity facilities and other supporting facilities) by the PDA and/or its associates to the Group.
Term	:	For a term of three years, commencing on 1 January 2013 and ending on 31 December 2015.
Payment terms	:	The payment terms for the terminal facilities design and construction services will be specified on each separate contract to be agreed by the parties. The payment terms shall not be less favourable to the Group than those available from the independent third parties.
Pricing mechanisms	:	The prices of the services provided under the new Terminal Facilities Design and Construction Services Agreement will be determined according to one of the following manners: (1) the state price, being the price set by the PRC government (at central or local level) or its relevant departments; (2) where there is no state price, the market price at which the same or comparable types of services are provided from independent third parties in the normal course of business; and (3) where the project is subject to public bidding, the price determined through the bidding process.

Compared with the old terminal facilities design and construction services agreement, all the major terms under the new Terminal Facilities Design and Construction Services Agreement remain the same. We have obtained and reviewed the contracts regarding the designing and construction services of the terminal facilities provided by the independent third parties and PDA or its subsidiaries. We note that the terms of the contracts with PDA or its subsidiaries, in particular the settlement terms are no less favourable to the Company or its subsidiaries than the terms available from independent third parties.

Consequently, we consider that the terms of the new Terminal Facilities Design and Construction Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Details of the pricing mechanisms

As advised by the Company in respect of the pricing practice of terminal facilities design and construction service in the PRC, the charges by service providers depend on various factors including, among others, location, water depth and environment protection. Therefore, the Company has adopted an open bidding system for its terminal facilities design and construction projects, whereby pricing of projects are quoted from an open market competitive bid that is in line with pricing mechanism as outlined above. We are of the view that a pricing based on bidding system is fair and reasonable as it is capable of capturing the actual market price.

We have also reviewed the procedures regarding the internal control over procurement and bid invitation of the Company. Based on our review of the procedures regarding the internal control over procurement and bid invitation of the Company and discussion with the management of the Company, we concur with the view of the management that the Company has an orderly written procedures for execution and monitoring of the process of procurement through public bidding.

Having considered the above, we are of the view that the above pricing mechanisms contemplated under the new Terminal Facilities Design and Construction Services Agreement is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholder as a whole.

Basis of determination of the annual caps for the three years ending 31 December 2015 of the new Terminal Facilities Design and Construction Services Agreement

As disclosed in the Board Letter, the proposed annual caps for the three years ending 31 December 2015 under the new Terminal Facilities Design and Construction Services Agreement are determined with reference to

(a) the historical amounts of the services provided by PDA and/or its associates;

(b) the Company's investment plan and the expected construction works to be undertaken by PDA and/or its associates in the next three years; and

(c) the anticipation of certain service suppliers are to become connected persons of the Company.

In determining the fairness and the reasonableness of the proposed annual caps for the three years ending 31 December 2015 under the new Terminal Facilities Design and Construction Services Agreement, we have considered the following factors:

(a) Historical transactions amounts

Set out below are the details of (i) the actual transaction amounts for 2010, 2011, the nine months ended 30 September 2012, and the nine months ended 30 September 2012 with the expected expenditure for the last three months ending 31 December 2012, (ii) the utilization rates, and (iii) the proposed 2013, 2014 and 2015 annual caps under the new Terminal Facilities Design and Construction Services Agreement ending 31 December 2015:

	Actual expenditure for the year ended 31 December		Actual expenditure for the nine months ended 30 September	Actual expenditure for the nine months ended 30 September with the expected expenditure for the last three months ending 31 December[1]	Utilization rate[2]			Proposed annual caps ending 31 December		
	2010	**2011**	**2012**	**2012**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
	(In RMB'000)	*(In RMB'000)*	*(In RMB'000)*	*(In RMB'000)*	*(%)*	*(%)*	*(%)*	*(In RMB'000)*	*(In RMB'000)*	*(In RMB'000)*
Terminal facilities design and construction services	20,906	36,072	5,434	24,595	17.0	40.8	48.8	305,800	294,800	228,800

Notes:

1. As advised by the Company, this amount is the sum of the amounts of actual expenditure for the nine months ended 30 September 2012 with the expected expenditure for the last three months ending 31 December 2012.

2. The utilization rate is calculated as the historical transaction amount divided by the respective annual cap.

While the utilization rates of the annual caps increased from approximately 17.0% to 48.8% between 2010 and 2012, the actual historical expenses are expected to drop in 2012. As a result, the proposed annual caps far exceed the historical amounts, and may not seem fair and reasonable based solely on the historical figures. However, in consideration of the factors below, the proposed annual caps for the three years ending 31 December 2015 may be justifiable.

(b) Anticipation of certain service suppliers becoming connected persons of the Company

As advised by the Company, PDA is anticipated to increase its shareholding in 大連港灣工程有限公司 (Dalian Port Construction Engineering Co., Limited), from approximately 29% up to 64.5% before the end of 2012. The Company therefore determined significant increments in the proposed annual caps for the three years ending 31 December 2015, in the event that Dalian Port Construction Engineering Co., Limited and its subsidiaries becomes an associate of PDA again once PDA crosses the 30% shareholding interest limit in these suppliers, and will be connected persons of the Company pursuant to Rules 14A.11 and 19A.04 of the Listing Rules.

In determining the fairness and reasonableness of the proposed annual caps, we have obtained and reviewed the development plan together with the cost of different scope of works allocated over the three years. The proposed annual caps for the three years ending 31 December 2015 have been determined with reference to the amount of work required to be done in various projects and the schedule of the development by the Company in the development plan.

As the basis of the services and construction costs under the New Terminal Facilities Design and Construction Services Agreement were estimated with reference to the approximate order of construction costs in Liaoning province of the PRC, and calculated in accordance to 2008年遼寧省建設工程計價依據 (The Pricing Basis for the Construction and Engineering Projects in Liaoning Province 2008) as well as the Company's understanding and experiences. Accordingly, we are of the view that such governmental regulations in Liaoning Province helps to standardize the calculation of construction pricing in specifying the quantification methods when costing for construction projects. As a result, the forecast of total cost in relation to the Group's future construction is comparable to the estimates conducted by independent third party suppliers.

(c) Historical amounts incurred by the Group in construction

Historically, the Group incurred significant amounts in construction of port related facilities. For the financial year ended 2010 and 2011, addition in construction in progress amounted to approximately RMB1,786 million and RMB2,380 million, respectively. As a result, the highest amount of the proposed three annual caps of RMB305.8 million, represents a mere 17.1% and 12.8% of the total annual construction expenditure for the years ended 2010 and 2011, respectively.

While the 2013, 2014 and 2015 proposed annual caps of the new Terminal Facilities Design and Construction Services Agreement are higher than the historical transactions amounts in 2010, 2011 and 2012. However, based on our analysis above, and also considering the "twelfth-five years" investment plan provided by the Company where its core port areas will be strengthened, we are of the view that the proposed annual caps for the three years ending 31 December 2015 under the new Terminal Facilities Design and Construction Services Agreement, when taken as a whole, are fair and reasonable and in the interest in the Company and Shareholders as a whole.

RECOMMENDATION

Having considered the principal reasons and factors referred to above, we are of the opinion that,

(a) the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and

(b) the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement are entered in the ordinary and usual course of business. In addition, the terms of the Purchase of Goods and Services Agreement and the new Terminal Facilities Design and Construction Services Agreement and their respective annual caps for each of the three years ending 31 December 2015 are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the forthcoming EGM to approve the Equity Transfer Agreement, the Purchase of Goods and Services Agreement, and the new Terminal Facilities Design and Construction Services Agreement, the transactions contemplated thereunder and to approve the proposed respective annual caps ending 31 December 2015.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, none of the Directors, supervisors and chief executive of the Company had any interest or short position in the shares and underlying shares of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO), recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, so far as known to the Directors of the Company, the following persons had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage of the relevant class of share capital[1]	Percentage of the total share capital[2]
Dalian Port Corporation Limited	A Shares	2,408,745,000 (L)	Beneficial owner	71.62%	54.42%
N.Y.K. Line (Hong Kong) Limited	H Shares	114,800,000 (L)	Beneficial owner	10.80%	2.59%
N.Y.K. Line Group (Hong Kong) Limited	H Shares	114,800,000 (L)	Interest of controlled corporation	10.80%	2.59%
Nippon Yusen Kabushiki Kaisha	H Shares	114,800,000 (L)	Interest of controlled corporation	10.80%	2.59%
Macquarie Group Limited	H Shares	96,131,390 (L)	Beneficial owner	9.05%	2.17%

Notes:

1. (L) denotes a long position and (S) denotes a short position in the Shares or underlying Shares.

2. Number of shares in the relevant class of share capital: A shares — 3,363,400,000, H shares — 1,062,600,000.

3. Total number of shares of share capital: 4,426,000,000.

4. During the period from January 2012 to June 2012 and up to 30 June 2012, Dalian Port Corporation Limited ("**PDA**") had purchased on the market a total of 53,000,000 H shares of the Company (the "**H Shares Acquisition**"). As a result of the H Shares Acquisition, PDA holds a total of 2,461,745,000 shares of the Company, representing approximately 55.62 % of the Company's total issued share capital.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors of the Company, no other person had an interest or short position in the shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors and their respective associates has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, which falls to be disclosed under the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has not been any material adverse change in the financial or trading position of the Company since 31 December 2011, being the date of the latest published audited financial statements of the Company.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, as far as the Directors were aware, no litigation or claim of material importance pending or threatened against the Company or any of its subsidiaries.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation, other than statutory compensation.

7. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors and supervisors of the Company had any interest in any assets which have been since 31 December 2011 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors or supervisors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its advice for inclusion in this circular:

Name	Qualification
TC Capital	Independent financial adviser and a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulatory activities under the SFO

As at the Latest Practicable Date, TC Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name and opinion in the form and context in which it appears. As at the Latest Practicable Date, TC Capital did not have any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any other member of the Group.

9. EXPERT'S INTERESTS IN ASSETS

As at the Latest Practicable Date, the expert referred to in the paragraph named "Qualification and Consent of Expert" above does not have any interest in any assets which have been since 31 December 2011 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

(a) The joint company secretaries of the Company are Mr. Zhu Hongbo and Mr. Lee Kin Yu Arthur. Mr. Lee is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at Xingang Commercial Building, Dayao Bay, Dalian Free Trade Zone, PRC. The place of business of the Company is at No. 1, Gangwan Street, Zhongshan District, Dalian, Liaoning Province, PRC.

(c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Morrison and Foerster at 33th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours on any business day for a period of 14 days from the date of this circular:

(a) the Mutual Supply Master Agreement;

(b) the Purchase of Goods and Services Agreement;

(c) the Terminal Facilities Design and Construction Services Agreement;

(d) the new Terminal Facilities Design and Construction Services Agreement;

(e) letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;

(f) the letter from TC Capital, the text of which is set out on pages 20 to 39 of this circular; and

(g) the written consent of TC Capital referred to in the paragraph headed "Qualification and Consent of Expert" above.

In accordance with the Hong Kong Listing Rules, this appendix serves as the explanatory statement to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the special resolution to be proposed at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting for the granting of the H Shares Repurchase Mandate to the Board.

H SHARE REPURCHASE MANDATE

1. Reasons for Repurchase of H Shares

The Board believes that the flexibility afforded by the H Share Repurchase Mandate to repurchase H Shares would be beneficial to and in the best interest of the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at such time, lead to an enhancement of the net asset value per share and/or earnings per share of the Company. Such repurchases of H Shares will only be made when the Board believes that such repurchases of H Shares will benefit the Company and its Shareholders.

2. Registered Capital

As at the Latest Practicable Date, the registered capital of the Company was RMB4,426,000,000 comprising 1,062,600,000 H Shares of RMB1.00 each and 3,363,400,000 A Shares of RMB1.00 each.

3. Exercise of the H Share Repurchase Mandate

Subject to the passing of the special resolution set out in the notices of EGM, the A Shareholders' Class Meeting and H Shareholders' Class Meeting, respectively, the Board will be granted the H Share Repurchase Mandate until the end of the Relevant Period (as defined in the special resolution in the notice of the EGM, special resolution in the notice of A Shareholders' Class Meeting and special resolution in the notice of the H Shareholders' Class Meeting). The exercise of the H Share Repurchase Mandate is subject to the approval(s) of the SAFE and/or any other regulatory authorities as required by the laws, rules and regulations of the PRC being obtained and to the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure under the Articles of Association.

The exercise in full of the H Share Repurchase Mandate (on the basis of 1,062,600,000 H Shares in issue as at the Latest Practicable Date and that no H Shares will be allotted and issued or repurchased by the Company on or prior to the date of the EGM, the A Shareholders' Class Meeting and H Shareholders' Class Meeting) would result in a maximum of 106,260,000 H Shares being repurchased by the Company during the Relevant Period, being the maximum of 10% of the total H Shares in issue as at the date of passing of the relevant resolution.

4. Funding of Repurchases

In repurchasing its H Share, the Company intends to apply funds from the Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Company is empowered by its Articles of Association to purchase its H Shares. Any repurchases by the Company may only be made out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for such purpose. Under PRC laws, H Shares so repurchased will be treated as cancelled and the Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled. The Company may not purchase securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

GENERAL

The Board considers that there would not be any material adverse impact on the working capital and on the gearing position of the Company in the event that the H Share Repurchase Mandate is to be exercised in full at any time during the proposed repurchase period (as compared with the position disclosed in the latest published audited accounts contained in the annual report of the Company for the year ended 31 December 2011). However, the Directors do not propose to exercise the H Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The number of H Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regarded to the circumstances then prevailing, in the best interests of the Company.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make purchases under the H Share Repurchase Mandate in accordance with the Hong Kong Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Directors have no present intention to exercise the power to repurchase Shares to the extent that the aggregate amount of the share capital of the Company in public hands would be reduced to less than 25%.

