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大連港股份

大連港股份有限公司

Dalian Port (PDA) Company Limited*

(a sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 2880)

**CONNECTED TRANSACTION;
DISPOSAL OF INTEREST IN DPN;
ACQUISITION OF INTEREST IN CHINA
MERCHANTS INFORMATION**

Introduction

On 18 December 2020, China Merchants Port Holdings, China Merchants Port Group, Dalian Port Container, Dalian Port Jifa Logistics (each of Dalian Port Container and Dalian Port Jifa Logistics is a wholly owned subsidiary of the Company), YKP and China Merchants Information entered into a capital increase agreement, pursuant to which Dalian Port Container, Dalian Port Jifa Logistics and YKP agreed to make a capital contribution to China Merchants Information in proportion to terms set out in the Agreement.

Listing Rules Implications

As of the date of this announcement, YKP is a subsidiary of Liaoning Port Group, an indirect holding company of the Company. Each of China Merchants Port Group and China Merchants Port Holdings is an indirectly owned subsidiary of CMG, an indirect holding company of the Company. Therefore, each of YKP, China Merchants Port Group and China Merchants Port Holdings is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules.

As such, the transaction under the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the transaction contemplated under the Agreement exceed 0.1% but are less than 5%, the Capital Increase constitutes a connected transaction subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 18 December 2020, China Merchants Port Holdings, China Merchants Port Group, Dalian Port Container, Dalian Port Jifa Logistics (each of Dalian Port Container and Dalian Port Jifa Logistics is a wholly owned subsidiary of the Company), YKP and China Merchants Information entered into a capital increase agreement (the “**Agreement**”), pursuant to which Dalian Port Container, Dalian Port Jifa Logistics and YKP agreed to make a capital contribution to China Merchants Information in proportion to terms set out in the Agreement (the “**Capital Increase**”).

THE AGREEMENT

Date	:	18 December 2020
Parties	:	(1) China Merchants Port Holdings (2) China Merchants Port Group (3) Dalian Port Container (4) Dalian Port Jifa Logistics (5) YKP; and (6) China Merchants Information
Subscription of share capital	:	According to the Agreement, Dalian Port Container, Dalian Port Jifa Logistics and YKP shall inject new capital in total amount of RMB80,494,900 to China Merchants Information, of which RMB37,848,200 by way of registered capital;
Shareholding as of the date of the Agreement	:	As at the date of this announcement, China Merchants Information is owned as to 23.16% equity interest by China Merchants Port Group and 76.84% by China Merchants Port Holdings;
Shareholding after Completion	:	Upon Completion, the shareholding structure of China Merchants Information shall be as below:

<i>Company Name</i>	<i>Share Percentage</i>
China Merchants Port Group	13.18%
China Merchants Port Holdings	43.74%
Dalian Port Container	22.38%
Dalian Port Jifa Logistics	13.26%
YKP	7.44%

- Consideration : (1) Dalian Port Container shall pay its capital contribution with its 49.63% equity interests in DPN, the appraisal value of which amounts to RMB41,809,500 according to the Valuation;
- (2) Dalian Port Jifa Logistics shall pay its capital contribution with its 29.4% equity interests in DPN, the appraisal value of which amounts to RMB24,767,300 according to the Valuation; and
- (3) YKP shall pay its capital contribution with its 100% equity interests in YKP Technology, the appraisal value of which amounts to RMB13,918,100 according to the Valuation.
- Conditions precedent : (1) China Merchants Port Group having completed due diligence (including legal, financial and tax due diligence) on China Merchants Information, DPN and YKP Technology (“**Re-organized Companies**”);
- (2) all necessary regulatory filings and approvals of the relevant authorities for the Agreement and the transactions contemplated thereunder having been made and obtained;
- (3) a qualified valuer having been appointed to evaluate the Re-organized Companies and the valuation report having been filed to relevant authorities;
- (4) written reply having been obtained from relevant authorities granting exemption to the Capital Increase from required procedures for the state-owned assets transaction;
- (5) each of the parties to the Agreement having obtained internal authorization and approval from relevant authorities;
- (6) each of the parties to the Agreement having executed the Agreement and any other necessary transaction documents to which it is a party;
- (7) China Merchants Port Holdings and China Merchants Port Group having irrevocably and unconditionally waived any pre-emptive right in relation to the Capital Increase;

