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)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE MERGER OF YINGKOU PORT LIABILITY CO., LTD.; AND (2) SPECIFIC MANDATE IN RELATION TO ISSUANCE OF NEW A SHARES

Introduction

Very Substantial Acquisition

On 7 July 2020, the Company entered into the Merger Agreement with the Target Company in relation to the Possible Merger. The Possible Merger, if fully implemented, will involve (among other things) the issue of 9,803,980,057 A Shares by the Company to the TC Shareholders on a record date to be determined, in exchange for all the existing issued shares of the Target Company. The Company also plans to raise funds by issuing A Shares with a value of not more than RMB2,100,000,000, by way of non-public offering, to not more than 35 specific investors.

The Company will exchange in aggregate 6,472,983,003 TC Shares in the issued share capital of the Target Company by an issue of 9,803,980,057 A Shares, meaning that for every TC Share, 1.5146 A Shares will be issued. In case of any ex-right or ex-dividend issues such as cash dividends, stock dividends, capital reserve converted into share capital, allotment of shares, etc. occurred from the Price Base Day to the aforementioned record date of the Possible Merger, the Exchange Ratio shall be adjusted accordingly.

On 29 June 2020, the annual general meeting of the Company approved to distribute a dividend of RMB0.21 (tax included) per ten Shares for the year ended 31 December 2019 based on the total 12,894,535,999 Shares. On 22 June 2020, the annual general meeting of the Target Company approved to distribute a dividend of RMB0.48 (tax included) per ten TC Shares for the year ended 31 December 2019 based on the total 6,472,983,003 TC Shares. After the completion of the aforementioned dividend distribution plans, the Exchange Ratio shall be adjusted correspondingly. For illustration purpose only, under the Exchange Ratio as adjusted by the above dividend payment by the Company and the Target Company respectively, for every TC Share, 1.5030 A Shares will be issued.

Subject to the Possible Merger becoming unconditional, the TC Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB2.16 per TC Share. After the completion of the aforementioned dividend distribution plan, the Cash Alternative shall be exercised at the rate of RMB2.11 per TC Share.

Subject to the Possible Merger becoming unconditional, the Dalian Port Dissenting Shareholders may elect to exercise the Buy-back Alternative to receive cash at the rates of RMB1.71 per A Share and HK$0.67 per H Share. After the completion of the aforementioned dividend distribution plan, the Buy-back Alternative shall be exercised at the rate of RMB1.69 per A Share and HK$0.65 per H Share.

A Share Specific Mandate

The A Share Specific Mandate will grant to the Board, during the Relevant Period (as defined hereafter), an unconditional specific mandate to issue not more than 3,868,360,799 new A Shares (representing not more than 30% of the issued share capital of the Company as at the date of this announcement) with a value of not more than RMB2,100,000,000, by way of non-public offering, to not more than 35 specific investors, and to determine the exact number of new A Shares to be issued and the price of new A Shares which, subject to the results of the price sounding-out process as required by CSRC, shall not be less than 80% of the average trading price of A Shares for 20 trading days before the issuance of new A Shares.

Listing Rules Implications

As one of the applicable percentage ratios in respect of the Merger Agreement exceeds 100%, the transactions contemplated under the Merger Agreement constitutes a very substantial acquisition of the Company subject to the announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CMG is the ultimate beneficial owner of both the Company and the Target Company. Therefore, the transactions contemplated under the Merger Agreement also constitutes a connected transaction of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The issue of A Shares under the A Share Specific Mandate is conditional upon completion of the Possible Merger and will constitute a variation of class rights of the holders of A Shares and the holders of H Shares under the Articles of Association. Pursuant to Rule 14.06(5), Rule 19A.38 of the Listing Rules and the Articles of Association, the A Share Specific Mandate is required to be approved by the Shareholders at a general meeting and separate class meetings.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Merger Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.06B of the Listing Rules (subject to YKP's obtaining a waiver form the Executive from the mandatory general obligation as a result of YKP's voting rights in the Company crossing the 30% threshold under Rule 26.1 of the Takeovers Code due to its acquiring new A Shares to be issued by the Company in the Possible Merger), and the Stock Exchange has granted the waiver.

1. OVERVIEW

The Company intends to merge by absorption with the Target Company by issuing A Shares to all shareholders of the Target Company in exchange for the A shares of the Target Company held by these shareholders. The Company also plans to raise funds by issuing A Shares with a value of not more than RMB2,100,000,000, by way of non-public offering, to not more than 35 specific investors.

Upon completion of the Possible Merger, the Target Company will cease to be listed or registered, and the Company will assume all the assets, liabilities, businesses, personnel, contracts and all other rights and obligations of the Target Company. The A Shares issued by the Company for the Possible Merger will apply to be listed and traded on the main board of the Shanghai Stock Exchange.

2. VERY SUBSTANTIAL ACQUISITION – MERGER OF TARGET COMPANY

2.1 Background

On 7 July 2020, the Company entered into the Merger Agreement with the Target Company in relation to the Possible Merger. The Possible Merger, if fully implemented, will involve (among other things) the issue of 9,803,980,057 A Shares by the Company to the TC Shareholders on a record date to be determined, in exchange for all the existing issued shares of the Target Company. The Company also plans to raise funds by issuing A Shares with a value of not more than RMB2,100,000,000, by way of non-public offering, to not more than 35 specific investors.

2.2 The Possible Merger

The Exchange Ratio

The Company will exchange in aggregate 6,472,983,003 TC Shares in the issued share capital of the Target Company by an issue of 9,803,980,057 A Shares, meaning that for every TC Share, 1.5146 A Shares will be issued. The Exchange Ratio has been determined on the following basis:

(1) the price per TC Share was determined at RMB2.59 based on

  (i) the average trading price of TC Shares for a period of 20 trading days up to and including 19 June 2020, being the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange pending release of an announcement of the Target Company in relation to the proposed negotiation on the terms of the Possible Merger (the "**Last Target Trading Date**"), and

  (ii) a premium of approximately 20%; and

(2) the price per A Share was determined at RMB1.71 based on the average trading price per A Share for a period of 20 trading days up to and including 19 June 2020, being the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange pending release of an announcement of the Company in relation to the proposed negotiation on the terms of the Possible Merger (the "**Last Company Trading Date**").

For the avoidance of doubt, the above 20% premium is only available to TC Shareholders who elect to exchange their TC Shares for A Shares.

In determining the level of the premium and the Exchange Ratio, the Company has taken into consideration factors including the respective valuation of the Company and the Target Company, and the need to put a premium on the TC Shares given (i) the substantial difference in the respective valuation of the Company and the Target Company and (ii) the significant dilution to the earnings per share for TC Shareholders as compared to the enhanced earnings per share for the Shareholders. The inclusion of a premium accords with market practice for similar transactions, and the premium level for the Possible Merger is generally in line with market precedents. Based on the level of premium for the Possible Merger, the Shareholders will still be able to benefit from a substantial increase in earnings per Share after the Possible Merger.

In case of any ex-right or ex-dividend issues such as cash dividends, stock dividends, capital reserve converted into share capital, allotment of shares, etc. occurred from the Price Base Day to the aforementioned record date of the Possible Merger, the Exchange Ratio shall be adjusted accordingly.

On 29 June 2020, the annual general meeting of the Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.21 (tax included) per ten Shares for the year ended 31 December 2019 based on the total 12,894,535,999 Shares. On 22 June 2020, the annual general meeting of the Target Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.48 (tax included) per ten TC Shares for the year ended 31 December 2019 based on the total 6,472,983,003 TC Shares. After the completion of the aforementioned dividend distribution plans, the Exchange Ratio shall be adjusted correspondingly. The price per A Share shall be adjusted to RMB1.69 and price per TC Share shall be adjusted to RMB2.54. For illustration purpose only, under the Exchange Ratio as adjusted by the above dividend payment by the Company and the Target Company respectively, for every TC Share, 1.5030 A Shares will be issued.