H SHARES PRICES

The highest and lowest prices at which the H Shares have traded on the Hong Kong Stock Exchange as quoted in the Hong Kong Stock Exchange's daily quotations sheets in each of the previous twelve months prior to the Latest Practicable Date are as follows:

	Highest	**Lowest**
	HK$	*HK$*
2011		
November	2.12	1.70
December	1.90	1.50
2012		
January	1.95	1.76
February	2.38	1.78
March	2.19	1.96
April	2.02	1.77
May	1.81	1.53
June	1.94	1.65
July	1.75	1.50
August	1.80	1.50
September	1.59	1.44
October	1.77	1.50
November	1.79	1.60
December (up to and including the Latest Practicable Date)	1.78	1.71

H SHARE PURCHASED BY THE COMPANY

No purchase of H Shares has been made by the Company in the previous six months preceding the Latest Practicable Date (whether on the Hong Kong Stock Exchange or otherwise).

DISCLOSURE OF INTERESTS

If, as a result of the H Share repurchase by the Company, a substantial shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the Company or become obligated to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, PDA, whose interest in the Company is notifiable under Part XV (Disclosure of Interests) of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), held directly or indirectly approximately 55.62% of the Company's total registered capital. In the event that the Board exercised in full the power to repurchase H Shares in accordance with the terms of the H Share Repurchase Mandate proposed at the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, the total interests of PDA in the total registered capital of the Company would be increased to approximately 56.99%. The Directors are not aware of any consequences which will arise under the Takeovers Code and/or any similar applicable law, as a result of any purchases of H

Shares to be made under the H Share Repurchase Mandate. Moreover, the Directors will not make share repurchase on the Hong Kong Stock Exchange if such repurchase would result in the requirements under Rule 8.08 of the Listing Rules not being complied with.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) presently intends to sell H Shares to the Company under the H Share Repurchase Mandate in the event that the H Share Repurchase Mandate is approved by the Shareholders and the conditions to which the H Share Repurchase Mandate is subject are fulfilled.

The Company has not been notified by any connected persons (as defined in the Hong Kong Listing Rules) of the Company that they have a present intention to sell any H Shares to the Company, or that they have undertaken not to sell any H Shares held by them to the Company in the event that the H Share Repurchase Mandate is approved by its Shareholders and the conditions to which the H Share Repurchase Mandate is subject are fulfilled.

The following is the text of a valuation report prepared for inclusion in this circular received from Beijing Longyuan Zhibo Asset Valuation Company Limited, being an independent PRC valuer, in connection with its valuation of the 100% equity interest in Dalian Port Petrochemical Co., Ltd. as at 30 September 2012.

Dalian Port (PDA) Company Limited (大連港股份有限公司)

Project for the Transfer of 100% Equity in Dalian Port Petrochemical Co., Ltd. (大連港石化有限公司)

Asset Valuation Report

Long Yuan Zhi Bo Ping Bao Zi (2012) No. 1036

(Volume 1 of 1)

Beijing Longyuan Zhibo Asset Valuation Company Limited

26 October 2012

Dalian Port (PDA) Company Limited Project for the Transfer of 100% Equity in Dalian Port Petrochemical Co., Ltd.

Asset Valuation Report

Long Yuan Zhi Bo Ping Bao Zi (2012) No. 1036

Table of Contents

Registered Valuers' Disclaimer

(I) We carry out the assets valuation according to the relevant laws and regulations and the asset valuation standards, adhering to the principle of independence, objectiveness and fairness. Based on the information collected in the course of our valuation exercise, the contents stated in the valuation report are objective, and we assume corresponding legal responsibilities for the reasonableness of the report.

(II) Lists of assets and liabilities related to the valuation target have been provided and declared by the principals, the valued entity with their signatures and seals. The principals and related parties shall be responsible with necessary materials for the authenticity, legality and integrity of the necessary data provided by them as well as the appropriate usage of the valuation report.

(III) We do not have or not expected to have any interests with the valuation target mentioned in the valuation report and we do not have or not expected to have any interests with or prejudices against any related parties. The valuation personnel have contributed their best effort to strictly abide by professional ethics and standards.

(IV) Except long-term equity investments, we have carried out on-site investigation on the valuation object and related assets thereof that are mentioned in the valuation report. We have paid necessary attention to the legal ownership of the valuation object and the assets thereof, verified corresponding materials and faithfully disclosed any findings. We have also requested the principals and related parties to fulfill their property ownership formalities so as to meet the requirements for issuing the report.

(V) Analysis, judgment and conclusions in the valuation report issued by us are restricted by the assumptions and confining conditions as stated in the valuation report. Users of this report shall give due consideration to the assumptions, confining conditions, and notes on special matters, as stated in the valuation report as well as their impacts on the valuation's conclusions.

(VI) Certified Valuers and the valuation agency possesses the necessary practice qualifications and relevant professional experiences required for the valuation business. The working results of other valuation agencies or experts are not used in this valuation.

(VII) The purpose of asset valuation conducted by the Certified Valuers is to estimate the value of the valuation target and offer professional opinions and the Certified Valuers do not assume the responsibilities for the decisions of the relevant parties. The valuation conclusions shall not be deemed as the guarantee for the realizable value of the valuation target.

Dalian Port (PDA) Company Limited
Project for the Transfer of 100% Equity in
Dalian Port Petrochemical Co., Ltd.

Asset Valuation Report (Abstract)

Long Yuan Zhi Bo Ping Bao Zi (2012) No. 1036

Beijing Longyuan Zhibo Asset Valuation Company Limited was entrusted by Dalian Port Group Co., Ltd. and Dalian Port (PDA) Company Limited, on 30 September 2012, to perform a valuation for the market value of the total shareholders' equity of Dalian Port Petrochemical Co., Ltd., using the Asset-based Approach, and according to relevant laws and regulations of the state, asset valuation standards and principles as well as necessary valuation procedures. The valuation results are hereby reported as follows:

I. Valuation purpose: The purpose of this valuation, as required by the economic effect of Dalian Port (PDA) Company Limited transferring 100% equity in Dalian Port Petrochemical Co., Ltd., is to establish the value of the total equity belonging to the shareholders of Dalian Port Petrochemical Co., Ltd., and to provide the market value of that equity as at the valuation base date for a value reference.

II. Valuation target: The valuation target is the total value of the shareholders equity in Dalian Port Petrochemical Co., Ltd. as at the date of the valuation.

III. Scope of valuation: The scope of the valuation includes all audited assets and relevant liabilities as declared by Dalian Port Petrochemical Co., Ltd. as at the valuation base date, including current assets, non-current assets and corresponding liabilities.

IV. Valuation base date: The base date for the valuation is 30 September 2012.

V. Value type: A market value approach is applied to the valuation.

VI. Valuation method: Using the assumptions of going-concern and open market, incorporating the actual conditions of the valuation target, and taking various influencing factors into consideration, this valuation conducts an overall valuation for Dalian Port Petrochemical Co., Ltd. by using Asset-based Approach.

VII. Valuation conclusions: Using an Asset-based Approach for valuation on the premise of going concern, as at the valuation base date of 30 September 2012, the book value of total assets (BVTA) of Dalian Port Petrochemical Co., Ltd. was RMB1,538,645,200 and the appraised value was RMB1,538,036,600, presenting a depreciation of RMB608,600 with a rate of 0.04%. The book value of liabilities (BVL) was RMB1,003,545,200 and the appraised value was RMB941,845,200, presenting an appreciation of RMB61,700,000 with a rate of 6.15%. The book value of the owner's equity (net assets) was RMB535,100,000 and the appraised value was RMB596,191,400, presenting an appreciation of RMB61,091,400 with a rate of 11.42%. See the following table for details of the valuation summary:

Summary for Results of Valuation Using an Asset-based Approach

Unit: RMB0'000

Item		**Book Value A**	**Appraised Value C**	**Variation D=C-B**	**Appreciation Rate (%) E=D/B×100%**
1	Current assets	900.31	904.27	3.96	0.44
2	Non-current assets	152,964.21	152,899.39	–64.82	–0.04
6	Long-term equity investments	190.00	190.00		
8	Fixed assets	150.45	142.21	–8.24	–5.48
9	Projects under construction	143,304.60	143,157.78	–146.82	–0.10
14	Intangible assets	9,319.16	9,409.40	90.24	0.97
20	**Total assets**	153,864.52	153,803.66	–60.86	–0.04
21	Current liabilities	94,184.52	94,184.52		
22	Non-current liabilities	6,170.00	0.00	–6,170.00	–100.00
23	**Total liabilities**	100,354.52	94,184.52	–6,170.00	–6.15
24	**Net assets (owner's equity)**	53,510.00	59,619.14	6,109.14	11.42

VIII. Relevant Instructions

(I) We hereby particularly stress that this valuation report is only prepared to provide a value reference for the economic behavior described in the valuation report. According to the stipulations of the Entrustment Agreement, this report and its conclusions cannot be used for any purpose other than its intended purpose.

(II) The "projects under construction" for this valuation are yet to be transferred into fixed assets and the actual construction is still in trial operation. Relevant procedures have not yet been registered for certification of housing ownership for the relevant buildings.

(III) For the valuation of long-term equity investments, the two invested entities are both non-controlling enterprises, and as a result the valuation procedures are restricted. Through extensive investigation, these two invested entities are in suspension of business. The valuers have listed the appraised value as RMB1,900,000.00, including the initial investment cost (the book value).

(IV) In the valuation, we only offer our professional opinions regarding the total shareholders' equity of the entity to be valued. The principals have the final decision, and we do not assume responsibility for the decisions of any related parties.

(V) The land used by Dalian Port Petrochemical is rented. Rental units include 231,985 m^2 of land from Dalian Beiliang Group Co., Ltd. That will function as a terminal apron, a pipe gallery and No. 1 depot area for 30 years until 30 June 2034; and rental of 36,449 m^2 of land from China Grains & Logistics Group Beiliang Co., Ltd. as the railway yard area for 5 years until 31 December 2015.

(VI) In December 2010, Dalian Port Chemical made an account adjustment according to the Asset Valuation Report (Liao Zheng Ping Bao Zi [2010] No. 076). As a result, the book value of the assets in this valuation increased by RMB246,800,000, as compared with that before the adjustment. Additionally, the book value of the deferred income tax liabilities (non-current liabilities) increased by RMB61,700,000 and the book value of the net assets increased by RMB185,100,000.

(VII) Among "projects under construction" that can be valued, the terminal civil works (with a book value of RMB304,323,131.53) is located in the production plant of Dalian Port Petrochemical. It is a steel-pile trestle-type project for an oil transfer terminal with 4 berths, and only No. 7 berth is being used for trial operation. This construction project needs to actively pursue and improve some approval procedures. For these assets, the company provided the valuation opinions on the assumption that the projects are compliant and legal, and as this valuation report cannot prove that these projects are in fact compliant and legal and during the valuation period, consideration has not been given to the expenses payable by the company for continuing to handle the relevant approval procedures.

(VIII) In accordance with relevant regulations of the State at present, this valuation report shall be valid for a period of one year from 30 September 2012 (valuation base date) to 29 September 2013.

The information above is extracted from the full valuation report. For details of this valuation and a proper understanding of the valuation conclusions, please read the full text of the valuation report.

Dalian Port (PDA) Company Limited Project for the Transfer of 100% Equity in Dalian Port Petrochemical Co., Ltd.

Asset Valuation Report

Long Yuan Zhi Bo Ping Bao Zi (2012) No. 1036

Dalian Port Corporation Limited and Dalian Port (PDA) Company Limited:

Beijing Longyuan Zhibo Asset Valuation Company Limited, as entrusted by your company, on 30 September 2012, to perform a valuation for the market value of the total shareholders' equity of Dalian Port Petrochemical Co., Ltd. using the Asset-based Approach, and according to relevant laws and regulations of the state, asset valuation standards and asset valuation principles as well as necessary valuation procedures. The valuation involved the economic behavior of Dalian Port (PDA) Company Limited intending to transfer its equities in Dalian Port Petrochemical Co., Ltd., and the valuation results are hereby reported as follows:

I. The Principals, the Valued Entity and Any Other Valuation Report Users as Prescribed in the Engagement Letter

(I) Introduction of the principals

In this valuation, the principals are Dalian Port Group Co., Ltd. and Dalian Port (PDA) Company Limited.

1. Company name: Dalian Port Corporation Limited

Legal location of business: No.1, Gangwan Street, Zhongshan District, Dalian

Legal representative: Hui Kai

Registered capital: RMB4 billion

Paid-in capital: RMB4 billion

Company type: Limited liability (wholly stated-owned)

Scope of business: Those prohibited by laws and regulations must not be operated; those that should be subject to approval must not be operated without prior approval; for those not stipulated by laws and regulations, enterprises can independently choose corresponding items for operation***

Dalian Port Group Co., Ltd. was established on 1 January 1951, and its predecessor was the Port of Dalian Authority (PDA). In April 2003, after the adoption of a policy of separating government functions from enterprise management, the Dalian municipal state-owned company was established, with the former PDA as its main part.

2. *Company name: Dalian Port (PDA) Company Limited*

Legal location of business: Xingang Business Building, Dayao Bay, Dalian Free Trade Zone

Legal representative: Hui Kai

Registered capital: RMB4,426,000,000

Paid-in capital: RMB4,426,000,000

Company type: listed Sino-foreign joint-stock limited company

Scope of business: International and domestic cargo handling, transportation, transfers, warehousing and other port logistics business; ship tallying for international and domestic routes; pilotage business; tugboat business; port logistics and port IT consulting services***

Established on 16 November 2005, Dalian Port (PDA) Company Limited is a listed company set up by a group of promoters including Dalian Port Group Co., Ltd.; overseas listed foreign shareholders; Dalian Rongda Investment Co., Ltd.; Dalian F.T.Z Zhengtong Co., Ltd.; Dalian Detai Holdings Company Limited; and Dalian Haitai Holdings Company Limited, etc. (including overseas Hong Kong H shares, stock code: 2880; and domestic Shanghai A shares, stock code: 601880).