- (8) each of the Re-organized Companies having completed the change of registration and filing procedures for the Capital Increase, the relevant authorities having issued a new business license to each of the Re-organized Companies and relevant registration and filing procedures having been completed in relation to the directors and the supervisors of China Merchants Information being newly appointed according to the Agreement;
- (9) China Merchants Information having completed the information change of foreign-invested enterprises required by the Ministry of Commerce in relation to the Agreement and relevant transactions contemplated thereunder, and having provided relevant proof to other parties to the Agreement;
- (10) Dalian CI having agreed to the amendment to the articles of association of DPN and cooperated with relevant business change registration procedures of DPN;
- (11) DPN having acquired the remaining 51% equity interest in Dalian Portsoft and having provided relevant proof;
- (12) no material adverse effect having occurred to the Re-organized Companies;
- (13) all information provided for the Capital Increase remaining true, accurate and not misleading in all material aspects; and
- (14) no material change of relevant law and government policies having occurred to the effect of restricting, prohibiting or otherwise impeding the Agreement and transactions contemplated thereunder.

Long Stop Date : If any of the conditions precedent set out above (i) has not been waived in written form by China Merchants Port Holdings and China Merchants Port Group or (2) has not been satisfied before the date of three months after 18 December 2020 (the “**Long Stop Date**”), the parties to the Agreement shall negotiate in good faith to fulfill the commercial purpose of the Agreement. If the parties to the Agreement fail to reach an agreement on an alternative solution within thirty (30) business days after the Long Stop Date, China Merchants Port Holdings and China Merchants Port Group shall have the right to terminate the Agreement without any liability.

Completion : Completion shall take place upon the change of registration of China Merchants Information or any other date agreed by the parties to the Agreement (“**Completion Date**”).

Board composition : As of the Completion Date, China Merchants Information shall have 7 directors. China Merchants Port Holdings is entitled to nominate 3 directors and each of China Merchants Port Group, Dalian Port Container, Dalian Port Jifa Logistics and YKP is entitled to nominate 1 director. All nominated candidates will be subject to the shareholders' approval at a general meeting of China Merchants Information.

BASIS OF CONSIDERATION

The consideration was determined on the basis of normal commercial terms, after arm's length negotiation between the parties, and with reference to the Valuation.

FINANCIAL INFORMATION OF DPN

DPN and its subsidiaries are principally engaged in domestic freight transportation agency, Internet information service, Internet domain name registration service, value-added telecom services of the first category and of the second category.

Set out below is the audited consolidated financial information of DPN for the years ended 31 December 2018 and 2019.

	For the year ended/ as at 31 December 2018 (RMB) (audited)	For the year ended/ as at 31 December 2019 (RMB) (audited)
Net assets	74,792,380	87,574,002
Net profit before taxation	14,316,511	14,792,075
Net profit after taxation	12,798,783	12,781,622

INFORMATION OF YKP TECHNOLOGY

YKP Technology is a limited liability company incorporated under the laws of the PRC and is principally engaged in network engineering, web design services, network technical services, integrated wiring and software design and development. As at the date of this announcement, YKP Technology is a wholly owned subsidiary of YKP.

Set out below is the financial information of YKP Technology.

	For the year ended/ as at 31 December 2018 (RMB) (audited)	For the year ended/ as at 31 December 2019 (RMB) (audited)
Net assets	13,281,337	13,907,756
Net profit before taxation	1,370,457	653,039
Net profit after taxation	1,027,843	542,894

INFORMATION OF CHINA MERCHANTS INFORMATION

China Merchants Information is principally engaged in database network service, system integration, software development, information consultation, import and export business of software products, electronic products and computer supporting equipment, development and sales of computer software and hardware, providing Computer software and hardware technology solutions and related consulting and technical services and undertaking software research and development outsourcing services and computer room decoration engineering.

Set out below is the consolidated financial information of China Merchants Information for the years ended 31 December 2018 and 2019.