Based on the price per TC Share as determined at RMB2.59, the value of the consideration for each TC Share in the Possible Merger represents: (a) a premium of approximately 17.91% over the closing price of each TC Share of RMB2.21 on the Shanghai Stock Exchange on the Last Target Trading Date; (b) a premium of 20% over the average trading price of TC Shares for a period of 20 trading days up to and including the Lasting Target Trading Date; and (c) a premium of approximately 17.19% over the average trading price of TC Shares for a period of 90 trading days up to and including the Lasting Target Trading Date.

Based on the price per A Share as determined at RMB1.71, each A Share represents a premium of approximately 17.48% to the net asset value per A Share as at 31 December 2019. Based on the price per TC Share as determined at RMB2.59, the value of the consideration for each TC Share in the Possible Merger represents a premium of approximately 35.80% to the net asset value per TC Share as at 31 December 2019.

Consideration

To effect the Possible Merger and to protect the interests of the minority shareholders of the Company and the Target Company, it is necessary to provide each of the Dalian Port Dissenting Shareholders and TC Dissenting Shareholders with Buy-back Alternative and Cash Alternative, respectively, in accordance with relevant rules and regulations as well as market practice. The Buy-back Alternative and Cash Alternative will be provided by Liaoning Port Group (including its subsidiaries) and/or its designated independent third party instead of the Company. In the circumstances, the consideration for the Possible Merger is RMB16.765 billion, which comprises RMB2.59 per TC Share multiplied by 6,472,983,003 TC Shares to be exchanged in the Possible Merger, and for illustration purpose only, the consideration for the Possible Merger will be RMB16.441 billion as adjusted by the above dividend payment by the Company and the Target Company respectively.

Arrangement on Odd Lots

The number of new A Shares obtained by TC Shareholders shall be an integer, otherwise one A Share shall be issued to each TC Shareholder in turn according to the sequence of the number after the decimal point until the aforementioned new A Shares obtained by TC Shareholders is consistent with the number of new A shares issued by the Company. If the number of shares with the same number after the decimal point is more than the number of remaining Shares issued by the Company, the method of random distribution by computer will be adopted.

Rights of the TC Dissenting Shareholders

Subject to the Possible Merger becoming unconditional, the TC Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB2.16 per TC Share. Such rate is determined based on the average trading price of TC Shares during the Price Fixing Period. The Cash Alternative will be provided by the Cash Alternative Provider.

In case of ex-right or ex-dividend issues such as cash dividends, stock dividends, capital reserve converted into share capital, allotment of shares, etc. occurred from the Price Base Day to the Cash Alternative Exercise Day, the aforementioned rate shall be adjusted accordingly. On 22 June 2020, the annual general meeting of the Target Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.48 (tax included) per ten TC Shares for the year ended 31 December 2019 based on the total 6,472,983,003 TC Shares. After the completion of the aforementioned dividend distribution plan, the Cash Alternative shall be exercised at the rate of RMB2.11 per TC Share.

If the TC Dissenting Shareholders sell their TC Shares after the record date for the shareholders' general meeting of the Target Company, the number of their TC Shares entitled to the Cash Alternative will be reduced accordingly. If the TC Dissenting Shareholders acquire TC Shares after the record date, the TC Shares acquired will not be entitled to the Cash Alternative.

The TC Dissenting Shareholders shall receive the cash consideration provided by the Cash Alternative Provider for each TC Share effectively declared and transfer the corresponding TC Shares to the Cash Alternative Provider on the Cash Alternative Exercise Day. Cash Alternative Provider shall acquire all TC Shares effectively declared by the TC Dissenting Shareholders and pay cash consideration accordingly on the Cash Alternative Exercise day.

If the Possible Merger is rejected by the shareholders' general meeting of the Company or the Target Company, the respective class meeting of the Company or relevant regulatory authorities, which results in the non-implementation of the Possible Merger, the TC Dissenting Shareholders shall not be entitled to Cash Alternative, nor any compensation from the Company or the Target Company.

Price Adjustment Mechanism for the Cash Alternative

The price adjustment mechanism for the Cash Alternative will be triggered under the following conditions:

Upward Adjustment

(i) during the Price Adjustment Period, Shanghai Stock Exchange Composite Index (000001.SH) ("**SSE Index**") on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the SSE Index on the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of TC Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of 20 trading days before the suspension of trading; or

(ii) during the Price Adjustment Period, Port Index (886031. WI) ("**Port Index**") on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the Port Index on the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of TC Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of 20 trading days before the suspension of trading.

Downward Adjustment

(i) during the Price Adjustment Period, SSE Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the SSE Index on the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of TC Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of 20 trading days before the suspension of trading; or

(ii) during the Price Adjustment Period, Port Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the Port Index on the last trading day immediately before the suspension of trading of TC Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of TC Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of 20 trading days before the suspension of trading.

The Target Company shall convene a meeting of board of directors to review and decide whether to adjust the Cash Alternative within 10 trading days after the above-mentioned conditions are triggered. During the Price Adjustment Period, the Target Company shall only make one-time adjustment to the Cash Alternative. Whether or not the board of directors had decided to adjust the Cash Alternative, no further adjustment shall be made when the above-mentioned conditions are triggered again.

The price of Cash Alternative after adjustment shall be the average trading price of the above-mentioned 20 consecutive trading days.

Rights of the Dalian Port Dissenting Shareholders

Subject to the Possible Merger becoming unconditional, the Dalian Port Dissenting Shareholders may elect to exercise the Buy-back Alternative to receive cash at the rates of RMB1.71 per A Share and HK$0.67 per H Share. Such rates are determined by reference to the average trading prices of A Shares and average trading prices of H Shares respectively during the Price Fixing Period.

In case of ex-right or ex-dividend issues such as cash dividends, stock dividends, capital reserve converted into share capital, allotment of shares, etc. occurred from the Price Base Day to the Buy-back Alternative Exercise Day, the aforementioned rates shall be adjusted accordingly. On 29 June 2020, the annual general meeting of the Company was held to review and approve the dividend plan of 2019. It was decided to distribute a dividend of RMB0.021 (tax included, equivalent to HK$0.02299 based on the average exchange rate of RMB to HK$ for a period of 5 trading days up to 29 June 2020 published by the People's Bank of China) per Share for the year ended 31 December 2019 based on the total 12,894,535,999 Shares. After the completion of the aforementioned dividend distribution plan, the Buy-back Alternative shall be exercised at the rate of RMB1.69 per A Share and HK$0.65 per H Share.

If the Dalian Port Dissenting Shareholders sell their Shares after the record date for the general meeting and respective class meeting of the Company, the number of their Shares entitled to the Buy-back Alternative will be reduced accordingly. If the Dalian Port Dissenting Shareholders acquire Shares after the said record date, the Shares acquired will not be entitled to the Buy-back Alternative.

The Dalian Port Dissenting Shareholders shall receive the cash consideration provided by the Buy-back Alternative Provider for each Share effectively declared and transfer the corresponding Shares to the Buy-back Alternative Provider on the Buy-back Alternative Exercise Day. Buy-back Alternative Provider shall acquire all Shares effectively declared by the Dalian Dissenting Shareholders and pay cash consideration accordingly on the Buy-back Alternative Exercise Day.

The cash to be received by a Dalian Port Dissenting Shareholder who opts for the Buy-back Alternative is determined at a rate by reference to the average trading prices of A Shares and the average trading prices of H Shares respectively during the Price Fixing Period. The Board considers the Buy-back Alternative fair and reasonable and in the interest of the Shareholders as a whole.

If the Possible Merger is rejected by the shareholder's general meeting of the Company or the Target Company, the respective class meeting of the Company or relevant regulatory authorities, which results in the non-implementation of the Possible Merger, the Dalian Port Dissenting Shareholders shall not be entitled to Buy-back Alternative, nor any compensation from the Company or the Target Company.

Price Adjustment Mechanism for the Buy-back Alternative

The price adjustment mechanism for the Buy-back Alternative will be triggered under the following conditions:

A Shares

Upward Adjustment

(i) during the Price Adjustment Period, SSE Index on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the SSE Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of the A Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of A Shares on 20 A Shares trading days before the suspension of trading; or

(ii) during the Price Adjustment Period, Port Index on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the Port Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of the A Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of A Shares on 20 A Shares trading days before the suspension of trading.