As the uniform operating platform for the port logistics business in Dalian Port, Dalian Port (PDA) Company Limited is the largest integrated terminal operator in Northeast China, providing oil and liquid chemicals terminals, container terminals, automobile terminals, ore terminals, general cargo terminals, bulk grain terminals, passenger ro-ro terminals and all relevant logistics businesses, as well as port value-added and support business. In 2011, Dalian Port (PDA) Company Limited completed 40,875,000 tons of oil throughput, 7,420,000 TEUs of container throughput, 176,624 vehicle throughput, 27,225,000 tons of ore throughput, 30,673,000 tons of general cargo throughput, 7,066,000 tons of bulk grain throughput, as well as 4,080,000 foot passengers and a ro-ro throughput of 627,000 vehicles.

(II) Introduction of the valued entity

1. *Registration Information*

Company name: Dalian Port Petrochemical Co., Ltd. (hereafter referred to as: "Dalian Port Petrochemical[1]")

Legal location of business: Beiliang Harbor, Dalian Free Trade Zone

Legal representative: Sun Dequan

[1] *This has been referred to in other sections of this circular as the "Target Company".*

Registered capital: RMB350 million

Paid-in capital: RMB350 million

Business license number: Da Bao Gong Shang Qi Fa Zi 2102421101014

Company type: Limited liability (corporate-owned)

Scope of business: Port operations for dangerous cargo (operated by qualifications)***

2. *History*

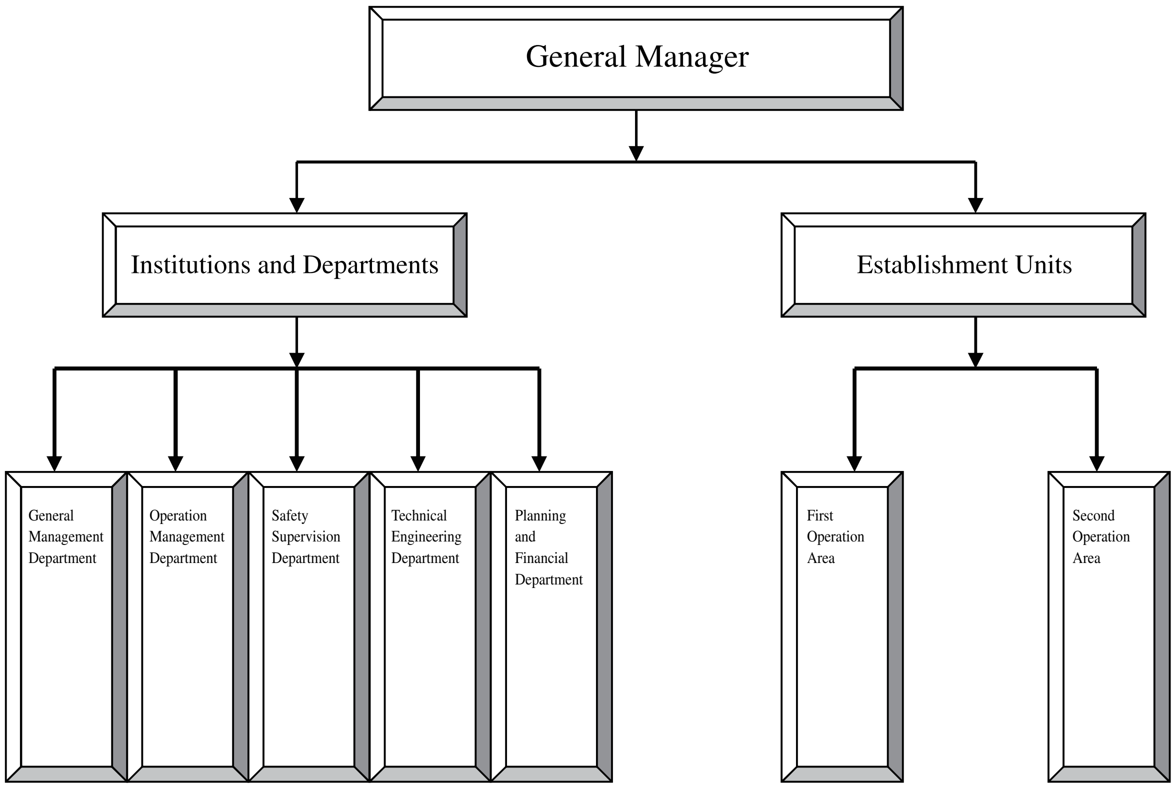
Established on 9 October 2002, Dalian Port Petrochemical (the former Dalian Beiliang Petrochemical Co., Ltd.) is a limited liability company set up through a joint contribution by Dalian Beiliang Co., Ltd., and the Dalian Economic and Technological Development Zone (DETDZ) Petrochemical Service Corporation. The registered capital is RMB150 million. Dalian Beiliang Co., Ltd. made a capital contribution of RMB82.5 million, accounting for 55% of the registered capital and DETDZ Petrochemical Service Corporation made a capital contribution of RMB67.5 million, accounting for 45%. Through several instances of equity transfer and change, at the end of 2007, the equity structure of Dalian Beiliang Petrochemical Co., Ltd had shifted so that Dalian Beiliang Group Co., Ltd. was making a capital contribution of RMB120 million in currency, with a shareholding ratio of 80% and Dalian Hexin Trust Investment Co., Ltd. making a contribution of RMB30 million in currency, with a shareholding ratio of 20%.

In November 2009, Dalian Beiliang Group Co., Ltd. transferred its 80% equity in Beiliang Petrochemical and Dalian Hexin Trust Investment Co., Ltd. also transferred its 20% equity to Dalian Huaxin Trust Co., Ltd., which made a capital contribution of RMB150 million in total, accounting for 100% of the registered capital. In February 2010, the company was officially renamed Dalian Port Petrochemical Co., Ltd. In December 2012, Dalian Huaxin Trust Co., Ltd. transferred its 100% stake in Dalian Port Petrochemical to Dalian Port (PDA) Company Limited, making Dalian Port Petrochemical become the sole subsidiary of the latter.

3. *Location*

Dalian Port Petrochemical is located in the Beiliang Harbor area at the western edge of the Dagushan Peninsula, on the east bank of Dalian Bay, Liaodong Peninsula and its terminal is in the open water of Dalian Port. It borders Dalian West Pacific Petrochemical Co., Ltd., and lies across the sea from Dalian city. Dalian Port Petrochemical is 45 km from downtown Dalian, 4 km from the Sugang Expressway in Dayao Bay, 19 km from the South Jinzhou Marshalling Station of Harbin–Dalian Railway Line and 2.5 nautical miles from the main channel of Dalian Port. Without having to contend with silation or freezing conditions, Dalian port has excellent overall conditions for collection, distribution and transportation.

4. Operation and Management Structure



5. Assets, Financial Position and Accounting Policy

(1) Financial position

The main assets of Dalian Port Petrochemical are composed of projects under construction, fixed assets, and the right to use sea areas; and the main liabilities are composed of bank loans and other accounts payable. The physical assets were all purchased after 2004, and mainly consist of the petrochemical terminal, transfer area, sewage disposal area, product oil tank in No. 1 depot area, oil pipeline gallery, filling station, railway yard and other large-scale petrochemical plants. Assets also include: industrial monitoring devices, automatic control devices, oil pump valves, metering devices, fire plants, lightning protection devices, sewage treatment apparatus, the right to use sea areas and office buildings, office equipment, office furniture, vehicles, etc.

Phase I of the Product Transfer Project for Dalian Port Petrochemical has been fully completed. With a total investment budget of RMB960 million, the project has successfully completed transfer tasks for various kinds of oil and through multiple transportation modes, the oil turnover capacity is 5,000 Kt/a and the design terminal capacity can reach 12,000 Kt/a, including 1,500 Kt/a of gasoline and naphtha, 1,500 Kt/a of diesel oil, 150 Kt/a of fuel oil, 25 Kt/a of kerosene, 1,500 Kt/a of crude oil and 100 Kt/a of LGP (the construction of crude oil and LGP transfer facilities was postponed). The rectification stage is now underway.

The land being used by Dalian Port Petrochemical is rented from China Grain & Logistics Group Beiliang Co., Ltd. and from Dalian Beiliang Group Co., Ltd.

(2) Financial position

As a petrochemical logistics enterprise, Dalian Port Petrochemical has oil transfer and handling as its main business. There are currently 6 tank development customers and 13 transfer customers cooperating with the company, and its mature management and quality services have led to its throughput increasing year by year.

Oil throughput indicators for Dalian Port in recent years *(Unit: tons)*

2010	Ship unloading	564,072.695
	Ship loading	196,323.364
	Total	760,396.059
2011	Ship unloading	495,470.669
	Ship loading	327,114.576
	Total	822,585.245
As of September 2012	Ship unloading	230,641.614
	Ship loading	280,649.921
	Total	511,291.535

Main financial indicators in recent years *(Unit: RMB0'000)*

Date	Total Assets	Liabilities	Net Assets
31-12-2009	104,967.36	89,967.36	15,000.00
31-12-2010	137,671.16	104,161.16	33,510.00
31-12-2011	148,736.69	95,226.69	53,510.00
30-09-2012	153,864.52	100,354.52	53,510.00

Note: The Annual Accounting Statement for 2009 was audited by the Dalian Branch of ZONZUN Accounting Office Ltd., and the Annual Accounting Statement for 2010 was audited by the same. The Annual Accounting Statement for 2011 has been audited by the Dalian Branch of Da Hua Certified Public Accountants Co., Ltd. The audit for the equity transfer will now also be provided by Dalian Branch of Da Hua Certified Public Accountants Co., Ltd.

(3) Accounting policy

(1) Accounting system: Accounting Standards for Business Enterprises.

(2) Currency: Renminbi.

(3) Metrological confirmation base: Accrual basis.

(4) Bad debt policy: Losses are calculated by the specific identification method.

(5) Accounting method for inventory: The initial measurement for all inventory acquired will be made according to actual costs, while the measurement for the inventory issued will be calculated according to actual payment received.

(6) Accounting method for income tax: Balance sheet liability method.

(7) Tax

(1) Business tax rate 5%;

(2) City maintenance and construction tax 7%;

(3) Education surtax 3%;

(4) Local education tax 2%;

(5) Corporate income tax rate 25%.

Due to port opening formalities, process adjustments and large-scale transformations for safety in production, fire control and monitoring, the "projects under construction" portion of the valued entity is yet to be transferred into fixed assets, and is now in a trial operation stage. At this stage, the trial operation incomes have offset the expenses for the projects under construction; while the trial operation expenses have increased the expenses for the projects under construction.

6. Industry Background Analysis

(1) Rapid increases in oil demand

Oil as an energy source, has the highest rate of consumption in the world, and seeking oil is a task that no country can dare to slow efforts on at present stage. Since the 1990s, Chinese economy has experienced an unprecedented rapid development, and correspondingly, domestic oil demands have also gone up year by year and China has gradually transformed from a crude oil exporter to a net importer. Currently, oil accounts for about 20% of China's energy structure, while that proportion is 40% in the world as a whole. The production in China's onshore established oil fields has begun to decline, and the total accumulative demands for oil and natural gas resources in China within the next 20 years will be at least 25 times the current reserves, with an oil deficit of more than 6 billion tons. China first became a net oil importer as early as 1993. Over the past 10 years, the consumption of oil products in China has increased by 8.6% on average, year after year, and China has now replaced Japan as the second largest oil consumer in the world. It is predicted that the demand for China's oil products in the next decade will increase by 4.5% annually. Authorities estimate that by 2015, the annual oil demand in China may reach 360–430 million tons. The oil imports required in the country may reach 180–250 million tons.

(2) Rapid development in the petrochemical logistics industry.

Currently, the import tariff for crude oil is zero, the tariff for oil products is a minimum of 5%, and oil circulation is mainly controlled by country quotas and trade monopolies. Since 2007, when the state gradually released its control over petroleum products in order to fulfill relevant promises to the World Trade Organization (WTO), a large number of international oil companies have inevitably been attracted to China, and have begun to swarm into the country, affecting the operation of the oil market in various manners. It is expected that the imports and exports of petrochemical products in Northeast China will reach over 60 million tons. As large amounts of foreign oils enter China, ports will be preferred as their logistics bases.

Trade involving oil products and liquid chemicals is characterized by numerous varieties, and requires small lots, high dispersion and a safe environment, so no great breakthrough can be made in changing the suitable berth capacity level, and there are few oil product terminals specially used for realizing social and market transfers. Overall, with the globalization of the Chinese economy and the intensification of development, the domestic energy demand will rise sharply, so there is tremendous market potential in the area of oil product transfers.

In recent years, with the rapid development of the domestic petrochemical industry and the continuous increase in the importing of petrochemical products, there have been a number of world-famous petrochemical warehousing and logistic service providers entering China, and investing in projects for logistics infrastructures for petrochemical oils, including the world-famous Vopak (Netherlands), Oiltanking (Germany) and Odfjell (Norway), etc. Moreover, with approval of the Ministry of Transport (MOT) and the Ministry of Commerce (MOC), and the joint investment from the COSCO Group and Netherlands Royal Vopak Group, a third-party logistics enterprise focusing on liquid chemicals was established in Shanghai in 2005. This clearly marked the fact that the petrochemical logistics market in China had reached a new stage in opening-up to the outside world. It is believed that with the gradual opening-up of China's petrochemical oil market, the oil warehousing industry will also achieve greater development.

In addition, as the private economy rises in the country, many private enterprises have begun to engage in the production and selling of chemical products and these operations are gradually growing stronger and stronger. These enterprises, especially some coastal and river-based enterprises, have built terminal and warehousing facilities and also engaged in related logistics services. However, compared with large enterprises both at home and abroad, they are far from becoming major players.

7. *Regional Analysis*

(1) Rapid development of the petrochemical development in Northeast China

The Northeast is the main production region for oil products in China, and the region also features the most intensive distribution of petrochemical enterprises, including nine enterprises with an annual crude oil capacity of more than 3 million tons. Currently, the annual oil product production is 30–33 million tons, accounting for about 30% of the country's total, and about 20–23 million tons of oil are transported through various ports to the east and south coast, and the region along the Yangtze River (North to South Oil Transportation).