	For the year ended/ as at 31 December 2018 (RMB) (audited)	For the year ended/ as at 31 December 2019 (RMB) (audited)
Net assets	81,275,416	91,504,444
Net profit before taxation	10,705,077	11,435,450
Net profit after taxation	11,038,734	10,229,028

FINANCIAL EFFECT ON THE COMPANY

It is expected that the Group will record a gain of approximately RMB2,650,000 for the Capital Increase, based on difference between the consideration of the Group based on the Valuation which amounts to approximately RMB66,576,000 and 79.03% of the consolidated net asset value of the DPN and its subsidiaries of approximately RMB71,497,000 with the Company's goodwill of approximately RMB7,419,000.

Upon completion of the Capital Increase, DPN will no longer be a subsidiary of the Company. Accordingly, the assets, liabilities and financial results of DPN will no longer be consolidated into the consolidated financial statements of the Group.

Upon completion of the Capital Increase, the Group will only hold approximately 35.64% interest in China Merchants Information, which interest will be accounted for as long term equity investment and will be calculated by equity method. The current profits and losses will be included in the investment income.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Capital Increase is conducive to the Company's integration of its informatization resources, reducing the cost of management and improving the efficiency of the Company. The Capital Increase is consistent with the Company's overall business strategy.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and are fair and reasonable, on normal commercial terms or better after arm's length negotiations among the parties and in the interests of the Company and its Shareholders as a whole.

IMPLICATION UNDER LISTING RULES

As of the date of this announcement, YKP is a subsidiary of Liaoning Port Group, an indirect holding company of the Company. Each of China Merchants Port Group and China Merchants Port Holdings is an indirectly owned subsidiary of CMG, an indirect holding company of the Company. Therefore, each of YKP, China Merchants Port Group and China Merchants Port Holdings is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules.

As such, the transaction under the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the transaction contemplated under the Agreement exceed 0.1% but are less than 5%, the Capital Increase constitutes a connected transaction subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION OF THE PARTIES

The Group is principally engaged 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).

YKP is a company with limited liability established in the PRC, with principal business in terminal and other port facility services, cargo handling, warehousing services, ship port services, port facility equipment and port machinery rental and maintenance services. YKP is ultimately non-wholly owned by CMG that is wholly owned by the PRC Government (the State Council of the PRC) and supervised by the SASAC. CMG mainly provides services in three sectors, including transportation and related infrastructure, financial investment and asset management, and industry park and property development and management. The top ten shareholders of YKP are Liaoning Port Group Co., Ltd, Dalian Port Corporation Limited, Bank of China Limited Yingkou Branch*, Industrial and Commercial Bank of China Limited Liaoning Branch*, China Construction Bank Corporation Yingkou Branch*, ABC Financial Assets Investment Co., Ltd.*, Bank of Communications Co., Ltd. Liaoning Branch*, Postal Savings Bank of China Co., Ltd. Liaoning Branch*, Industrial Bank Co., Ltd. Yingkou Branch* and Shanghai Pudong Development Bank Co., Ltd. Yingkou Branch*. Except for Liaoning Port Group Co., Ltd. and Dalian Port Corporation Limited (each of which holds 22.97% equity interest of YKP), each of the remaining top ten shareholders of YKP holds less than 10% equity interest.

China Merchants Port Group is a stock limited company incorporated in Shenzhen, Guangdong Province, on 16 January 1993. China Merchants Port Group is principally engaged in the rendering of port service, bonded logistics service and other business such as property development and investment. China Merchants Investment Development Company Limited holds 59.75% equity interest, China Merchants Group Gangtong Development (Shenzhen) Co., Ltd.* holds 19.29% equity interest and Broadford holds 2.88% equity interest of China Merchants Port Group, each of which is ultimately controlled by CMG. Each of the remaining top ten shareholders of China Merchants Port Group holds less than 10% equity interest.