Downward Adjustment

(i) during the Price Adjustment Period, SSE Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the SSE Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of the A Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of A Shares on 20 A Shares trading days before the suspension of trading; or

(ii) during the Price Adjustment Period, Port Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the Port Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of the A Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of A Shares on 20 A Shares trading days before the suspension of trading.

H Shares

Upward Adjustment

(i) during the Price Adjustment Period, Hang Seng Index (HIS.HI) ("**HS Index**") on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the HS Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of H Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of H Shares on the 20 H Share trading days before the suspension of trading of A Shares on the Shanghai Stock Exchange; or

(ii) during the Price Adjustment Period, Hong Kong Transport Index (887115. WI) ("**HKT Index**") on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the HKT Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of H Shares on at least 10 trading days of 20 consecutive trading days are more than 20% higher than the average trading price of H Shares on the 20 H Share trading days before the suspension of trading of A Shares on the Shanghai Stock Exchange.

Downward Adjustment

(i) during the Price Adjustment Period, HS Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the HS Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of H Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of H Shares on the 20 H Shares trading days before the suspension of trading of A Shares on the Shanghai Stock Exchange; or

(ii) during the Price Adjustment Period, HKT Index on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the HKT Index on the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange; and at the same time the daily average trading price of H Shares on at least 10 trading days of 20 consecutive trading days are more than 20% lower than the average trading price of H Shares on the 20 H Shares trading days before the suspension of trading of A Shares on the Shanghai Stock Exchange.

The Company will convene a Board meeting to review and decide whether to adjust the Buy-back Alternative within 10 trading days after the above-mentioned conditions are triggered. Price adjustment of A Shares and H Shares shall be reviewed and decided by the Board separately. During the Price Adjustment Period, the Company shall only make one-time adjustment to the Buy-back Alternative. Whether or not the Board had decided to adjust the Buy-back Alternative, no further adjustment shall be made if the above-mentioned conditions are triggered again.

The price of Buy-back Alternative of A Shares and H Shares after adjustment shall be the average trading price of A Shares and H Shares respectively on the above-mentioned 20 consecutive trading days.

Further details of the Cash Alternative and the Buy-back Alternative will be provided in the circular to be despatched to the Shareholders containing, among others, further details of the Possible Merger.

Absorption of Assets and Assumption of Liabilities

Upon full implementation of the Possible Merger, all the assets, business, staff and rights of the Target Company will be absorbed into, and all the liabilities of the Target Company will be assumed by, the Company pursuant to the Possible Merger. Both the Company and the Target Company shall perform the creditor notice and announcement procedures in accordance with the requirements of the relevant laws and regulations, and as required by their respective creditors within the legal duration, to have the third parties or themselves pay off debts in advance or provide additional guarantees to their respective creditors.

The Target Company shall deliver all its assets and, with the assistance of the Company, handle all the relevant registration and filing procedures, including but not limited to the registration and filing procedures in relation to the title to real estate property, sea areas, trademarks, patents, franchise rights, construction in progress, ship vehicles, etc.

Upon full implementation of the Possible Merger, the existing branches and subsidiaries of the Target Company shall modify their commercial registrations as branches and subsidiaries of the Company.

Upon full implementation of the Possible Merger, employees of the Company will continue to work for the Company in accordance to their labour contract. Employees of the Target Company prior to the Possible Merger will be re-employed by the Company with new labor contracts. All rights and obligations enjoyed and undertaken by the Target Company as the employer will be assumed by the Company after the Possible Merger. Both the Company and the Target Company agreed that prior to the convening of the relevant shareholders' general meeting for the Possible Merger, an employee representatives' meeting or an employees' meeting shall be convened to review the employee arrangements for the Possible Merger.

Approval Validity

The relevant Shareholders' approvals for the Possible Merger will be for a period of 12-month from such approvals at the general meeting and class meetings of the Company.

2.3 The Merger Agreement

On 7 July 2020, the Company entered into the Merger Agreement with the Target Company in relation to the Possible Merger. In addition to the terms set out in section 2.2 above, the major terms and conditions of the Merger Agreement include:

Parties	The Company and the Target Company
Consideration	The Company will exchange in aggregate 6,472,983,003 TC Shares in the issued share capital of the Target Company by an issue of 9,803,980,057 A Shares, meaning that for every TC Share, 1.5146 A Shares will be issued. Subject to the Possible Merger becoming unconditional, the TC Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB2.16 per TC Share. Such rate is determined based on the average trading price of TC Shares during the Price Fixing Period. The Cash Alternative will be provided by the Cash Alternative Provider. Subject to the Possible Merger becoming unconditional, the Dalian Port Dissenting Shareholders may elect to exercise the Buy-back Alternative to receive Cash at the rate of RMB1.71 per A Share and HK$0.67 per H Share. Such rate is determined based on the average trading price of Shares during the Price Fixing Period. The Buy-back Alternative will be provided by the Buy-back Alternative Provider.
Conditions Precedent	The Merger Agreement and the transactions contemplated thereunder shall become effective upon satisfaction of the following conditions: (1) obtaining the approvals from (i) the Board and the Shareholders at the Shareholders' meeting and the respective class meetings of the Company convened for such purpose; and (ii) the board of the Target Company and the TC Shareholders at the shareholders' meeting of the Target Company convened for such purpose; (2) obtaining the requisite consents and approvals from SASAC and CSRC; (3) obtaining the waiver from the Executive for the obligation to make a mandatory general offer for the Shares triggered on the part of YKP as a result of the Possible Merger under Rule 26.1 of the Takeovers Code; and (4) the Stock Exchange having no objection to the announcements and circulars issued by the Company related to the Possible Merger.

As regards condition (3) above, YKP has applied to the Executive for, and the Executive has granted, a waiver pursuant to note 6 to Rule 26.1 of the Takeovers Code for the mandatory general offer for the Shares triggered on the part of YKP as a result of the Possible Merger.

During the implementation of the Possible Merger, the Company and the Target Company shall proceed procedures in accordance with relevant laws and regulations and shall pay reasonable effort to obtain necessary approval and consent from relevant regulatory authorities to complete the Possible Merger.

Termination The Merger Agreement shall be terminated only if both the Company and the Target Company agree to terminate.

2.4 Effects of the Possible Merger

The Possible Merger will involve the issue of A Shares at the Exchange Ratio by the Company to the TC Shareholders in exchange for TC Shares held by them. Subject to the approval of the CSRC and the Shanghai Stock Exchange, the A Shares to be issued for the purpose of the Possible Merger will be listed on the Shanghai Stock Exchange.

If the Possible Merger is implemented, a total of 9,803,980,057 A Shares will be issued in exchange for TC Shares. Upon full implementation of the Possible Merger (assuming no other shares of the Company are to be issued between the date of this announcement and implementation of the Possible Merger, and without taking into account the new A Shares that may be issued pursuant to the A Share Specific Mandate), the total issued share capital of the Company will be 22,698,516,056 shares, comprising 5,158,715,999 H Shares and 17,539,800,057 A Shares, representing approximately 22.73% and 77.27%, respectively, of the total issued share capital of the Company as enlarged by the issue of A Shares pursuant to the Possible Merger.

YKP is currently holding 78.29% interest in the Target Company. It is expected that in the Possible Merger YKP will exchange all such interest for new A Shares to be issued by the Company, which will increase YKP's direct interest in the Company from 0% at present to approximately 33.81% immediately after the Possible Merger. As such, YKP has applied for and the Executive has granted a waiver from a mandatory general offer for the Shares by YKP as a result of the Possible Merger pursuant to Note 6 to Rule 26.1 of the Takeovers Code. The Possible Merger will not result in any change in the ultimate control of the Company, and the Company will remain ultimately controlled by CMG before and after the Possible Merger.