With the reduction of crude oil production in the Northeast, combined with the rapid development of the national economy and the sharp rise in demand, the flow direction of crude oil in the Northeast has changed significantly, and imported crude oil has been seeing a growth trend. Among this, foreign trade oil has been growing strongly, presenting an annual average growth of 46%. Fuel oil, naphtha and other varieties of oil products are now required to be imported in large amounts each year in order to meet demand.

The revitalization of the old industrial bases in Northeast China and the rapid development of the national economy have imposed a strong demand for petrochemical products. Refinery enterprises subordinated to CNPC in the Northeast are also increasing their production of chemicals in a planned way. The development of the petrochemical industry will lead to a significant increase in the movement of large quantities of petrochemical products, imposing strong demand for the construction of logistics bases.

(2) Making Dalian into an important shipping center in Northeast Asia

Dalian is ideally located, on the eastern edge of Eurasia and the southernmost tip of the Liaodong Peninsula of China, facing the Yellow Sea in the east and the Bohai Sea in the west. It is situated at the head of the Bohai Rim economic circle and is also the gateway to Beijing and Tianjin. To the south, the city faces the Shandong Peninsula across the sea, borders on the Northeast Plain, and is contagious to Japan, South Korea, North Korea and the Far Eastern edge of Russia. All this has made Dalian into a transfer station for various countries which frequently trade in oil. It is also worth mentioning that the city lies right at the junction of the Northeast Asian Economic Circle and the Bohai Rim Economic Circle, and Dalian is a window to the Northeast as well as a corner city in the

Bohai Rim, stretching across the third and fourth largest economic growth poles in China. Whether it is for the Russia–China maritime transport line or for the Middle East, Indonesia etc.–Japan, South Korea maritime transport line, the Dalian Port has played a vital role. It has an outstanding geographical advantage for opening to the outside world, and all of this is undoubtedly bringing a golden development opportunity for ports in Dalian in terms of oil transport.

The petrochemical terminal facilities of Dalian Port are located in the Beiliang Harbor, whose exceptionally natural conditions feature a wide port and deep water. The existing terminal has potential for expansion, with the potential for a 300–400 Kt deep-water berth if required. Surrounded by hills and located away from residential areas, the oil tank farm is an ideal tank-building location, and the favorable natural conditions exist for building a modern regional large-scale petrochemical base. Preliminary investigations have confirmed that the underground rock is suitable for building large-scale underground oil storage tanks, making the port an ideal base for crude oil storage.

As a favorable trade center that can connect the two major energy markets respectively at home and abroad, Dalian will gradually become a regional leader in the oil product terminal market in China, which is the largest oil product terminal market in Northeast Asia. This has provided a rare opportunity for developments in oil storage, transportation and trade. Backed by the exceptional location advantages of Dalian, Dalian Port Petrochemical has favorable conditions for developing and building regional fuel oil, oil product, crude oil and petrochemical logistics bases.

8. *Analysis of Market and Development Trends*

(1) Distribution of oil resources in Northeast China

The Northeast is the main crude oil production area in China, where the oil production of the three major oil fields (Daqing, Liaohe and Jinlin oil fields) accounts for about 45% of the country's total. Due to earlier exploitation and increased demand, the oil fields in the Northeast have entered the later stage of their exploitation. Their production levels have been following a downward trend, and the proportion of the country's total oil supplies that they produce has grown smaller year by year. However, they still occupy a very important position, and in addition to meeting the demands of petrochemical enterprises in the Northeast and North China, some crude oil produced in the region is still exported to both other regions in China and to other countries.

(2) Distribution of refineries in Northeast China

Most of the oil fields exploited at earlier stages in China are found in inland areas of the Northeast. In order to produce and process oil near to the source, most of the refineries at that time were concentrated near the oil fields. Later, for ease of transportation, many refineries were built in ports close to the oil pipelines. As such, the geographic distribution of resources has resulted in the

Northeast becoming a region that features the most intensive distribution of petrochemical enterprises, including 9 companies with an annual crude oil capacity of more than 3 million tons. With annual crude oil processing volumes accounting for about 30% of the country's total oil needs, this region is the main crude oil production area in China.

(3) Analysis of the oil product market and development trends in Dalian and Northeast China

Most of the oil fields exploited at earlier stages in China are found in inland areas of the Northeast. in order to produce and process oil near to the source, most of the refineries at that time were concentrated in this region, and as such the Northeast has become a main production area of oil products in China, with an annual oil product production of 30–33 million tons. This accounts for about 30% of the country's total oil needs, and leaves about 20–23 million tons of surplus oil each year. In recent years, many refineries have been built in the south coast, and production in East China, South China and South Central China has consistently expanded, with their combined production now exceeding 30% of the country's total. However, as these regions are economically developed, and as a result oil is in large demand (with consumption accounting for about 60% of the country's total), the local production cannot meet the demands and they must consume oil from other regions, thus forming a situation that features "north to south oil transmission".

According to the Development Plan for 2006 and a strategic plan for putting oil products onto nearby sea transportation prepared by the CNPC Northeast Sales Company, the volume of oil products transported by sea in Northeast China in 2006 were estimated to be approximately 25–28 million tons. Among the sources of goods related to Dalian Port, the sea transportation volume of oil for Dalian West Pacific Petrochemical Co., Ltd. was about 8 million tons; and that of the Daqing Petrochemical, Daqing Refinery Company, Harbin Petrochemical, Jinlin Petrochemical, etc. was estimated to be about 2 million tons. Oil products produced by Jinxi, Jinzhou Petrochemical are put on sea transportation from Jinzhou Port, and the oil products produced by Fushun Petrochemical, Anshan Petrochemical, Liaohe Oilfield and Liaoyang Petrochemical are all put on sea transportation from Yingkou.

The overall oil-refining capacity of refineries in Northeast China has now reached 77,800 Kt/a, accounting for about 1/3 of the country's total. From the analysis of future trends, and according to the supply and allocation plan for crude oil, plants in the Northeast are expected to reach a processing volume of 85 million tons. Dalian is one of the most important sea ports for transporting oil from the north to the south, and the oil products transported through Dalian Port each year total 40–60 million tons (excl. the volume of oil products produced by local refineries including WEPEC and Dalian Petrochemical), and is still increasing year by year. Moreover, Dalian will soon become the largest petrochemical industrial base in China. By 2006, the crude oil processing capacity at Dalian had reached 36,000 Kt/a, and by 2010, the capacity for producing petrochemical products, oil storage and transportation, as well as the size of transactions had pushed the region into the forefront of the country's market. Not only is Dalian becoming the largest oil refining base in China, it is also the biggest petrochemical product intensive processing base, the largest oil transfer center in Northeast Asia, the main national strategic oil reserve base and the center for the oil trading market. All of this has provided unparalleled resources and policy advantages for the growth of oil transfer in Dalian Port.

9. Analysis of the Resource and Location Advantages

With an oil terminal backed by a good harbor — Beiliang Harbor and a much-improved transferring and warehousing infrastructure, Dalian Port Petrochemical is a company with great potential. Dalian Port is the primary center for water and land transportation in the Northeast, connecting China with other countries and regions, and also the most convenient offshore gateway to the Pacific Ocean in Northeast Asia. During trial operations, Dalian Port Petrochemical has adapted to the demand for rapid development of the oil product and crude oil market in Dalian Port, and also adapted to the demand for making Dalian into an important international shipping center. As China has gradually released restrictions on its oil products, a number of international oil and petrochemical companies will step up their efforts to seize control of the Chinese market, and port resources will become a key factor. Oil transfer facilities in Beiliang Harbor now have large scope for appreciation.

The petrochemical terminal facilities at Dalian Port are located in the Beiliang Harbor, whose exceptional natural conditions feature a wide port and deep water. The existing terminal has potential for expansion, with the potential for a 300–400 Kt deep-water berth if required. Surrounded by hills and located away from residential areas, the oil tank factory is an ideal tank-building location, and the natural conditions exist for building a modern regional large-scale petrochemical base. Preliminary investigations have confirmed that the underground rock is suitable for building large-scale underground oil storage tanks, making the port an ideal base for underground crude oil storage. In summary, the area has the following advantages: non-reproducible and non-renewable natural resources; unique location advantages; advanced overall planning; tremendous development potential; a favorable collection, distribution and transportation environment; brand and operator awareness; and an efficient and superior management team.

The company has in place a complete industrial chain, enabling an integrated operation that combines various stages including trade, transfer and warehousing. This complete industrial chain has given the company the ability to provide integrated management services for customers, as well as the potential for cross-selling potential and a cost advantage, and has also further improved its overall competitive strength. The company's income and cash flow can benefit from various stages and links within the industry, allowing for even more potential for steady growth.

(III) Relationship between the Principals and the Valued Entity

The principal 1 — Dalian Port Group Co., Ltd. — is the controlling shareholder of Dalian Port (PDA) Company Limited, and is one of the participants in this equity transfer. The principal 2 — Dalian Port (PDA) Company Limited — is the sole shareholder of the valued entity, and is also a participant in this equity transfer.

(IV) Other Valuation Report Users as Permitted in the Engagement Letter

Other valuation report users, as permitted in the Engagement Letter, are the shareholders of the valued entity.

This valuation report exists only for use by the principals, the valued entity and the valuation report users as prescribed by national laws and regulations, and must not be used or relied on by any other third party.

II. Valuation Purpose

The purpose of this valuation, as required by the economic effect of Dalian Port (PDA) Company Limited transferring 100% of equities in Dalian Port Petrochemical Co., Ltd., is to establish the value of the total equity belonging to the shareholders of Dalian Port Petrochemical Co., Ltd., and to provide a market value of that equity as at the valuation base date for a value reference.

III. Target and Scope of Valuation

(I) Valuation target:

According to the valuation purpose, the valuation target is the total value of the shareholders' equity in Dalian Port Petrochemical.

(II) Scope of valuation:

The scope of valuation includes all assets and relevant liabilities as declared by Dalian Port Petrochemical as at the valuation base date. The assets within the scope of valuation include current assets, long-term equity investments, fixed assets, projects under construction, intangible assets, etc., and the book value of the total assets is RMB1,538,645,200. The liabilities include current liabilities and non-current liabilities, and the book value of the total liabilities is RMB1,003,545,200. The book value of the net assets is RMB535,100,000.

The aforementioned asset and liability data is extracted from the balance sheet audited by the Dalian Branch of Da Hua Certified Public Accountants Co. Ltd., and the valuation has been conducted following an audit.

Introduction of long-term equity investments

As of 30 September 2012, the long-term equity investments are as follows:

(Unit: RMB0'000)

S/N	Name of Invested Entity	Registered Capital	Investment Ratio	Initial Investment
1	Dalian F.T.Z Beiliang Oil Trade Co., Ltd.	200	20%	40
2	Dalian HEIN Chengda Clean Energy Development Co., Ltd.	3,000	5%	150
Total				190

1. Dalian F.T.Z Beiliang Oil Trade Co., Ltd.

Established on 3 July 2006, Dalian F.T.Z Beiliang Oil Trade Co., Ltd. is a limited liability company set up by a group, with Dalian F.T.Z. Tairan Chemical Trade Co., Ltd. making 70% of the capital contribution, Dalian Beiliang Petrochemical Co., Ltd. making 20% of the capital contribution, and Dalian New Route Logistics Co., Ltd. contributing 10%. The registered capital is RMB2 million. With international and regional trade as its main business, the company controls the movement of petrochemical products and fuel oil, as well as offering a settlement business and consulting services (excluding special services) related to the Dalian F.T.Z. petrochemical market. In November 2009, after the Dalian Huaxin Trust Co., Ltd. purchased Dalian Beiliang Petrochemical Co., Ltd. and renamed it Dalian Port Petrochemical Co., Ltd., the shareholder's equity in the former Beiliang Petrochemical was transferred to Dalian Port Petrochemical. Beiliang Petrochemical is now in the process of closing down.

2. Dalian HEIN Chengda Clean Energy Development Co., Ltd.

Established on 22 June 2007, Dalian HEIN Chengda Clean Energy Development Co., Ltd. is a limited liability company set up by a group, with South Korea HEIN&C Corporation making 45% of the capital contribution, Dalian Guangda Petrochemical Co., Ltd. making 25% of the capital contribution, Dalian Beiliang Petrochemical Co., Ltd. making 15% of the capital contribution, Hong Kong Geek Company making 10% of the capital contribution and Dalian Guangda Investment Consulting Management Co., Ltd. making 5% of the capital contribution. On 11 December 2007, Dalian Beiliang Petrochemical Co., Ltd. transferred 10% of the equities in HEIN Chengda to Dalian Lianxin Investment Co., Ltd., after which, Beiliang Petrochemical held a 5% equity in HEIN Chengda. The registered capital of the company is RMB30 million, and the total project investment is RMB80 million. The company is mainly engaged in the research, development, production, warehousing and international trade of clean fuel. In November 2009, after Dalian Huaxin Trust Co., Ltd. purchased Dalian Beiliang Petrochemical Co., Ltd. and renamed it Dalian Port Petrochemical Co., Ltd., the shareholder's equity in the former Beiliang Petrochemical was transferred to Dalian Port Petrochemical. Beiliang Petrochemical is now in the process of closing down.

The valuation target and scope entrusted is consistent with the valuation target and scope involved in this economic behavior.

IV. Type and Definition of Value

According to the valuation purposes, the value type of the valuation target is determined as a market value.

"Market value" means the estimated amount of the valuation target, as at a valuation base date, calculated as that between a willing buyer and a willing seller in an arms-length transaction, wherein each of the parties have acted prudently and without any compulsion.

The purpose of the asset valuation by the Certified Valuers is only to estimate and to provide a professional opinion as to the value of the valuation target. Valuation conclusions refer to the results of value estimations for the purpose of the valuation under circumstances with no major changes in the economic environment and market conditions of the valuation target on the valuation base date, as well as no major changes in other valuation premises and assumption conditions that the valuer bases his valuation on. This may not be construed as a guarantee that the valuation target's value will be achieved.

V. Valuation Base Date

The base date for this valuation is 30 September 2012.