The core business of China Merchants Port Holdings and its subsidiaries includes investment in and/or operation of port and port-related business. China Merchants Port Holdings is the world's leading port developer, investor and operator, with a comprehensive ports network portfolio spanning six continents and 25 countries and regions. China Merchants Port Holdings and its subsidiaries has, in recent years, been actively exploring and, as and when deemed appropriate, captured available acquisition opportunities overseas as a pertinent means to effectively add new growth drivers to its existing and sustainably growing ports business. The principal activities of China Merchants Port Holdings are ports operation, bonded logistics operation etc. China Merchants Port Holdings is held by China Merchants Union (BVI) Limited with 22.36% equity interests and China Merchants Port Group with 41.85% equity interest. China Merchants Port Group, through a concert party agreement with China Merchants Holdings (Hong Kong) Company Limited, exercises 64.21% voting rights in China Merchants Port Holdings. China Merchants Port Holdings is ultimately held by CMG.

Definition

“Board”	the board of Directors;
“Broadford”	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;
“China Merchants Information”	招商局國際信息技術有限公司(China Merchants Holdings (international) information Technology Co., Ltd.), a limited liability company incorporated in PRC, is owned as to 23.16% equity interest by China Merchants Port Group and 76.84% by China Merchants Port Holdings;
“China Merchants Port Holdings”	招商局港口控股有限公司(China Merchants Port Holdings Company Limited), 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;
“China Merchants Port Group”	招商局港口集團股份有限公司(China Merchants Port Group Co., Ltd.), a joint stock limited company established in the PRC whose A shares and B shares are listed on the Shenzhen Stock Exchange (stock code: 1872) and an indirectly owned subsidiary of CMG;
“CMG”	招商局集團有限公司(China Merchants Group Limited), a state wholly-owned enterprise established under the laws of the PRC under the direct control of the SASAC;

“Company”	大連港股份有限公司(Dalian Port (PDA) Company Limited*), a joint stock limited company incorporated in 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;
“Dalian CI”	大連市建設投資集團有限公司(Dalian Construction Investment Group Co., Ltd.) which is wholly owned by Dalian SASAC;
“Dalian Port Jifa Logistics”	大連港集發物流有限公司(Dalian Port Jifa Logistics Co., Ltd.), a wholly owned subsidiary of the Company;
“Dalian Port Container”	大連港集裝箱發展有限公司(Dalian Port Container Development Co., Ltd.), a wholly owned subsidiary of the Company;
“Dalian Portsoft”	大連港隆科技有限公司(Dalian Portsoft Technology Company Limited), 49% equity interest of which is owned by DPN;
“Director(s)”	the director(s) of the Company;
“DPN”	大連口岸物流網股份有限公司(Dalian Port Logistics Network Co., Ltd.), a limited liability company incorporated in PRC and is owned as to 49.63% equity interest by Dalian Port Container, 29.4% by Dalian Port Jifa Logistics and 20.97% by Dalian CI;
“Group”	the Company and its subsidiaries;
“Liaoning Port Group”	遼寧港口集團有限公司(Liaoning Port Group Limited), a controlling shareholder of YKP and a limited liability company established in the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“normal commercial terms or better”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong Special Administrative Region of the PRC, Macao Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Valuation”	the valuation of DPN as at 31 December 2019 by Shanghai Lixin Appraisal Co., Ltd. (上海立信資產評估有限公司), being an independent valuer qualified in the PRC (the “Valuer”), using the asset based approach and based on the financial information of DPN as at and for the year ended 31 December 2019. The Valuer has further reviewed the asset value based on the financial information of DPN as at 30 November 2020 and considered that there is no material difference between the asset value of DPN as at 30 November 2020 and the Valuation;
“YKP”	營口港務集團有限公司(Yingkou Port Group Corporation Limited), a limited liability company established in the PRC and non-wholly owned as to 45.9% by Liaoning Port Group;
“YKP Technology”	營口港信科技有限公司(Yingkou Gangxin Technology Co., Ltd), a limited liability company established in the PRC and is wholly owned by YKP;
“%”	per cent

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
18 December 2020

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

Executive Directors: WEI Minghui, SUN Dequan and QI Yue

Non-executive Directors: CAO Dong, 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 Companies Ordinance (equivalent to Part 16 of the Companies Ordinance with effect from 3 March 2014) under the English name “Dalian Port (PDA) Company Limited”.*

* *For identification purposes only*