2.5 Specific Mandate in Relation to the Issuance of New A Shares

The A Share Specific Mandate

The Board expects that a further Board resolution will be passed in due course to convene a Shareholders' general meeting and class meetings of the holders of A Shares and H Shares respectively for the grant of the A Share Specific Mandate to the Board to issue new A Shares to not more than 35 specific investors. For the purpose of the A Share Specific Mandate, the investors to be identified will be independent third parties of the Company within the meaning of the Listing Rules and shall include securities investment fund management companies, securities companies, financial companies, asset management companies, insurance institutional investors, trust companies, qualified overseas institutional investors, other domestic legal and natural persons in line with the regulations of CSRC.

The A Share Specific Mandate will grant to the Board, during the Relevant Period (as defined hereafter), an unconditional specific mandate to issue not more than 3,868,360,799 new A Shares (representing not more than 30% of the issued share capital of the Company as at the date of this announcement) with a value of not more than RMB2,100,000,000, by way of non-public offering, to not more than 35 specific investors, and to determine the exact number of new A Shares to be issued and the price of new A Shares which, subject to the results of the price sounding-out process as required by CSRC, shall not be less than 80% of the average trading price of A Shares for 20 trading days before the issuance of new A Shares. The number of new A Shares to be issued and the subscription price of new A Shares will be adjusted if there is any ex-rights or ex-dividend arrangement after the date of this announcement. The proceeds are intended to be used to supplement the working capital, improve liquidity, repay the interest bearing debts of the Company and to settle professional fees and charges incurred in connection with the Possible Merger.

In the event the number of specific investors is less than six, the Company will comply with relevant requirements under Rule 13.28(7).

For the purposes of this A Share Specific Mandate, "**Relevant Period**" means a period of 12-month from the approval of the A Share Specific Mandate by the general meeting and respective class meeting of the Company.

The issuance of new A Shares pursuant to the A Share Specific Mandate is conditional upon:

(i) obtaining the approvals for the Possible Merger, A Share Specific Mandate and related transactions from (i) the Board and the Shareholders at the Shareholders' meeting and the respective class meetings of the Company convened for such purpose; and (ii) the board of the Target Company and the TC Shareholders at the shareholders' meeting of the Target Company convened for such purpose;

(ii) obtaining the requisite consents and approvals from SASAC and CSRC;

(iii) obtaining the waiver from the Executive for the obligation to make a mandatory general offer for the Shares triggered on the part of YKP as a result of the Possible Merger under Rule 26.1 of the Takeovers Code; and

(iv) the Stock Exchange's clearance of the announcement(s) and circular(s) issued by the Company related to the transactions contemplated under the Merger Agreement.

As regards condition (iii) above, YKP has applied to the Executive for, and the Executive has granted, a waiver pursuant to note 6 to Rule 26.1 of the Takeovers Code for the mandatory general offer for the Shares triggered on the part of YKP as a result of the Possible Merger.

The Merger Agreement and the Possible Merger are not conditional on, and will not be affected by, the completion or successful implementation of the A Share Specific Mandate.

Lock Up Arrangement

The new A Shares to be subscribed for by the independent investors shall not be disposed of within 6 months from the date of the issuance of the respective new A Shares. Upon completion of the issuance, the subscribers shall also abide by the lock-up arrangement for the additional Shares caused by the Company. If the lock-up arrangement is inconsistent with the latest regulatory opinions of the securities regulatory authorities, it shall be adjusted accordingly.

2.6 Progress update

On 7 July 2020, the Company was notified by CMG of a reply from SASAC regarding the Possible Merger and A Share Specific Mandate (《關於大連港股份有限公司換股吸收合併營口港務股份有限公司並募集配套資金有關問題的批覆》)(GZCQ[2020] No.298) where SASAC agreed in principle to the overall plan of the Possible Merger and A Share Specific Mandate.

2.7 Reasons for and benefits of the Possible Merger

Driving the intensive development of ports in Liaoning Province

According to the "Plan for National Coastal Port Layout" prepared by the Ministry of Transport and the National Development and Reform Commission, the planning of the national coastal port layout is proposed. China will form five port groups in the Bohai Rim, Yangtze River Delta, Southeast Coast, Pearl River Delta and Southwest Coast to strengthen the main role of a comprehensive and large-scale port in the country and form the layout of 8 transportation systems such as coal, oil, iron ore, containers, grain, commercial vehicles, roll-roll shipment in land and island and passenger transportation. Among them, the port clusters in the Bohai Rim region are mainly composed of coastal port clusters in Liaoning, Tianjin-Hebei and Shandong. In recent years, the overcapacity of the port industry in the Bohai Rim region, serious homogenization of services, and intensified vicious competition have seriously restricted the overall healthy development of the port industry. Through the rational integration of port resources, ports can fully utilize their respective superior resources, optimize the allocation of terminal resources, improve the comprehensive utilization of terminal resources, and avoid waste of resources and homogeneous competition. The Possible Merger is in line with the guiding direction of China's port layout planning and intensive development.

Create Synergy Effect by Integrating the Port-related Resources

The Possible Merger is one of the vital steps of port integration in Liaoning Province, which will complement the advantages of the two ports, giving full play to the policy advantages of Dalian Port's free trade zone, port and shipping financial advantages and logistics system advantages, and effectively combining the advantages of collection and distribution conditions and functions of Yingkou Port, promoting the win-win situation of Dalian and Yingkou, and realizing the transformation, upgrading and sustainable development of ports in Liaoning Province. In addition, from the basic characteristics of the industry, the port industry shows obvious characteristics of economies of scale. Due to the large investment scale and high fixed cost of the port, only when the port's throughput reaches a certain scale can the unit fixed cost and marketing cost of port production be continuously reduced. Therefore, the Possible Merger is also conducive to the integration of core resources by both parties, giving full play to the scale effect, and further enhancing profitability.

Upon the completion of the Possible Merger, the two ports will make full use of their resources to build a modern port logistics system through the in-depth integration of assets, personnel, management and other factors. Based on the existing facilities and the distribution network of the two ports, the two ports will build an international logistics center of Northeast Asia, promoting the expansion of Company's asset scale, business revenue growth, and profitability, and continuing to enhance the overall competitiveness of the Company.

Address any Competition between the Group and the Target Group

During the course of obtaining control of Liaoning Port Group, each of China Merchants Liaoning and CMG had undertaken to the Company that, in relation to any horizontal competition between Liaoning Port Group and the Company, it will use its best endeavours to facilitate resolving such competition in a steady manner (through measures such as assets restructuring, business adjustment and entrusted management) before the end of 2022 in accordance with the relevant regulations and the requirements of relevant securities supervision and management departments. The Possible Merger is consistent with the Shareholders' undertaking and would help address any possible competition between the Company and the Target Company.

Strengthen the Independence of the Target Group from the Controlling Shareholders

In November 2019, the Target Company was requested by Liaoning CSRC to rectify certain independence issues in relation to certain regulatory criticisms of the unsatisfactory conditions regarding (i) independence in business management; (ii) independence in financial management; (iii) independence in personnel management; and (iv) independence for certain management department. The regulatory criticisms reinforce the need for future integration of port-related resources of the Group and the Target Group, as opposed to utilising the central coordination of Liaoning Port Group as controlling shareholder.

2.8 Listing Rules Implications

As one of the applicable percentage ratios in respect of the Merger Agreement exceeds 100%, the transactions contemplated under the Merger Agreement constitute a very substantial acquisition of the Company subject to the announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CMG is the ultimate beneficial owner of both the Company and the Target Company. Therefore, the transactions contemplated under the Merger Agreement also constitute a connected transaction of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. CMG and its associates will be required to abstain from voting at any Shareholders' meeting to approve the transactions contemplated under the Merger Agreement.

The issue of A Shares under the A Share Specific Mandate is conditional upon completion of the Possible Merger and will constitute a variation of class rights of the holders of A Shares and the holders of H Shares under the Articles of Association. Pursuant to Rule 14.06(5), Rule 19A.38 of the Listing Rules and the Articles of Association, the A Share Specific Mandate is required to be approved by the Shareholders at a general meeting and separate class meetings. CMG and its associates shall be required to abstain from voting at any Shareholder's meeting to approve the A Share Specific Mandate.