Aiming to ensure the authenticity, integrity and fairness of the required information for the valuation and the timeliness of the valuation report, the aforementioned base date has been mutually determined by the principals and the valuation agency.

VI. Valuation Basis

The specific basis for behavior, laws and regulations, property rights and pricing of the valuation work includes the following:

(I) Basis of economic behavior include:

1. The Asset Valuation Engagement Letter;

2. The meeting minutes for matters discussed regarding the transfer of the equity of Dalian Petrochemical.

(II) Basis of laws and regulations include:

1. The Company Law of the People's Republic of China (amended at the 18th Meeting of the Tenth NPC Standing Committee on 27 October 2005);

2. Law of the People's Republic of China on the Administration of the Use of Sea Areas (passed at the 24th Meeting of the Ninth NPC Standing Committee on 27 October 2001);

3. Law of the People's Republic of China on the State-Owned Assets of Enterprises (passed at the 5th Meeting of the Eleventh NPC Standing Committee on 28 October 2008);

4. Administration of State-owned Asset Valuations (1991) (Order No. 91 of the State Council);

5. Interim Measures for the Supervision and Administration of the State-owned Assets of Enterprises (Order No. 378 of the State Council of the People's Republic of China);

6. Interim Measures for the Administration and Assessment of the State-owned Assets of Enterprises (25 August 2005) (Order No. 12 of the SASAC);

7. Interim Measures for the Administration of the Transfer of the State-owned Property Rights of Enterprises (31 December 2003) (Order No. 3 of the SASAC and the Ministry of Finance);

8. Circular on the Relevant Matters of the Transfer of the State-owned Property Rights of Enterprises (Guo Zi Chan Quan Fa (2006) No. 306);

9. Circular on the Relevant Issues for Strengthening the Administration of Intellectual Property Asset Assessments (Guo Zi Wei Chan Quan [2006] No. 274);

10. Regulations of the State Oceanic Administration on the Administration of the Rights to Use Sea Areas (Guo Hai Fa [2006] No. 27);

11. Detailed Rules for the Implementation of the Administrative Measures for State-owned Asset Assessments (Guo Zi Ban Fa [1992] No. 36);

12. Interim Measures for the Administration of the Transfer of the State-owned Property Rights of Dalian Enterprises (Da Zheng Fa [2006] No. 51);

13. Measures for the Administration of the Assessment of the State-owned Assets of Dalian Enterprises (Da Guo Zi Chan Quan [2005] No. 96);

14. All other relevant laws, regulations and rules.

(III) Basis of the valuation standards include:

1. Asset Valuation Standards — General (Cai Qi [2004] No. 20);

2. Valuation Ethics Code — General (Cai Qi [2004] No. 20);

3. Asset Valuation Standards — Valuation Report (Zhong Ping Xie [2007] No. 189);

4. Asset Valuation Standards — Valuation Procedures (Zhong Ping Xie [2007] No. 189);

5. Asset Valuation Standards — Engagement Letter (Zhong Ping Xie [2007] No. 189);

6. Asset Valuation Standards — Working Paper (Zhong Ping Xie [2007] No. 189);

7. Asset Valuation Standards — Machinery Equipment (Zhong Ping Xie [2007] No. 189);

8. Asset Valuation Standards — Real Property (Zhong Ping Xie [2007] No. 189);

9. Asset Valuation Standards — Intangible Assets (Zhong Ping Xie [2008] No. 217);

10. Guidelines on the Valuation Report for the State-owned Assets of Enterprises (Zhong Ping Xie [2008] No. 218);

11. Guidelines on the Business Quality Control for Valuation Agencies (Zhong Ping Xie [2010] No. 214);

12. Guiding Opinions for Types of Value under Asset Appraisal (Zhong Ping Xie [2007] No. 189);

13. Asset Valuation Standards — Enterprise Value (Zhong Ping Xie [2011] No. 227);

14. Guidelines for Certified Asset Appraisers Regarding the Legal Ownership of Appraised Objects by Guiding Opinion (Hui Xie [2003] No. 18).

(IV) Basis of property rights include:

1. Approval documents for construction projects;

2. Sea area use certificates;

3. Vehicle licenses;

4. Commitment letters regarding the valued entity.

(V) Pricing basis and reference materials include:

1. Regulations of the State Planning Commission and the Ministry of Housing and Urban-Rural Development for the Administration of Engineering Survey and Design Fees (Ji Jia Ge (2002) No. 10);

2. Circular of the Ministry of Finance on Printing and Distributing the Regulations on the Financial Management of Capital Construction (Cai Jian [2002] No. 394);

3. Circular of the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development on the Regulations for the Administration of Fees for Supervision and Relevant Services for Construction Projects (Fa Gai Jia Ge [2007] No. 670);

4. Circular of the National Planning Commission on Printing and Distributing the Interim Measures for the Administration of Fees for Tendering Agent Services (Ji Jia Ge [2002] No. 1980);

5. Circular of the National Planning Commission on Printing and Distributing the Interim Regulations on the Consulting Fees for the Preliminary Work for Construction Projects (Ji Jia Ge [1999] No. 1283);

6. Circular of the State Planning Commission and the State Environmental Protection Administration on the Relevant Issues on Standardizing the Consulting Fees for Environment Effects (Ji Jia Ge [2002] No. 125);

7. Circular of the State Economic and Trade Commission, the State Planning Commission, the Ministry of Internal Trade, the Ministry of Machine Building, the Ministry of Public Security and the State Environmental Protection Administration on Issuing the Standards for the Elimination of Outdated Automobiles (Guo Jing Mao Jing [1997] No. 456);

8. Circular of the State Economic and Trade Commission, the State Planning Commission, the Ministry of Internal Trade, the Ministry of Machine Building, the Ministry of Public Security and the State Environmental Protection Administration on Adjusting the Standards on the Elimination of Outdated Light Trucks (Guo Jing Mao [1998] No. 407);

9. Circular of the State Economic and Trade Commission, the State Planning Commission, the Ministry of Public Security and the State Environment Protection Administration on Adjusting Several Provisions of the Standards for the Elimination of Outdated Automobiles (Guo Jing Mao Zi Yuan [2000] No. 1202);

10. Manual for the Methods and Parameters Commonly Used in Asset Valuation (2012), Economic Science Press, November 2011;

11. Consumption Quota of Liaoning Province for Construction Works (2008);

12. Consumption Quota of Liaoning Province for Decoration Works (2008);

13. Dalian Construction Cost Information Journal (2012);

14. Product price data and on-line pricing systems, etc. implemented by relevant manufacturers and distributors of mechanical and electrical equipment in 2012;

15. Valuation declaration forms and other relevant data provided by the valued entity;

16. Financial, accounting and operating information, technical documents and other information provided by the valued entity;

17. Information regarding the market, industrial economy and macro economy collected by the valuers;

18. Relevant materials obtained by the valuers through site surveys and investigations;

19. Project contracts concluded by the valued entity and other relevant entities;

20. Other reference materials.

VII. Valuation Methods

The valuation methods used for calculating the enterprise value include Asset-based Approach, Market Approach and Income Approach.

The Asset-based Approach refers to the valuation method, based on the balance sheets of the valuation target as at the valuation base date, used for determining the value of the valuation target by reasonably appraising the value of various assets and liabilities recorded in and outside balance sheets.

The Market Approach refers to the valuation method used for determining the value of the valuation target by comparing the valuation target with comparable listed companies or with comparable transaction cases. Two specific methods used by the Market Approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method refers to a specific method of determining the value of the valuation target on the basis of comparison and analysis of the valued enterprise by analyzing the operating and financial data of comparable listed companies, and then calculating appropriate value ratios.

The transaction case comparison method refers to a specific method of determining the value of the valuation target on the basis of comparison and analysis of the valued enterprise by obtaining data regarding transactions, acquisitions and merger cases of comparable enterprises, and then calculating appropriate value ratios.

The Income Approach refers to the valuation method used for determining the value of the valuation target by capitalizing or discounting the expected income.

Specific methods commonly used by the Income Approach include the dividend discount method and the cash flow discount method.

The dividend discount method refers to a specific method of determining the value of the valuation target by discounting the expected dividends, and is usually applicable to appraise the value of some of the equity of the shareholders lacking control.

The cash flow discount method usually includes the Free Cash Flow of Firm (FCFF) Model and the Free Cash Flow of Equity (FCFE) Model.

According to the Asset Valuation Standards (General), it is necessary to properly select one or more asset valuation methods according to valuation purpose, value type, data collection and other relevant conditions.

On the assumption of going concern, the core assets of the valued entity are the terminal facilities, the machinery equipment and the projects under construction. The selection of the economic and technical parameters for valuing various assets through the Asset-based Approach has sufficient data to be used as the basis, and as such the Asset-based Approach can be used for a valuation.

In 2007, one berth of Dalian Beiliang Petrochemical Co., Ltd. (the predecessor of Dalian Port Petrochemical) was put into a trial operation. However, it is now still in a trial operation stage. This is mainly because Dalian Beiliang Petrochemical Co., Ltd. and Dalian Port Petrochemical need to pursue the relevant approval formalities for oil terminals. As the approval formalities have been unable to be fulfilled, the handling capacity of Dalian Port Petrochemical is restricted in use. Only one out of the four berths has been put into trial production in the form of "one vessel, one discussion", and as a result it is difficult to make the most of existing facilities for production, and the workload falls far short of the breakeven target of 2,800 Kt/a that was predicted upon acquisition. The year 2010 saw the occurrence of the "7.16" Fire, resulting in even stricter approval laws for oil and chemical product facilities. It will now be more difficult for Dalian Port Petrochemical to achieve relevant approval formalities, and these will continue for a significant period of time. It is very difficult to predict the time when the projects under construction by Dalian Port Petrochemical will be transferred into fixed assets, reaching the design production capacity and achieving a stable income. There is great uncertainty about the future market, income, costs, profits and cash flow, and as a result it is very difficult to provide a forecast of data regarding future incomes. Therefore, the Income Approach is not advisable as a suitable method for this valuation.

Enterprise equity transaction cases of the production scale and of a business type similar to that of Dalian Port Petrochemical Co., Ltd. are unavailable to valuers, so it is difficult to determine the overall asset value.

Valuation for Various Assets using the Asset-based Approach

1. Current assets

Current assets include monetary funds, accounts receivable, prepayments, other accounts receivable and inventory.

(1) Monetary funds

Monetary funds mainly consist of bank deposits. In this case, there are four bank deposit accounts. The valuers have looked at all relevant accounting records and statements, and implemented confirmation checks for the final balance, reconciling bank statements and bank deposit records, and confirming that the account in transit has continued normal activity according to the letters in reply, and that the bank balance matches through adjustments. Home currency deposit accounts take the confirmed book value as the appraised value, and foreign currency accounts take the amount discounted at the exchange rate on the valuation base date as the appraised value.

(2) Receivables

Receivables include accounts receivable and other accounts receivable. Accounts receivable mainly consist of oil handling charges receivable from customers. Other accounts receivable mainly consist of margins received.

For receivables, checks must be made to determine whether the subsidiary ledgers match up with the general ledger, the statements and the asset valuation schedule. The account aging must be analyzed according to amount, occurrence time, business content and other accounting records. Confirmation must be carried out for funds with large or abnormal amounts, and the receivables from connected entities should be mutually checked to confirm the authenticity and integrity. The amounts in the accounts, statements and documents should match up with each other, and the appraised value is determined according to the estimated recoverable amount confirmed through the Account Aging Analysis method.

(3) Prepayments

Prepayments mainly consist of material procurement payments, and property insurance money, etc. Through collecting important materials such as contracts and agreements involving any large amounts, spot-checking relevant accounting documents, implementing confirmation for significant amounts, and confirming the authenticity, account age, business content, and amount of the transaction, or through the analysis and confirmation of the realization of the prepayment rights after the valuation base date, the appraised value will be determined according to the assets, or the right value can be expected to be obtained with each prepayment after all of the above items have been verified.

(4) Inventory

Inventory consists of all raw materials and in-use turnover materials.

During verification, the valuers will compare the inventory declaration form with subsidiary ledgers, general ledgers and accounting statements, and look up the relevant books and records and the original vouchers to confirm the real existing and property right conditions. For the enterprise's internal control system for inventory, the valuers will check inventory receipt/issue notes, storage accounting systems and periodic inventory systems, and will come to know the inventory turnover by looking up the recent inventory receipt/issue notes. They have confirmed that the enterprise has a sound and complete internal control system, featuring complete and clear inventory receipt/issue notes and storage documents, and related books and records. The valuers have spot-checked the inventory receipt/issue notes from the valuation base date to the inventory date, and have determined the quantity of the inventory received and issued during this period. They have calculated the actual quantity of inventory as at the valuation base date accordingly.

Valuation methods for various inventories are as follows:

(1) Raw materials include spare parts and other various manufactured goods that have been purchased by the valued entity before long. Their book value basically reflects the current acquisition price of similar products on the market. The valuers will determine the appraised value according to the actual cost after confirming that the subsidiary ledgers and the general ledgers and statements match up with each other.

(2) For in-use turnover materials, the valuers will determine the appraised rate according to the replacement cost on the valuation base date, and will take into consideration the newness of the assets.

2. *Non-current assets*

Non-current assets include long-term equity investments, fixed assets, projects under construction and intangible assets.

(1) Long-term equity investments

Long-term equity investments include the 20% equity in Dalian F.T.Z Beiliang Oil Trade Co., Ltd. and the 5% equity in Dalian HEIN Chengda Clean Energy Development Co., Ltd.

For the non-controlling invested entity, the valuers have not entered the enterprise for an overall valuation. Due to extensive investigation, the invested entity has now stopped production, so its accounting statement for the recorded base date is unavailable. The valuers have listed the appraised value according to the initial investment cost (book value) and provide a full disclosure in the "Special Matters" section.

(2) Fixed assets (machinery equipment)

According to the valuation purpose, on the principle of continuous use, based on the market price, and incorporating the equipment characteristics and data collection conditions, the Asset-based Approach will be used for the valuation of the machinery equipment used in normal production. For equipment that has been in use for a long time, it will be impossible to establish the exact market price of a new piece and as such, prices will be obtained using the active second-hand trading market, and the Market Approach will be used. For equipment that is to be discarded as useless, its net realizable value can be used as the appraised value for this valuation. For electronic office equipment without a recoverable value, the value can be appraised as zero.

Appraised value = full replacement price × newness rate

1. Determination of full replacement price

(1) Machinery equipment

Machinery equipment mainly includes pneumatic diaphragm pumps and mobile generator units. The full replacement cost will be determined by including necessary freight and miscellaneous charges, installation and commissioning charges and other relevant charges while referring to the tax-inclusive market price of the equipment or of a similar type or model on the market.

Full replacement price = equipment purchase price +
freight and miscellaneous charges + installation and commissioning charges
+ any other relevant charges

Or: Replacement value = purchase price on the base date ×
[1+ freight (miscellaneous) charge rate (%) + installation (commissioning)
charge rate (%) + other charge rates (%)]

For various kinds of equipment that continue to be produced both at home and abroad on the valuation base date, the replacement price will be equal to the market price on the valuation base date plus a certain proportion of the freight and miscellaneous charges as well as installation and commissioning charges. For large equipment, fund costs will be taken into account, and the freight and miscellaneous charges as well as the installation and commissioning charges will depend on the place of origin and the sophistication of the equipment. For equipment requiring a large foundation, base costs must be considered, and various rates need to be selected in a targeted way according to the actual conditions. For machinery equipment that does not need to be installed, the installation (commissioning) charges and the base costs will not need to be considered, and the fund costs will depend on the equipment size and construction cycle. Assuming a well-distributed input, the annual loan rate will be considered at 6.00%.

(2) Vehicles

The full vehicle replacement price consists of three components: the purchase price, vehicle purchase tax and other charges (including inspection fees, license fees and commission charges).

Purchase price: The purchase price will be determined by referring to the market price of similar models in current transactions, while the other charges will be determined according to the proper charging standards specified by the local vehicle department.

Vehicle purchase tax: The vehicle purchase tax will be calculated as 10% of the purchase price (excluding VAT).

Other charges: Other charges will generally include inspection fees, license fees and commission charges.

(3) Electronic equipment

Purchasing electronic equipment with similar models on sale on the market, results in a like-for-like purchase, and the sellers usually provide transportation and door-to-door installation and commissioning services for the purchased products, resulting in no charges other than the purchase price. As a result, the purchase price will be taken as the full replacement price.

The market price of the electronic equipment on the valuation base date will be determined according to local market information and recent market price data.

Then, full replacement price = purchase price

2. Determination of the "newness rate"

(1) Machinery equipment

A functional devaluation has to be considered in the replacement value of machinery equipment. On the assumption of the continuous operation of an enterprise, and for equipment that is in normal operation and does not belong to those specified by the state for mandatory retirement, both the functional and economic devaluation will no longer be calculated in the estimation of the newness rate and only a substantial devaluation rate will be calculated.

The newness rate of machinery equipment will be determined through the weighted synthesis of the newness rate of the equipment in its economic service life, and the newness rate appraised on site is based on the site investigation by the valuers and taking various factors into consideration, including service conditions, maintenance conditions and the working environment.

a. Service life method

newness rate = (specified service life − serviced life) ÷ specified service life × 100%

Where: the serviced life refers to the calendar lifespan after the first equipment start-up; the practical serviced life will be calculated by considering the utility factors; and the economic life of the equipment will be used as the specified service life.

b. Technical identification method

The technical identification method is generally used for important equipment with a relatively high value. The equipment "newness rate" will be determined by totaling the sub-item scores, and marking for the performance of various parts of the equipment based on technical observations, and after setting the technical standard and weight standard scores for the various parts according to their functional value and their importance.

(2) Vehicles

The "newness rate" for vehicles will be determined by integrating the rate determined by two methods: the vehicle mileage and service life established according to the current standards for the mandatory retirement of vehicles (whichever is the lower); and the rate appraised by the technical identification method according to the site survey.

(3) Electronic equipment

The "newness rate" for electronic equipment will be determined by using the service life method and according to the service life and the maintenance conditions.

3. Determination of the appraised value

Appraised value = full replacement price × newness rate

(3) Projects under construction

For civil construction works, the valuers will re-calculate the actual costs of various sub-item projects by re-classifying their contents and re-naming them, excluding unreasonable charges based on the site surveys and according to the relevant contracts and bidding documents. The direct costs can be specified precisely and will be directly included in the specific (sub-item) project development costs. After these costs have been established, the direct costs that can't be specified precisely (including upfront costs, and costs for site leveling, as well as outer grid and support works) will be respectively included in the specific (sub-item) project development costs according to the building areas or the proportion of the sub-item project in the total investment. After the cost evaluation, the indirect costs (including administration expenses, car fares, traveling expenses and allowable interests) will be respectively included in the specific (sub-item) project development costs according to the building areas or the proportion of the sub-item project in the total investment. Through proper analysis, examination and confirmation, the valuers will upwardly adjust the operating income during the trial operation relative to the confirmed book value, in order to offset the loan interest during this period. The industry price index will be considered for projects with longer lives and involving larger amounts, with the adjusted book value as the valuation base. On this basis, the valuers will determine the appraised value of the civil projects under construction, and re-calculate the objective fund costs during the construction period and consider the average rate of return.

For equipment installation works, the valuers will re-calculate the actual costs of various sub-item projects by re-classifying their contents and re-naming them, excluding unreasonable charges based on the site surveys and according to the relevant contracts and bidding documents. Following the same method described above, and through the analysis, examination and confirmation, the valuers will upwardly adjust the operating income during the trial operation relative to the confirmed book value, in order to offset the loan interest during this period. The industry price index will be considered for projects with longer lives and involving larger amounts, with the adjusted book value as the valuation base. On this basis, the valuers will determine the appraised value of the equipment installation projects under construction and re-calculate the objective fund costs during the construction period and take into account the average rate of return.

Projects under construction are involved in this valuation, and include projects that have been completed and put into trial operation. The valuers will estimate the influence of the newness rate on the appraised value of the valuation target, considering the design service lifespan and the serviced or operational life. For new projects or projects that have not yet been put into trial operation, consideration will be given only to the influence of the newness rate on the appraised value.

(4) Intangible assets

Intangible assets involved in this valuation include the right to use sea areas.

The sea area is located in the Beiliang Harbor, Dalian Free Trade Zone, with a usage area of 122.2 ha. and a service life of 50 years. With the approval documents already obtained from relevant government departments, and with relevant expenses paid, the sea requisition compensation agreement has been fulfilled and the sea area certificate handled, and a complete right to use the sea has been obtained. The sea area does not have suitable valuation conditions as stipulated for the Market Approach, and so a valuation can be conducted for the right to use sea areas by reference to valuation methods for land use rights. The corresponding formula is as follows:

Right to use sea areas = [costs for acquiring the right to use sea areas + other expenses + fund costs + profits of the construction entity] × annual correction coefficient

Costs for acquiring the right to use sea areas: The valuers will first analyze, re-classify and conclude all contracts related to the right to use the sea area that is provided by the valued entity. Valuers will then identify any relevant content according to the related compensation agreements provided by the valued entity. Finally, valuers will re-obtain the price for acquiring the right to use sea areas mentioned above, and adjust and correct it as the acquired cost on the valuation base date. These costs include sea requisition compensation, aquaculture raft compensation, sea exploration operation compensation, settlement allowances, etc.

Other expenses: Other expenses include current investigation and reporting fees, sea area use demonstration fees, current reconnaissance fees, sea area survey fees, sweeping survey fees, navigation safety assessment fees, basin and channel dredging fees, silt detection fees, current observation fees, survey fees after basin and channel dredging, construction approval fees, and the administration expenses of the construction entity.

Fund costs: Fund costs involve the loan interests for the funds inputted during the construction period. According to the valuation practice, whether it is from own funds or obtained from financing or loans, consideration should be given to the fund costs. The interest-bearing base is the sum of the above two items. The interest will be calculated at the valid interest rate on the valuation base date as issued by the People's Bank of China on the assumption of a well-distributed input, and the interest brought to bear will be calculated as half of that during the construction period.

Profits of the construction entity: The profits of the construction entity will be calculated according to the average rate of return

Annual correction coefficient: The annual correction coefficient is used to adjust and correct the original value, including the right to use sea areas, taking into account the remaining service life adjustments, and according to the duration of the remaining service life.

$$Kj = [1-1/(1+r)^n]/[1-1/(1+r)^N]$$

Where: Kj — annual correction coefficient

r — discount rates or rates of return

n — remaining service life (43.67 years)

N — statutory service life (50 years)

3. Liabilities

The liabilities mentioned in this valuation consist of current liabilities and non-current liabilities. The valuers will verify the actual debtors as well as the actual amount of obligations for various liabilities after the valuation purpose is realized, and will determine the appraised value according to the liabilities and the amounts required to be undertaken by the valued entity.

The non-current liabilities involved in this valuation include the deferred income tax liabilities as a result of the account adjustment. The valuation will not analyze the influence of the deferred income tax liabilities or the assets as a result of the difference between the accounting policy and the tax policy on the net assets as at the valuation base date.

VIII. Implementation Process and Conditions for the Valuation Procedures

According to the regulations of relevant departments of the state regarding asset valuations and general accounting principles, and as per the requirements of relevant laws and regulations of the state as well as the requirements of the Asset Valuation Standards and in accordance with the matters as specified by the Engagement Letter of the principals, the valuers will carry out the asset valuation process as follows:

(I) Stages of accepting the entrustment and preparation for valuation

1. Beijing Longyuan Zhibo Asset Valuation Company Limited was entrusted by the principals on 11 October 2012, to perform the asset valuation project. After the acceptance of the entrustment, the valuers and the principals have held serious discussion regarding the issues influencing the asset valuation plan, including valuation purpose, valuation target and scope, valuation base date and the characteristics of the assets entrusted for valuation.

2. Regarding the characteristics of the assets entrusted for valuation, the valuers will prepare the Asset Valuation Declaration Schedule in a targeted manner, designing the Main Assets Questionnaire and the Questionnaire for Profits from Main Business. The valuers will also provide business training for the asset valuation coordination personnel of the principals, and will fill out the Asset Valuation Inventory Table and various questionnaires.

3. Design of the valuation plan

   Efforts will be made to formulate the valuation implementation plan, to determine valuers, and form a site working group for asset valuations. The valuers in this project are divided into two teams, consisting of the Asset-based Approach valuation team, and the on-site integrated team.

4. Preparation of valuation materials

   Efforts will be made to collect all transaction price information regarding the valuation target market, the price information for the main raw material markets, and the property ownership documents for the valuation target.

(II) Asset verification and on-site due diligence

According to the valuation declaration data provided by Dalian Port Petrochemical, from the 12th to the 20th of October 2012, the valuers conducted a series of necessary checks and verifications for all the assets and liabilities declared for valuation. They also carried out a systematic investigation for the financial and operating conditions of the enterprise. Due diligence in this case, is mainly divided into six aspects: the investigation of the basic conditions of the valued entity; business and technical investigations; financial investigations; asset inventory checks and verifications; the investigation of business development objectives and risk factors; and the investigation of other important matters.

1. Asset verification process

(1) Efforts will be made to guide the relevant financial and asset management personnel of the enterprise, on the basis of conducting an asset inventory check, to register and fill out the "Asset Valuation Schedule", "Asset Questionnaire", and "Data List" forms provided by the valuation agency according to the corresponding requirements, and to collect property ownership documents, project material contracts, final material accounts and any other documents reflecting the performance, status, and economic and technical indicators.

(2) Reviews and improvements to the asset valuation schedules will be provided by various entities

The valuers will gain knowledge of the detailed conditions for the specific valuation target during the valuation. Afterwards, they will review various asset valuation schedules, and check whether there are incomplete reports or unclear asset items, as well as checking whether there are any omissions in the asset valuation schedule according to their experience and the on-hand relevant materials. They will then improve the valuation schedule according to the investigated and verified materials.

(3) Site surveys:

According to the asset valuation schedule, the valuers will participate in inventory checking and site surveys to confirm the declared cash, inventory, fixed assets and projects under construction. Different survey methods will be used according to the different nature and characteristics of the assets.

(4) Supplement, modify and improve the asset valuation schedules:

Efforts will be made to further improve the asset valuation schedules according to the site survey results, so as to make the schedules match up with the actual conditions.

(5) Checking property ownership documents:

Efforts will be made to check the property ownership documents for all equipment, vehicles and other assets within the valuation scope, and requests will be made the enterprise for verification in the case of the ownership materials being unclear or yet to be improved.

(6) Efforts will be made to invite relevant business personnel to provide assistance for confirmation of the current accounts, bank deposits and bank loans, as well as the investigation and collection of local real estate prices, project quotas and service fee documents, the investigation of local labor, main material and machine-team prices, and price confirmations from the supplier of the enterprise's main equipment.

2. *On-site due diligence*

The valuers will conduct an investigation into the enterprise's business operations by collecting and analyzing its past operating conditions and its future operating plans, as well as through management interviews. The main contents will be as follows:

(1) Understanding the composition and variations of the annual equity capital in the past and analyzing the causes of variations;

(2) Understanding the conditions and variations of the annual production and sales in the past, and analyzing the causes for the sales variations;

(3) Understanding the composition and variations of the annual costs for the main business in the past;

(4) Understanding other main business and product changes, and analyzing the contribution of various other businesses to the sales revenue;

(5) Understanding the annual profits in the past and analyzing the main causes for profit variations;

(6) Collecting various production indicators and financial indicators, and analyzing the causes for the variation in different indicators;

(7) Understanding the operating plans and investment plans of the enterprise for the coming years;

(8) Understanding the tax and other preferential policies of the enterprise;

(9) Collecting materials related to correspondence, and getting to know the industry, regional market conditions and future development trends;

(10) Understanding the content and conditions of overflow assets and non-operating assets.