Save as disclosed above, no other Shareholder is required to abstain from voting at any Shareholder's meeting to approve the A Share Specific Mandate.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Merger Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

Each of Mr. Wei Minghui, Mr. Sun Dequan, Mr. Cao Dong, Mr. Qi Yue, Mr. Yuan Yi, and Ms. Na Danhong, being a Director also holding a management position or directorship with CMG or its associates (other than the Group), has abstained from voting on the board resolution approving the Merger Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors attending the board meeting has a material interest in or is required to abstain from voting on the Merger Agreement and the transactions contemplated thereunder.

Waiver from strict compliance with Rule 14.06B

The Possible Merger may trigger the bright line tests in Rule 14.06B of the Listing Rules as follows: (1) The Possible Merger constitutes a very substantial acquisition ("**VSA**") of the Company, in which the Company will issue new A Shares as consideration shares in exchange for all the TC Shares. Upon completion of the Possible Merger, YKP, being the current 78.29% shareholder of the Target Company, is expected to exchange its TC Shares for new A Shares to be issued by the Company, thereby increasing its shareholding in the Company to over 30% thus falling within the definition of "controlling shareholder" under Rule 1.01 of the Listing Rules. (2) On May 31, 2019, Liaoning SASAC and China Merchants Liaoning entered into an equity transfer agreement, pursuant to which Liaoning SASAC agreed to transfer 1.1% equity interest in Liaoning Port Group to China Merchants Liaoning at nil consideration. Completion took place on September 30, 2019. Upon completion of the transfer, Liaoning Port Group was owned as to 51% by China Merchants Liaoning, and China Merchants Liaoning became a new controlling Shareholder of the Company. The Possible Merger will be a VSA from an associate (i.e. Liaoning Port Group) of a new controlling Shareholder (i.e. China Merchants Liaoning) within 36 months of its becoming a new controlling Shareholder. (3) On around December 20, 2017, Dalian SASAC entered into a share transfer agreement with Liaoning Port Group (formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司)), pursuant to which Dalian SASAC agreed to transfer 100% equity interests in Dalian Group to Liaoning Port Group at nil consideration. Completion of the relevant transfer took place in February 2018. The Possible Merger will therefore be a VSA from a new controlling Shareholder (i.e. Liaoning Port Group) within 36 months of its becoming a new controlling Shareholder.

The Company considered that the above circumstances are the results of pure technicality: (1) YKP has been a subsidiary of Liaoning Port Group since February 2018, and Liaoning Port Group remains to be a controlling shareholder of the Company before and after the Possible Merger. (2) China Merchants Liaoning has become a controlling shareholder of the Company and the Target Company in September 2019. However, the Possible Merger is an injection from Liaoning Port Group, and not from China Merchants Liaoning. (3) Liaoning Port Group has become a controlling shareholder of the Company and the Target Company in February 2018. Immediately before the relevant transfers, the ultimate controlling shareholders of the Company and the Target Company were Dalian SASAC and Yingkou SASAC, respectively. Both Dalian SASAC and Yingkou SASAC were under Liaoning SASAC, and Liaoning Port Group is wholly-owned by Liaoning SASAC at the material time. The relevant share transfers represented a change of shareholding platform between SASACs, which are regarded as PRC Governmental Bodies under the Listing Rules. At that time, each of the Executive and the CSRC has granted waiver to Liaoning Port Group from making a mandatory general offer to other shareholders of the Company for the relevant equity transfer.

With reference to the six assessment factors for the purpose of Rule 14.06B of the Listing Rules: (1) only one applicable size test ratio slightly exceeds 100%; (2) the Possible Merger does not involve any acquisition of business that is completely different from the Group's existing business as the principal businesses of the Company and Target Company are largely similar; (3) the Group holds substantial assets and carries on substantive business and its existing business will account for a major part of business after the Possible Merger; (4) the Target Company was listed on the Shanghai Stock Exchange (stock code: 600317) since 2002. It is the port operator of the Port of Yingkou, being the second largest port in Northeast China; (5) the Possible Merger will not result in any change in control of the Company; (6) the Possible Merger does not involve any such transactions or arrangements which, together with the acquisition or series of acquisitions, form a series of transactions or arrangements to list the acquisitions targets.

The Possible Merger will also provide the Company considerable benefits, details of which are set out in the section "Reasons for and benefits of the Possible Merger" in this announcement.

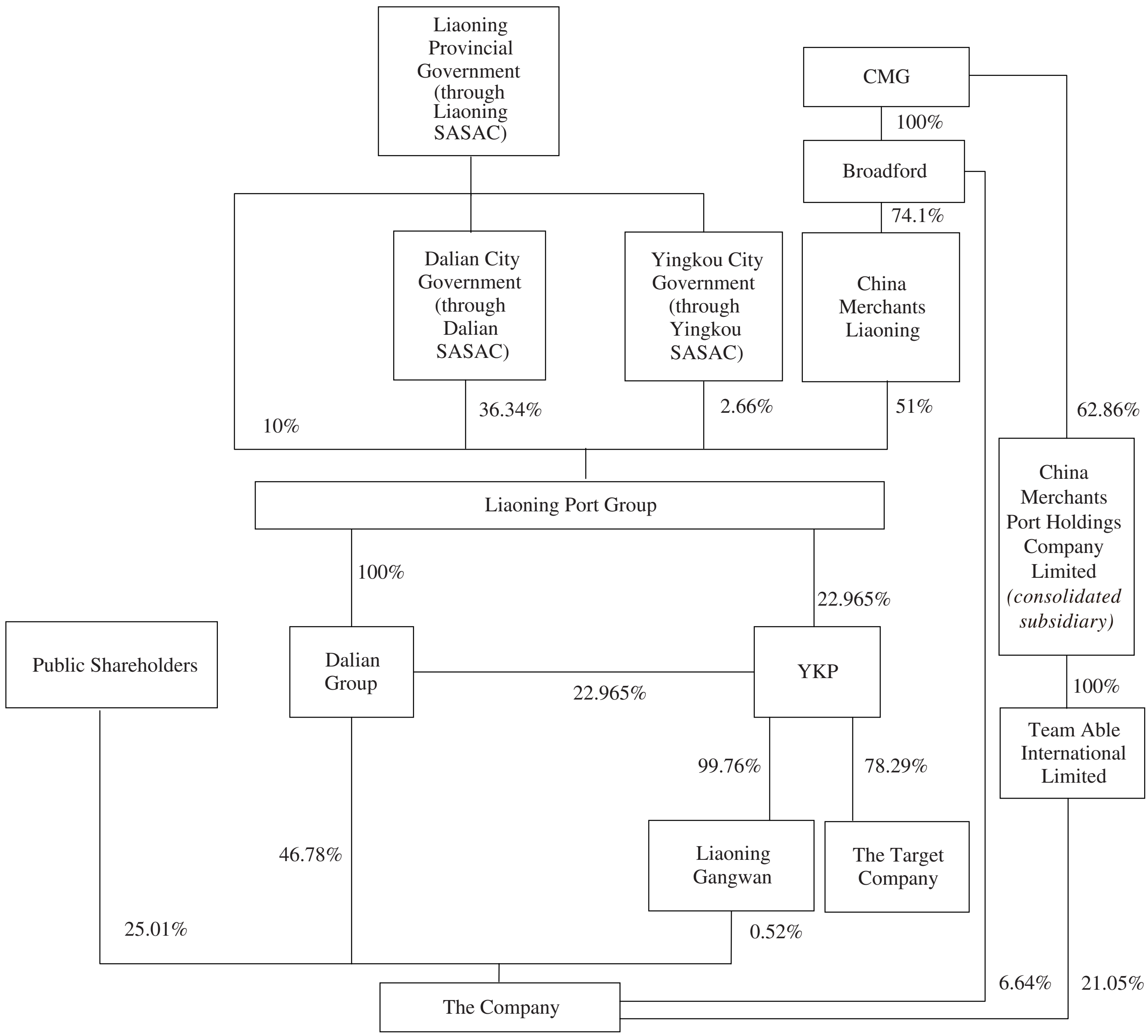
Based on the above, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.06B of the Listing Rules (subject to YKP's obtaining a waiver form the Executive from the mandatory general obligation as a result of YKP's voting rights in the Company crossing the 30% threshold under Rule 26.1 of the Takeovers Code due to its acquiring new A Shares to be issued by the Company in the Possible Merger), and the Stock Exchange has granted the waiver.