(III) Estimations

The valuers will determine plans for the pricing of various assets according to the project characteristics and to the actual conditions of the enterprise, making clear their specific valuation parameters and price standards, and referring to the historical data and the predicted data for future operations as provided by the enterprise. After all of this, the valuers will begin the valuation estimation, and will finally summarize the preliminary results of the asset valuation, conduct an analysis of the valuation conclusions and compile the first draft of the valuation report and instructions.

(IV) Internal audit, seeking for opinions and issuing reports

After completing the first audit, the project leader will submit the first draft to the company for further auditing, which includes a second-level audit conducted by the department and a third-level audit conducted by the Quality Department. Throughout these internal audits, the company will communicate with, and report to, the principals with respect to the valuation. After all modifications and improvements have been made according to the communication opinions, the formal valuation report will be submitted to the principals and checked by the signing certified valuer.

IX. Assumptions

(I) General assumptions (to determine the assumed conditions according to the results selected for use in the valuation)

1. Transaction assumptions: It is assumed that all assets to be valued are included in the course of the transaction, and that the valuers conduct the valuation based on the terms of trade of the targeted assets in a simulated market.

2. Assumption of open market: It is assumed that the conditions of the market assets will offer an influence that will be imposed on assets similar to open market conditions. The open market, which has been fully developed and improved, is a market where willing purchasers and willing sellers compete with each other on an equal basis. In the market, both purchasers and sellers have ample opportunity and time to acquire market information and complete a deal on a voluntary, rational and unrestricted basis.

3. Continued-use assumption: It is an assumption of what conditions of the assets will access to the market and what status that the assets will present under such conditions. First it is assuming that the target assets are in use, and secondly, that such assets will continue to be used. Under the continued-use assumption, no consideration will be given to the shift of an asset application or the optimum utilization conditions, and as such the serviceable range of the valuation results is limited.

4. Going-concern assumption: It is assumed that the entire assets of the enterprise are taken into account as the valuation target. The enterprise, as the business entity, performs on a "going-concern" basis in the corresponding external environment

according to its business objectives. The enterprise operators are responsible and have the obligation to take due responsibility. The enterprise carries out lawful business operations and is able to obtain proper profits in order to maintain its "going-concern" status.

5. The current relevant laws, regulations and policies of the state and the macro-economic situation have gone through no significant changes, neither has the political, economic and social environment in the region where all the transaction parties are located. There is no material adverse effect caused by a force majeure or any other unpredictable factors.

6. The company operators are responsible individuals, and the management has the ability to perform its duties.

7. Unless otherwise stated, the company completely abides by all relevant laws and regulations, and significant breaches affecting the company development and the income realization will not occur.

8. The accounting policy to be adopted by the company in the future is basically consistent with the accounting policy used in the preparation of this report.

(II) Special assumptions

1. On the basis of the existing management style and on the basis of management levels, the company will keep its scope of business and its operation mode consistent with its current direction.

2. Relevant interest rates, exchange rates, tax benchmarks and tax rates, and policy-based charges, will undergo no material change.

According to the requirements for an asset valuation, it is held that these assumptions are tenable on the valuation base date, and should the economic environment in the future goes through substantial changes, the company will not take the responsibility for different valuation conclusions deducted due to the changes in these assumptions.

X. Valuation Conclusions

Using an Asset-based Approach for valuation on the premise of going concern, as at the valuation base date of 30 September 2012, the book value of total assets (BVTA) of Dalian Port Petrochemical Co., Ltd. was RMB1,538,645,200 and the appraised value was RMB1,538,036,600, presenting a depreciation of RMB608,600 with a rate of 0.04%. The book value of liabilities (BVL) was RMB1,003,545,200 and the appraised value was RMB941,845,200, presenting an appreciation of RMB61,700,000 with a rate of 6.15%. The book value of the owner's equity (net assets) was RMB535,100,000 and the appraised value was RMB596,191,400, presenting an appreciation of RMB61,091,400 with a rate of 11.42%. For details of the valuation of the valuation conclusions, please see the attachments: Valuation Summary and Schedule.

Summary for Results of Valuation Using an Asset-based Approach

Unit: RMB0'000

Item		Book Value A	Appraised Value C	Variation D=C-B	Appreciation Rate (%) E=D/B×100%
1	Current assets	900.31	904.27	3.96	0.44
2	Non-current assets	152,964.21	152,899.39	–64.82	–0.04
6	Long-term equity investments	190.00	190.00		
8	Fixed assets	150.45	142.21	–8.24	–5.48
9	Projects under construction	143,304.60	143,157.78	–146.82	–0.10
14	Intangible assets	9,319.16	9,409.40	90.24	0.97
20	**Total assets**	153,864.52	153,803.66	–60.86	–0.04
21	Current liabilities	94,184.52	94,184.52		
22	Non-current liabilities	6,170.00	0.00	–6,170.00	–100.00
23	**Total liabilities**	100,354.52	94,184.52	–6,170.00	–6.15
24	**Net assets (owner's equity)**	53,510.00	59,619.14	6,109.14	11.42

XI. Special Matters

This valuation report has the following special matters and the report users should pay due attention to the following:

(I) In accordance with relevant laws and regulations, the valuers are only responsible for estimating the value of the valuation target, and for offering a professional opinion and paying necessary attention to the legal ownership status of the valuation target. The valuers do not provide any form of guarantee for the legal ownership of the valuation target. The report conclusions only serve the purpose of this valuation, and cannot act as the basis for confirmation of the property rights.

(II) The principals and related parties shall be responsible for the authenticity, legality and integrity of the data provided, as well as the appropriate usage of the valuation report. The original data regarding the asset conditions, the relevant property ownership documents, financial data and all other relevant information mentioned in this valuation report will be provided by the valued entity. The valued party is responsible for the authenticity, legality, accuracy and validity of the aforementioned information and has confirmed this in writing.

(III) We hereby particularly stress that this valuation report is only created to provide a value reference for the economic behavior described in the valuation report. According to the stipulations of the Entrustment Agreement, this report and its conclusions cannot be used for any purpose other than its intended purpose.

(IV) The "projects under construction" for this valuation are yet to be transferred into fixed assets and the actual construction is still in trial operation. Relevant procedures have not yet been handled for certification of housing ownership for the relevant buildings.

(V) In the valuation, we only offer our professional opinions regarding the total shareholders' equity of the entity to be valued. The principals have the final decision, and we do not assume responsibility for the decisions of any related parties.

(VI) For the valuation of long-term equity investments, the two invested entities are both non-controlling enterprises, and as a result the valuation procedures are restricted. Through extensive investigation, these two invested entities are in suspension of business. The valuers have listed the appraised value as RMB1,900,000.00, including the initial investment cost (the book value).

(VII) The land used by Dalian Port Petrochemical is rented. Rental units include 231,985 m^2 of land from Dalian Beiliang Group Co., Ltd. That will function as a terminal apron, a pipe gallery and No. 1 depot area for 30 years until 30 June 2034; and rental of 36,449 m^2 of land from China Grains & Logistics Group Beiliang Co., Ltd. as the railway yard area for 5 years until 31 December 2015.

(VIII) In December 2010, Dalian Port Petrochemical was acquired at a premium by Dalian Port (PDA) Company Limited, and Dalian Port Petrochemical made an account adjustment according to the appreciation conditions of the valuation report. As it has been in a trial operation stage in recent years, the income from the trial operation has offset the expenses for the "projects under construction" and the trial operations, and the loan interests for the trial operation expenses have increased the expenses for the "projects under construction", resulting in a false report regarding an increase in the book value of the "projects under construction".

(IX) Among "projects under construction" that can be valued, the terminal civil works (with a book value of RMB304,323,131.53) is located in the production plant of Dalian Port Petrochemical. It is a steel-pile trestle-type project for an oil transfer terminal with 4 berths, and at this stage only No. 7 berth is being used for trial operation. This construction project needs to actively pursue and improve some approval procedures. For these assets, the company provided the valuation opinions on the assumption that the projects are compliant and legal, and as this valuation report cannot prove that these projects are in fact compliant and legal during the valuation period, consideration has not been given to the expenses payable by the company for continuing to handle the relevant approval procedures.

(X) Important matters that have arrived since the valuation base date

The valuers have conducted themselves with due diligence, and no important matters that may have an impact on the valuation conclusions, between the valuation base date to the valuation report date have been found. Within the valid period of the valuation conclusions since the valuation base date, if the asset numbers and the pricing standard change, the following principles will be used for handling related adjustments:

(1) When the asset number changes, a corresponding adjustment should be made for the asset value according to the original valuation method;

(2) When the asset pricing standard changes, causing a notable influence on the appraised value, the principals should promptly employ a qualified valuation agency to re-determine the appraised value;

(3) When the asset number or pricing standard changes after the valuation base date, the principals should give full consideration to the actual pricing and make a corresponding adjustment;

(4) The non-current liabilities within the valuation range include the deferred income tax liabilities as a result of account adjustments. The deferred income tax liabilities or assets are the result of the difference between the accounting policy and the tax policy, and the valuation will not take into account their influence on the net assets, as at the valuation base date.

XII. Restrictions on the Usage of This Report

(I) This valuation report is only to be used for the purposes and applications as stated thereof;

(II) This valuation report is only to be used by the users as stated thereof;

(III) This valuation report presents the professional conclusions issued by asset valuers according to the relevant laws and regulations of the state, and cannot be formally used without the prior authorization of the valuation agency and the signature of the Certified Valuer;

(IV) This report needs to be submitted to the state-owned assets supervision and administration departments, or other relevant departments of the enterprise for review. It can only be formally used after filing;

(V) No part of the valuation report can be extracted, cited or disclosed in whole or in part, on public media without review by the valuation agency, unless otherwise prescribed by laws and regulations or the related parties;

(VI) The valuation conclusions disclosed by this report are only valid according to the economic behavior corresponding to this project. The valid period lasts for one year from the valuation base date (30 September 2012 to 29 September 2013).

XIII. Valuation Report Date

The valuation report date was proposed as 26 October 2012.

[No text this page]

Asset valuation agency: Beijing Longyuan Zhibo Assets Valuation Company Limited

Legal representative: LIU Xianqiang

Certified valuer: HUANG Guoai

Certified valuer: LI Baozhong

26 October 2012

Dalian Port (PDA) Company Limited

Project for the Transfer of 100% Equity in

Dalian Port Petrochemical Co., Ltd.

Attachments

Long Yuan Zhi Bo Ping Bao Zi (2012) No. 1036

List of Attachments

I. Special Auditor's Report for the Valued Entity

II. Copies of the Business License for the Enterprise Legal Person of the Principals and the Valued Entity

III. Copy of the Port Business Certificate for the Valued Entity

IV. Copy of the Property Right Registration Certificate for the Valued Entity

V. Commitment Letters for the Principals and Related Parties

VI. Commitment Letters for the Signing Certified Valuer and the Agency Issuing the Valuation Report

VII. Copies of the Qualification Certificates for the Valuation Agency

VIII. Copies of the Business License for the Enterprise Legal Person of the Valuation Agency

IX. Copies of the Qualification Certificates for the Signing Certified Valuer

X. The Asset Valuation Engagement Letter

XI. Summary for the Results of the Valuation Using an Asset-based Approach and Schedule

XII. Valuation Notes (stapled separately)

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Dalian Port (PDA) Company Limited (the "**Company**") will be held at Room 109, PDA Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian City, Liaoning Province, PRC at 10:00 a.m. on 25 January 2013 for the purposes of considering, and, if thought fit, passing the following resolutions as ordinary resolutions. Expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the circular dated 6 December 2012 (the "**Circular**").

ORDINARY RESOLUTIONS

1. To consider and approve the Equity Transfer Agreement dated 30 October 2012 and entered into between the Company and Dalian Port Corporation Limited (大連港集團有限公司), the transaction contemplated thereunder and exemption of Dalian Port Corporation Limited (大連港集團有限公司) from strict compliance with terms of the Non-competition Agreement (as revised) in respect of carrying on business which the Dalian Port Petrochemical Co., Ltd. currently is engaged in, and authorization for the Director to take such steps as he/she may consider necessary or appropriate to give effect to or in connection with the agreement.

2. To consider and approve the Purchase of Goods and Services Agreement dated 30 October 2012 and entered into between the Company and Dalian Port Corporation Limited (大連港集團有限公司), the continuing connected transactions contemplated thereunder and the related proposed annual caps, and authorization for the Director to take such steps as he/she may consider necessary or appropriate to give effect to or in connection with the agreement.

3. To consider and approve the Terminal Facilities Design and Construction Services Agreement dated 30 October 2012 and entered into between the Company and Dalian Port Corporation Limited (大連港集團有限公司), the continuing connected transactions contemplated thereunder and the related proposed annual caps, and authorization for any Director to take such steps as he/she may consider necessary or appropriate to give effect to or in connection with the agreement.

4. To consider and approve election of Ms. Su Chun Hua as an executive director of the Company effective from the conclusion of the EGM and for a term commencing from the date of the resolution approving her appointment until the expiry of the term of the third

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

session of the Board, and authorise the board to determine her remuneration by reference to her performance appraisal results in accordance with the performance appraisal system for the senior management of the Company.

5. To consider and approve election of Mr. Sun Junyou as a supervisor of the Company effective from the conclusion of the EGM and for a term commencing from the date of the resolution approving his appointment until the expiry of the term of the third session of the supervisory committee. No remuneration shall be paid to Mr. Sun Junyou for his acting as supervisor of the Company.

6. To consider and approve election of Mr. Zhang Guofeng as a supervisor of the Company effective from the conclusion of the EGM and for a term commencing from the date of the resolution approving his appointment until the expiry of the term of the third session of the supervisory committee. No remuneration shall be paid to Mr. Zhang Guofeng for his acting as supervisor of the Company.