2.9 Directors' Views

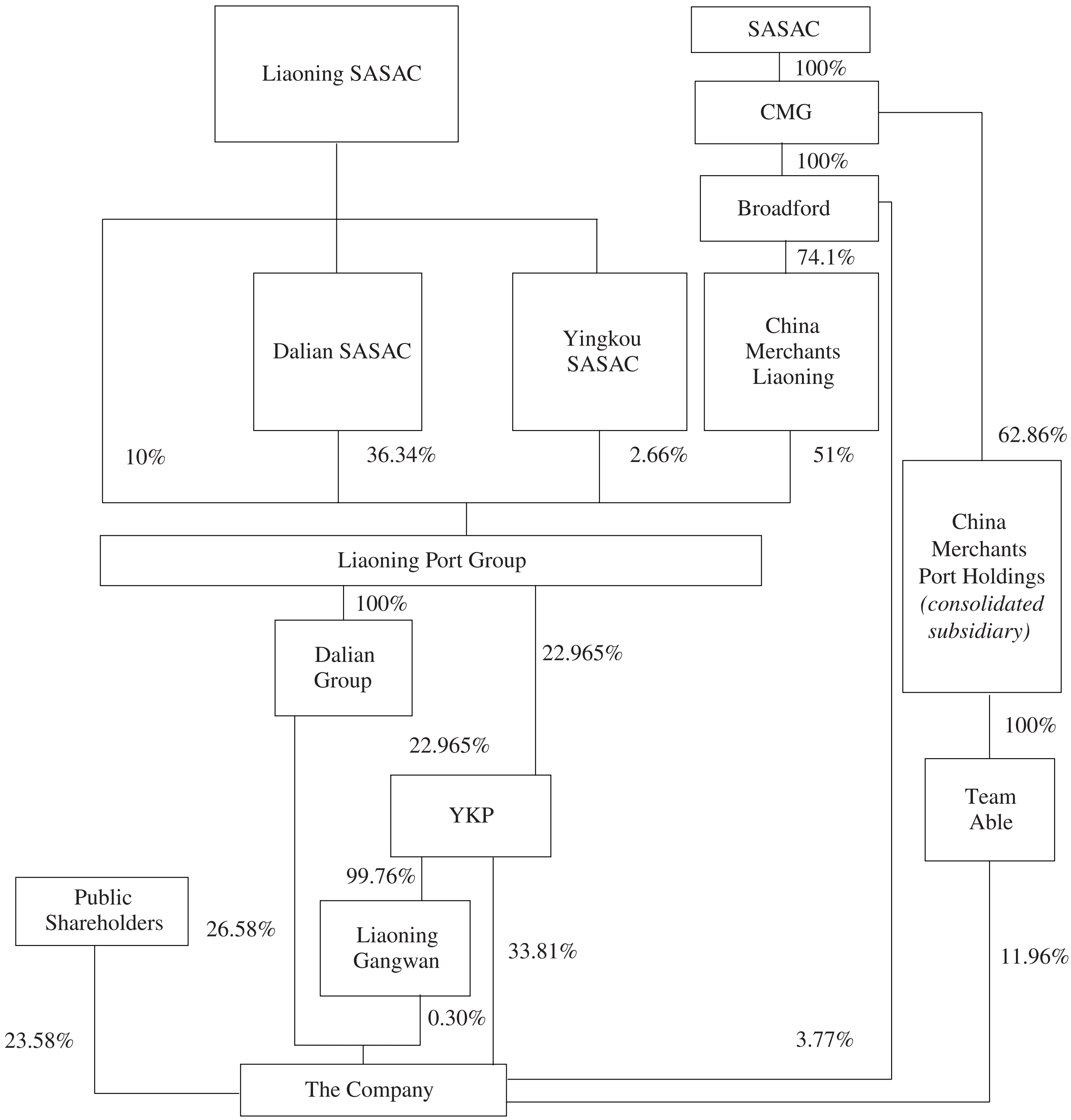
The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Merger Agreement were determined after arm's length negotiation, and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company and are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2.10 Shareholding Structure of the Company

As at the date of this announcement, the shareholding structure of the Company is as follows:



Immediately after the completion of the Possible Merger (assuming that no other Shares will be issued after the date of this announcement until the completion of the Possible Merger and not taking into account the effect of the A Share Specific Mandate, the Cash Alternative and the Buy-back Alternative), it is anticipated that the shareholding structure of the Company will be as follows:



At the completion of the Possible Merger, it is anticipated that the public float will be maintained at all times at not less than 25% by the completion of the A Share Specific Mandate or disposal of existing shares by the controlling Shareholder(s).

The Company will ensure compliance with public float requirement before and after the completion of the Possible Merger. The expected number of new A Shares that may be issued pursuant to the A Share Specific Mandate is calculated based on an understanding and estimation of the prevailing market price of the Company's A Shares at present and at time of such issue, upon which the Company believes that the minimum number of new A Shares to be issued under the A Share Specific Mandate will be able to cover any public float shortfall resulting from the Possible Merger.

For illustration purpose only, the number of A Shares to be issued under the A Share Specific Mandate will be able to cover any public float shortfall:

(a) if fundraising is up to RMB2.1 billion, and the placing price is at the same price of the share exchange price (i.e. RMB1.71 for each A Share) or at up to 50% premium; or

(b) if the placing price is at the same price of the share exchange price (i.e. RMB1.71 for each A Share), and fundraising is up to RMB734 million.

In any event, apart from the A Share Specific Mandate, the public float shortfall can also be pre-empted by a disposal of existing shares by the controlling Shareholder(s) to independent third parties.

Shareholding Tables of the Company

As of the date of this announcement:

No.	Shareholder	Number of Shares	Shareholding Percentage	Total Number of Shares
		A Shares		
1	Dalian Group*	5,310,255,162	41.18%	7,735,820,000
2	Liaoning Gangwan*	67,309,590	0.52%	
3	Public Shareholders	2,358,255,248	18.29%	
		H Shares		
1	Dalian Group*	722,166,000	5.60%	5,158,715,999
2	Broadford*	856,346,695	6.64%	
3	Team Able*	2,714,736,000	21.05%	
4	Public Shareholders	865,467,304	6.71%	

Immediately after the completion of the Possible Merger (assuming that no other Shares will be issued after the date of this announcement until the completion of the Possible Merger and not taking into account the effect of the A Share Specific Mandate, the Cash Alternative and the Buy-back Alternative):

No.	Shareholder	Number of Shares	Shareholding Percentage	Total Number of Shares
		A Shares		
1	Dalian Group*	5,310,255,162	23.39%	17,539,800,057
2	Liaoning Gangwan*	67,309,590	0.30%	
3	YKP*	7,675,107,332	33.81%	
4	Public Shareholders	4,487,127,973	19.77%	
		H Shares		
1	Dalian Group*	722,166,000	3.18%	5,158,715,999
2	Broadford*	856,346,695	3.77%	
3	Team Able*	2,714,736,000	11.96%	
4	Public Shareholders	865,467,304	3.81%	

Immediately after the completion of the Possible Merger (assuming that no other Shares will be issued after the date of this announcement until the completion of the Possible Merger, and not taking into account the effect of the Cash Alternative and the Buy-back Alternative, and assuming the A Share Specific Mandate will be issued to the maximum extent of RMB2,100,000,000 at the price of RMB1.71 per Share):

No.	Shareholder	Number of Shares	Shareholding Percentage	Total Number of Shares
		A Shares		
1	Dalian Group*	5,310,255,162	22.19%	18,767,870,232
2	Liaoning Gangwan*	67,309,590	0.28%	
3	YKP*	7,675,107,332	32.08%	
4	Public Shareholders	4,487,127,973	18.75%	
5	Investors#	1,228,070,175	5.13%	
		H Shares		
1	Dalian Group*	722,166,000	3.02%	5,158,715,999
2	Broadford*	856,346,695	3.58%	
3	Team Able*	2,714,736,000	11.35%	
4	Public Shareholders	865,467,304	3.62%	

* associates of CMG under the Listing Rules

\# The A Share Specific Mandate will be issued to investors who are independent third parties of the Company within the meaning of the Listing Rules, and their shareholding will be counted towards public float

2.11 Circular

A circular containing, among other things, (i) further details of the A Share Specific Mandate and the very substantial acquisition in connection with the Possible Merger and (ii) notices of the various Shareholders' meetings for approving the Possible Merger and the A Share Specific Mandate will be issued by the Company and despatched to the Shareholders in due course by the end of October 2020. The circular will be disclosed simultaneously with the A-share merger and acquisition report prepared under PRC regulations. For the purpose of the circular and the merger and acquisition report, the Company will need time to conduct audit work, property valuation report, valuation to demonstrate the reasonableness of the Exchange Ratio (among other things), rendering the expected date of dispatch of the circular more than 15 business days after this announcement.