SPECIAL RESOLUTION

1. "**THAT**

(a) subject to the aggregate nominal value of H Shares which may be repurchased pursuant to the approval in this paragraph (a) shall not exceed 10 percent of the existing issued H Shares of the Company as at the date of the passing of this resolution and (b) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to repurchase H shares of RMB1.00 each in issue in the capital of the Company (the "**H Shares**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), subject to and in accordance with applicable laws, rules and regulations and/or requirements of the governmental or regulatory body in the PRC, the Hong Kong Stock Exchange or of any other stock exchange, be and is hereby approved (the "**H Share Repurchase Mandate**");

(b) the approval in paragraph (a) above shall be conditional upon:

(i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (b)(i)) at the extraordinary general meeting for shareholders of the Company, the class meeting for holders of A Shares of the Company and the class meeting for holders of H Shares of the Company to be held on Friday, 25 January 2013 (or on such adjourned date as may be applicable), respectively;

(ii) the approval of the State Administration of Foreign Exchange of the PRC and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and

(iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 35 of the Articles of Association of the Company;

(c) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting following the passing of this special resolution;

(ii) the expiration of a period of twelve months following the passing of this special resolution; or

(iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting or by a special resolution of holders of H Shares or holders of A Shares of the Company at their respective class meetings; and

(d) subject to approval of all relevant governmental authorities in the PRC for the H Share Repurchase Mandate being granted, the Directors are and be hereby authorised to:

(i) formulate and implement detailed repurchase plan, including but not limited to repurchase price, number of shares to repurchase, time of repurchase and period of repurchase etc;

(ii) notify creditors in accordance with the PRC Company Law and articles of association of the Company;

(iii) open overseas share accounts and to carry out related change of foreign exchange registration procedures;

(iv) carry out relevant approval procedures required by regulatory authorities and venues in which the Company is listed, and to carry out filings with the China Securities Regulatory Commission;

(v) carry out cancellation procedures for repurchased shares, reduce registered capital, and to make corresponding amendments to the articles of association of the Company relating to share capital and shareholdings etc, and to carry out statutory registrations and filings within and outside China; and

(vi) approve and execute, on behalf of the Company, documents and matters related to share repurchase."

By Order of the Board
ZHU Hongbo LEE Kin Yu, Arthur
Joint Company Secretaries

6 December 2012

Notes:

1. Pursuant to rule 13.39(4) of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, votes of the Shareholders at the EGM shall be taken by poll.

2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf at the EGM. A proxy need not be a Shareholder. Shareholders shall have one vote for each Share that they hold.

3. In order to determine the holders of H Shares who are entitled to attend the EGM, the H Share registers of members of the Company shall be closed from Wednesday, 26 December 2012 to Friday, 25 January 2013 (both days inclusive), during which no transfer of H Shares will be registered. Holders of H Share whose names appear on the registers of members on 26 December 2012 are entitled to attend the EGM. In order to be entitled to attend and vote at the EGM, holders of H Shares whose transfers have not been registered shall lodge the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 24 December 2012.

4. The instruments appointing a proxy must be in writing under the hand of the Shareholder or his/her attorney duly authorized in writing. If the Shareholder is a corporation, that instrument must be either under the company seal or under the hand of its director or duly authorized attorney. If that instrument is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorization documents must be notarized.

5. The proxy form together with the power of attorney or other authorization document (if any) must be deposited at the office of Board, at the address as stated in Note 7 below for holders of the A Shares and at the H Share registrar, Computershare Hong Kong Investor Services Limited at the address as stated in Note 3 above for holders of the H Shares, not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be).

   Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting or any adjourned meeting should such Shareholders so wish.

6. Shareholders who intend to attend the EGM in person or by proxy should return the reply slip to the office of the Board at the address as stated in Note 7 below on or before 5:00 p.m. on Friday, 4 January 2013 by hand, by post or by fax.

7. The contact details of the office of the Board are as follows:

   Room 616, PDA Building,
   No. 1, Gangwan Street
   Zhongshan District
   Dalian City, Liaoning Province
   PRC
   Postal Code: 116004
   Telephone No.: 86 411 8262 3923
   Facsimile No.: 86 411 8262 3159

8. Shareholders or their proxies attending the EGM shall be responsible for their own transportation and accommodation expenses.

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

Executive Directors: HUI Kai, ZHANG Fengge, XU Song and ZHU Shiliang

Non-executive Directors: XU Jian and ZHANG Zuogang

Independent Non-executive Directors: LIU Yongze, GUI Liyi and WAN Kam To, Peter

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)

NOTICE OF 2013 FIRST CLASS MEETING OF THE HOLDERS OF A SHARES

NOTICE IS HEREBY GIVEN that a class meeting of the holders of A shares (the "A Shareholders Class Meeting") of the Dalian Port (PDA) Company Limited (the "Company") will be held at Room 109, PDA Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian City, Liaoning Province, the PRC on Friday, 25 January 2013 at 11:00 a.m. (or immediately after the conclusion or adjournment of the Extraordinary General Meeting (the "EGM") which will be held at the same place and date) for the purpose of considering and, if thought fit, passing the following resolution:

SPECIAL RESOLUTION

1. "**THAT**

   (a) subject to the aggregate nominal value of H Shares which may be repurchased pursuant to the approval in this paragraph (a) shall not exceed 10 percent of the existing issued H Shares of the Company as at the date of the passing of this resolution and (b) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to repurchase H shares of RMB1.00 each in issue in the capital of the Company (the "**H Shares**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), subject to and in accordance with applicable laws, rules and regulations and/or requirements of the governmental or regulatory body in the PRC, the Hong Kong Stock Exchange or of any other stock exchange, be and is hereby approved (the "**H Share Repurchase Mandate**");

   (b) the approval in paragraph (a) above shall be conditional upon:

      (i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (b)(i)) at the extraordinary general meeting for shareholders of the Company, the class meeting for holders of A Shares of the Company and the class meeting for holders of H Shares of the Company to be held on Friday, 25 January 2013 (or on such adjourned date as may be applicable), respectively;

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

(ii) the approval of the State Administration of Foreign Exchange of the PRC and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and

(iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 35 of the Articles of Association of the Company;

(c) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting following the passing of this special resolution;

(ii) the expiration of a period of twelve months following the passing of this special resolution; or

(iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting or by a special resolution of holders of H Shares or holders of A Shares of the Company at their respective class meetings; and

(d) subject to approval of all relevant governmental authorities in the PRC for the H Share Repurchase Mandate being granted, the Directors are and be hereby authorised to:

(i) formulate and implement detailed repurchase plan, including but not limited to repurchase price, number of shares to repurchase, time of repurchase and period of repurchase etc;

(ii) notify creditors in accordance with the PRC Company Law and articles of association of the Company;

(iii) open overseas share accounts and to carry out related change of foreign exchange registration procedures;

(iv) carry out relevant approval procedures required by regulatory authorities and venues in which the Company is listed, and to carry out filings with the China Securities Regulatory Commission;

(v) carry out cancellation procedures for repurchased shares, reduce registered capital, and to make corresponding amendments to the articles of association of the Company relating to share capital and shareholdings etc, and to carry out statutory registrations and filings within and outside China; and

(vi) approve and execute, on behalf of the Company, documents and matters related to share repurchase."

By Order of the Board of Directors
ZHU Hongbo   LEE Kin Yu, Arthur
Joint Company Secretaries

6 December 2012

Notes:

1. Holders of A Shares whose names appear on the A Share register of members of the Company on Wednesday, 26 December 2012 are entitled to attend this meeting.

2. Holders of A Shares, who intend to attend the class meeting of the A Shareholders Class Meeting, must complete the reply slips for attending the A Shareholders Class Meeting and return them by hand, by post or by fax to the Office of the Board of Directors of the Company no later than 20 days before the date of the A Shareholders Class Meeting, i.e. no later than 5:00 p.m. on Friday, 4 January 2013.

   Details of the Office of the Board of Directors of the Company are as follows:

   Room 616, PDA Building
   No. 1, Gangwan Street
   Zhongshan District
   Dalian City, Liaoning Province
   PRC
   Postal Code: 116004
   Telephone No.: 86 411 8262 3923
   Facsimile No.: 86 411 8262 3159

3. Each holder of A Shares who has the right to attend and vote at the A Shareholders Class Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his/her behalf at the A Shareholders Class Meeting.

4. The instruments appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under the company seal or under the hand of its director or duly authorized attorney. If that instrument is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorization documents must be notarized.

5. The proxy form together with the power of attorney or other authorization document (if any) must be deposited at the Office of Board of Directors of the Company, at the address as stated in Note 2 above not less than 24 hours before the time fixed for holding the A Shareholders' Class Meeting or any adjournment thereof (as the case may be).

   Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting should you so wish.

6. Shareholders attending the A Shareholders Class Meeting shall be responsible for their own transportation and accommodation expenses.

7. Pursuant to rule 13.39(4) of the Hong Kong Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the votes of the shareholders of the Company at the A Shareholders Class Meeting shall be taken by poll.

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

Executive Directors: HUI Kai, ZHANG Fengge, XU Song and ZHU Shiliang

Non-executive Directors: XU Jian and ZHANG Zuogang

Independent Non-executive Directors: LIU Yongze, GUI Liyi and WAN Kam To, Peter

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)

NOTICE OF 2013 FIRST CLASS MEETING OF THE HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN that a class meeting of the holders of H shares (the "H Shareholders Class Meeting") of the Dalian Port (PDA) Company Limited (the "Company") will be held at Room 109, PDA Group Building, No. 1 Gangwan Street, Zhongshan District, Dalian City, Liaoning Province, the PRC on Friday, 25 January 2013 at 11:10 a.m. (or immediately after the conclusion or adjournment of the Extraordinary General Meeting (the "EGM") and a class meeting of the holders of A shares of the Company which will be held at the same place and date) for the purpose of considering and, if thought fit, passing the following resolution:

SPECIAL RESOLUTION

1. "**THAT**

(a) subject to the aggregate nominal value of H Shares which may be repurchased pursuant to the approval in this paragraph (a) shall not exceed 10 percent of the existing issued H Shares of the Company as at the date of the passing of this resolution and (b) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to repurchase H shares of RMB1.00 each in issue in the capital of the Company (the "**H Shares**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), subject to and in accordance with applicable laws, rules and regulations and/or requirements of the governmental or regulatory body in the PRC, the Hong Kong Stock Exchange or of any other stock exchange, be and is hereby approved (the "**H Share Repurchase Mandate**");

(b) the approval in paragraph (a) above shall be conditional upon:

(i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (b)(i)) at the extraordinary general meeting for shareholders of the Company, the class meeting for holders of A Shares of the Company and the class meeting for holders of H Shares of the Company to be held on Friday, 25 January 2013 (or on such adjourned date as may be applicable), respectively;

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

(ii) the approval of the State Administration of Foreign Exchange of the PRC and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and

(iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 35 of the Articles of Association of the Company;

(c) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting following the passing of this special resolution;

(ii) the expiration of a period of twelve months following the passing of this special resolution; or

(iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting or by a special resolution of holders of H Shares or holders of A Shares of the Company at their respective class meetings; and

(d) subject to approval of all relevant governmental authorities in the PRC for the H Share Repurchase Mandate being granted, the Directors are and be hereby authorised to:

(i) formulate and implement detailed repurchase plan, including but not limited to repurchase price, number of shares to repurchase, time of repurchase and period of repurchase etc;

(ii) notify creditors in accordance with the PRC Company Law and articles of association of the Company;

(iii) open overseas share accounts and to carry out related change of foreign exchange registration procedures;

(iv) carry out relevant approval procedures required by regulatory authorities and venues in which the Company is listed, and to carry out filings with the China Securities Regulatory Commission;

(v) carry out cancellation procedures for repurchased shares, reduce registered capital, and to make corresponding amendments to the articles of association of the Company relating to share capital and shareholdings etc, and to carry out statutory registrations and filings within and outside China; and

(vi) approve and execute, on behalf of the Company, documents and matters related to share repurchase."

By Order of the Board of Directors
ZHU Hongbo **LEE Kin Yu, Arthur**
Joint Company Secretaries

6 December 2012

Notes:

1. In order to determine the holders of H Shares who are entitled to attend the H Shareholders Class Meeting, the H Share registers of members of the Company shall be closed from Wednesday, 26 December 2012 to Friday, 25 January 2013 (both days inclusive), during which no transfer of H Shares will be registered. Holders of the H Shares whose names appear on the H Share registers of members on Wednesday, 26 December 2012 are entitled to attend the H Shareholders' Class Meeting. In order to be entitled to attend and vote at the H Shareholders Class Meeting, holders of H Shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 24 December 2012.

2. Holders of H Shares, who intend to attend the H Shareholders Class Meeting, must complete the reply slips for attending the H Shareholders Class Meeting and return them by hand, by post or by fax to the Office of the Board of Directors of the Company no later than 20 days before the date of the H Shareholders Class Meeting, i.e. no later than 5:00 p.m. on Friday, 4 January 2013.

   Details of the Office of the Board of Directors of the Company are as follows:

   Room 616, PDA Building
   No. 1, Gangwan Street
   Zhongshan District
   Dalian City, Liaoning Province
   PRC
   Postal Code: 116004
   Telephone No.: 86 411 8262 3923
   Facsimile No.: 86 411 8262 3159

3. Each holder of H Shares who has the right to attend and vote at the H Shareholders Class Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his/her behalf at the H Shareholders Class Meeting.

4. The instruments appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under the company seal or under the hand of its director or duly authorized attorney. If that instrument is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorization documents must be notarized.

5. The proxy form together with the power of attorney or other authorization document (if any) must be deposited at the H Share Registrar of the Company, at the address as stated in Note 1 above not less than 24 hours before the time fixed for holding the H Shareholders' Class Meeting or any adjournment thereof (as the case may be).

   Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting should you so wish.

6. Shareholders attending the H Shareholders Class Meeting shall be responsible for their own transportation and accommodation expenses.

7. Pursuant to rule 13.39(4) of the Hong Kong Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the votes of the shareholders of the Company at the H Shareholders Class Meeting shall be taken by poll.

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

Executive Directors: HUI Kai, ZHANG Fengge, XU Song and ZHU Shiliang

Non-executive Directors: XU Jian and ZHANG Zuogang

Independent Non-executive Directors: LIU Yongze, GUI Liyi and WAN Kam To, Peter