The Possible Merger may or may not be proceeded with or become unconditional or effective. There is no assurance that all the conditions precedents contained in the Merger Agreement can be satisfied. Investors and potential investors should exercise care, and should only rely on information published by the Company, when dealing, or contemplating dealing, in the Shares.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any shares or securities.

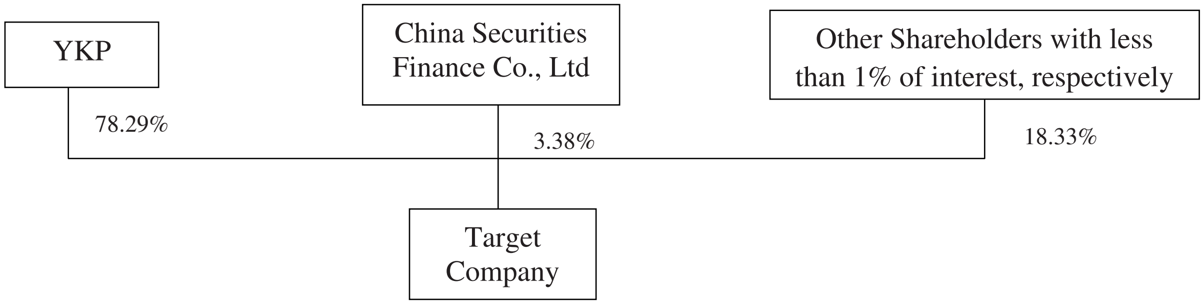
2.12 EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Possible Merger and the A Share Specific Mandate. Any Shareholder with a material interest in any of the above matters and his/her/its close associates will be required to abstain from voting on the relevant resolution(s). As at the date of this announcement, CMG and its associates, collectively holding 9,670,813,447 Shares (comprising 5,377,564,752 A Shares and 4,293,248,695 H Shares) of the Company amounting to approximately 75% of the total issued share capital of the Company, shall abstain, from voting at the EGM in respect of the Possible Merger. Save as aforesaid, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the relevant resolution(s) at the EGM.

2.13 Information of the Parties

The Target Company

The Target Company is a limited liability company established in the PRC, with its A shares listed on the Shanghai Stock Exchange (stock code: 600317). On 20 December 2017, Yingkou SASAC has entered into a share transfer agreement with Liaoning Port Group (formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司)), pursuant to which, Yingkou SASAC has agreed to transfer 100% equity interests in YKP to Liaoning Port Group (formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司)) at nil consideration. CMG, a state wholly-owned enterprise established under the laws of the PRC under the direct control of the SASAC, is the controlling shareholder of the Target Company. CMG mainly provides services in three sectors, including transportation and related infrastructure, financial services, as well as city and industrial park development and operations. The shareholding structure of the Target Company as at the date of this announcement is as follows:



The Target Group is principally engaged in terminal and other port facility services, cargo stevedoring, warehousing services, ship port services, port facility equipment and port machinery rental and maintenance services, which is in the same industry as that of the Group. After the completion of the Possible Merger, the Target Company will merge into and become absorbed by the Company and will cease to exist.

Based on the audited financial information of Target Company prepared in accordance with PRC accounting regulations, the net asset value attributable to equity holders of the Target Company as at 31 December 2018 and 31 December 2019 and the net profit before tax and net profit after tax attributable to equity holders of Target Company for the two financial years ended 31 December 2018 and 31 December 2019 respectively as stated in Target Company's published annual reports are as follows:

	As at 31 December 2018	**As at 31 December 2019**
Net asset value attributable to equity holders	RMB11,639,358,734.20	RMB12,345,269,133.07
	For the year ended 31 December 2018	**For the year ended 31 December 2019**
Net profit before tax	RMB1,337,192,438.73	RMB1,352,392,913.96
Net profit after tax	RMB1,000,905,501.38	RMB1,011,632,317.93

The Company

As a unified operation platform of port logistics business in Dalian area, the Company is one of the largest comprehensive port operators in Northeast China, principally engaging in oil/liquefied chemical terminal and the related logistics services (Oil segment); container terminal and related logistics services (Container segment); automobile terminal and related logistics services (Automobile Terminal Segment); bulk and general cargo terminal and related logistics services (Bulk and General Cargo Segment); bulk grain terminal and related logistics services (Bulk Grain Segment); passenger and roll-on, roll-off terminal and related logistics services (Passenger and Ro-Ro Segment) and value-added and ancillary port operations (Value-added Services Segment). CMG is the ultimate beneficial owner of the Company.

DEFINITIONS

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

"average trading price"	means the volume weighted average price which is calculated by dividing (i) the aggregated daily turnover of the shares on the relevant trading day(s) by (ii) the aggregated daily trading volume of the shares on the relevant trading day(s);
"A Share Specific Mandate"	as described under section 2.5 of this announcement;
"A Share(s)"	A Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Shanghai Stock Exchange;
"Articles of Association"	means the articles of association of the Company;
"associates"	has the meaning ascribed thereto under the Listing Rules;
"Board"	means the board of directors of the Company;
"Broadford"	means Broadford Global Limited, a company incorporated in Hong Kong with limited liability and is directly wholly owned by China Merchants Holdings (HK) and ultimately wholly-owned by CMG;
"Buy-back Alternative"	means the right of the Dalian Port Dissenting Shareholder to require the Buyback Alternative Provider to buy-back its Shares as required by the applicable PRC laws and regulations and the Articles of Association;
"Buy-back Alternative Declaring Period"	means the period to be determined and announced by the Company in which Dalian Port Dissenting Shareholder may declare their election of the Buy-back Alternative;
"Buy-back Alternative Exercise Day"	means the day to be determined and announced by the Company on which the Buy-back Alternative Provider shall pay, and the Dalian Port Dissenting Shareholder shall receive, cash in exchange for the Shares held by the Dalian Port Dissenting Shareholders pursuant to the Possible Merger;
"Buy-back Alternative Provider"	means Liaoning Port Group (including its subsidiaries) and/or its designated independent third party who shall, on the Buy-back Alternative Exercise Day, pay the Dalian Port Dissenting Shareholders in cash in exchange for the whole or part of the A Shares or H Shares held by such Dalian Port Dissenting Shareholders pursuant to the Possible Merger;

"Cash Alternative"	means the right of the TC Dissenting Shareholder to elect to receive cash from the Cash Alternative Provider pursuant to the Possible Merger as required by the applicable PRC laws and regulations;
"Cash Alternative Declaring Period"	means the period to be determined and announced by the Company and Target Company in which the TC Dissenting Shareholder may declare its election of the Cash Alternative;
"Cash Alternative Exercise Day"	means the day to be determined and announced by the Company and Target Company on which the Cash Alternative Provider shall pay, and the TC Dissenting Shareholder shall receive, such cash in exchange for the TC Shares held by the TC Dissenting Shareholders pursuant to the Possible Merger;
"Cash Alternative Provider"	means Liaoning Port Group (including its subsidiaries) and/or its designated independent third party who shall, at the Cash Alternative Exercise Day, pay the TC Dissenting Shareholder in cash in exchange for the whole or part of TC Shares held by such TC Dissenting Shareholders pursuant to the Possible Merger;
"China Merchants Holdings (HK)"	means China Merchants Holdings (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and is ultimately wholly-owned by CMG;
"China Merchants Liaoning"	means China Merchants (Liaoning) Port Development Company Limited (招商局(遼寧)港口發展有限公司), a limited liability company established in the PRC and is indirectly wholly-owned by Broadford and ultimately wholly owned by CMG;
"China Merchants Port Group"	means China Merchants Port Group Co. Ltd. (招商局港口集團股份有限公司), a joint stock limited company established in the PRC whose A shares and B shares are listed on the Shenzhen Stock Exchange (stock code: 001872/201872) and an indirectly owned subsidiary of CMG;
"China Merchants Port Holdings"	means China Merchants Port Holdings Company Limited (招商局港口控股有限公司), a limited liability company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange (stock code: 144) and is a consolidated subsidiary of China Merchants Port Group and is therefore an indirectly owned subsidiary of CMG;
"CMG"	means China Merchants Group Limited (招商局集團有限公司), a state wholly-owned enterprise established under the laws of the PRC under the direct control of the SASAC;

"Company"	means Dalian Port (PDA) Company Limited (大連港股份有限公司), a joint stock limited company established in the PRC whose H Shares and A Shares are listed on the Main Board of the Stock Exchange (stock code: 2880) and the Shanghai Stock Exchange (stock code: 601880) respectively;
"connected person"	has the meaning ascribed thereto under the Listing Rules;
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules;
"CSRC"	means the China Securities Regulatory Commission;
"daily average trading price"	means the volume weighted average price which is calculated by dividing (i) the daily turnover of the shares on the relevant trading day by (ii) the daily trading volume of the shares on the relevant trading day;
"Dalian Group"	means Dalian Port Corporation Limited (大連港集團有限公司), the controlling shareholder of the Company and a limited liability company established in the PRC and directly wholly-owned by Liaoning Port Group;
"Dalian Port Dissenting Shareholder"	means the Shareholder who: (i) has made effective dissenting votes at the Shareholders' general meetings or respective class meetings of the Company convened for the purpose of approving the Possible Merger; (ii) continuously holds the Shares representing the above-mentioned effective dissenting votes until the Buy-back Alternative Exercise Day; and (iii) has, within the Buy-back Alternative Declaring Period, duly declared the above-mentioned effective dissenting votes that enable it to exercise the Buyback Alternative; and excluding: (i) any Shares with restrictions on rights, e.g. any Shares subject to pledge or third parties' rights or any Shares that are frozen as a result of judicial proceedings;

(ii) any Shareholder who has committed in writing to the Company that it will not elect to receive the Buy-back Alternative; and

(iii) any Shares that are not permitted to elect the Buy-back Alternative pursuant to applicable laws and regulations;

"Dalian SASAC"	State-owned Assets Supervision and Administration Commission of the People's Government of Dalian;
"Directors"	means the directors of the Company;
"Exchange Ratio"	means the ratio at which 1.5146 A Shares will be issued by the Company in exchange for every TC Share under the Possible Merger, subject to adjustment as set out in this announcement;
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates;
"Group"	the Company and its subsidiaries;
"H Shares"	H Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Stock Exchange;
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent board committee of the Board established pursuant to the Listing Rules to give recommendation to the Independent Shareholders in relation to the terms of the A Share Specific Mandate and the Merger Agreement;
"Independent Shareholders"	means the shareholders of the Company, other than CMG and its associates;
"Liaoning Gangwan"	means Liaoning Gangwan Financial Holding Group Co., Ltd. (遼寧港灣金融控股集團有限公司), a limited liability company established in the PRC and directly wholly owned by YKP as to approximately 99.76%, which is in turn owned by Liaoning Port Group as to approximately 45.93%;
"Liaoning Port Group"	means Liaoning Port Group Limited (遼寧港口集團有限公司), formerly known as Liaoning North East Asia Gang Hang Development Co., Ltd. (遼寧東北亞港航發展有限公司), a limited liability company established in the PRC;

"Liaoning SASAC"	State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"Merger Agreement"	means the agreement entered into between the Company and the Target Company on 7 July 2020 in relation to the Possible Merger;
"Possible Merger"	means the proposed absorption of the Target Company by the Company pursuant to the Merger Agreement through the proposed issue of A Shares by the Company at the Exchange Ratio to exchange for TC Shares or the Cash Alternative;
"PRC" or "China"	means the People's Republic of China;
"Price Adjustment Period"	means the period from the announcement date of Shareholders' general meeting where the resolution regarding the Possible Merger is passed to approval of the Possible Merger by CSRC;
"Price Base Day"	means the date on which the announcement of the first Board meeting reviewing the Possible Merger is published;
"Price Fixing Period"	means the 20 trading days ending on and including 19 June 2020;
"RMB"	means Renminbi, the lawful currency of the PRC;
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
"SFC"	the Securities and Futures Commission of Hong Kong;
"Shareholders"	means the shareholders of the Company;
"Shares"	means A Shares and H Shares;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules;
"Takeovers Code"	the Code on Takeovers and Mergers;
"Target Company"	means Yingkou Port Liability Co., Ltd. (營口港務股份有限公司), a limited liability company incorporated in the PRC whose A shares are listed on the Shanghai Stock Exchange (stock code: 600317);

"Target Group"	means the Target Company and its subsidiaries;
"TC Dissenting Shareholder"	means any TC Shareholder who: (i) has made the effective dissenting votes at the shareholders' meeting of Target Company convened for the purpose of approving the Possible Merger; (ii) continuously holds the TC Shares representing the effective dissenting votes until the Cash Alternative Exercise Day; and (iii) has, within the Cash Alternative Declaring Period, duly declared the above-mentioned effective dissenting votes that enable it to exercise the Cash Alternative; and excluding: (i) any TC Shares with restrictions on rights, e.g. any TC Shares subject to pledge or third parties' rights or any TC Shares that are frozen as a result of judicial proceedings; (ii) any TC Shareholder who has committed in writing to the Target Company that it will not elect to receive the Cash Alternative; and (iii) any TC Shares that are not permitted to elect the Cash Alternative pursuant to applicable laws and regulations; above-mentioned TC Shares not entitled to Cash Alternative will be converted into the new A Shares issued by the Company in accordance with the Exchange Ratio on 1.5146;
"TC Shareholders"	means the shareholders of the Target Company;
"TC Shares"	means the A shares of the Target Company issued and listed on Shanghai Stock Exchange;
"Team Able"	means Team Able International Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of China Merchants Port Holdings;

"trading day"	with respect to A shares, means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities; and with respect to H shares, means a day on which the Stock Exchange is open for dealing or trading in securities;
"Yingkou SASAC"	State-owned Assets Supervision and Administration Commission of the People's Government of Yingkou;
"YKP"	means Ying Kou Port Group Corporation Limited (營口港務集團有限公司), a limited liability company established in the PRC and is recognised as a subsidiary in the consolidated financial statements of Liaoning Port Group; and
"%"	per cent.

In this announcement: (i) for illustration purpose, an exchange rate of RMB0.9133 to HK$1.00 has been applied; and (ii) for the avoidance of doubt, references to "not less than" a figure and "not more than" a figure shall include the figure mentioned.

By Order of the Board
Dalian Port (PDA) Company Limited*
WANG Huiying LEE, Kin Yu Arthur
Joint Company Secretaries

Dalian City, Liaoning Province, the PRC
7 July 2020

As at the date of this announcement, the Board comprises:

Executive directors: WEI Minghui and SUN Dequan
Non-executive directors: CAO Dong, QI Yue, YUAN Yi and NA Danhong
Independent non-executive directors: LI Zhiwei, LIU Chunyan and LAW Man Tat

* *The Company is registered as Non-Hong Kong Company under Part XI of the previous Hong Kong Companies Ordinance (equivalent to Part 16 of the Hong Kong Companies Ordinance with effect from 3 March 2014) under the English name "Dalian Port (PDA) Company Limited".*

* *For identification purposes only.*