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## **Dalian Port (PDA) Company Limited\***

**大連港股份有限公司**

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

**(Stock Code: 2880)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **MERGER AGREEMENT**

##### **THE MERGER AGREEMENT**

The Board is pleased to announce that on 4 August 2017 (after trading hours), DCT (a non wholly-owned subsidiary of the Company), DICT, DPCM, Dalian Port Container, COSCO Ports, China Shipping Terminal, China Shipping Ports, Singapore Dalian Port, PSA China and NYK entered into the Merger Agreement, pursuant to which DICT and DPCM shall be merged with and into DCT, and DCT shall continue as the Surviving Company and shall succeed to and assume all the assets, business, credits and debts of DICT and DPCM. Upon completion of the Merger, DICT and DPCM will be de-registered and the existing shareholders of DICT and DPCM will hold shares in DCT (being the Surviving Company).

##### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the Merger exceed 5% and are less than 25%, the Merger constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements under the Listing Rules.

As at the date of this announcement, DCT, a non wholly-owned subsidiary of the Company, is owned as to 51% by Dalian Port Container and 49% by Singapore Dalian Port. As Singapore Dalian Port is a substantial shareholder (as defined under the Listing Rules) of DCT, Singapore Dalian Port is a connected person of the Company at the subsidiary level. Each of Singapore Dalian Port and PSA China is controlled by Temasek Holdings. As such, PSA China is an associate of Singapore Dalian Port and a connected person of the Company at the subsidiary level. Accordingly, the transactions with Singapore Dalian Port and PSA China under the Merger constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Merger or is required to abstain from voting on the Board resolutions for approval of the same. Given (i) the Board has approved the Merger Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Merger Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Merger contemplated under the Merger Agreement is subject to the reporting and announcement requirements only but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 4 August 2017 (after trading hours), DCT (a non wholly-owned subsidiary of the Company), DICT, DPCM, Dalian Port Container, COSCO Ports, China Shipping Terminal, China Shipping Ports, Singapore Dalian Port, PSA China and NYK entered into the Merger Agreement, pursuant to which DICT and DPCM shall be merged with and into DCT, and DCT shall continue as the Surviving Company and shall succeed to and assume all the assets, business, credits and debts of DICT and DPCM. Upon completion of the Merger, DICT and DPCM will be de-registered and the existing shareholders of DICT and DPCM will hold shares in DCT (being the Surviving Company).

Principal terms of the Merger Agreement are set out below:

## **THE MERGER AGREEMENT**

**Date:** 4 August 2017 (after trading hours)

**Parties:**

- (1). DCT (a non wholly-owned subsidiary of the Company);
- (2). DICT;
- (3). DPCM;
- (4). Dalian Port Container;
- (5). COSCO Ports;
- (6). China Shipping Terminal;
- (7). China Shipping Ports;
- (8). Singapore Dalian Port;
- (9). PSA China; and
- (10). NYK.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for Singapore Dalian Port and PSA China, each of DICT, DPCM, Dalian Port Container, COSCO Ports, China Shipping Terminal, China Shipping Ports and NYK and their respective ultimate beneficial owners are Independent Third Parties.

**Merger:**

With effect from the Merger Date, all the assets, business, credits and debts of DICT and DPCM will be assumed by DCT. For this purpose, the Parties shall cooperate among each other to complete the transfer of the relevant assets, business, credits and debts as soon as possible in the following respects, including without limitation:

- (1). the Parties shall cooperate in relation to the registration with the administration for industry and commerce and the record-filing with the commerce authority for the change of DCT, the deregistration of DPCM and DICT, and the alteration and cancellation of other relevant licenses of the Merged Companies related to the Merger;
- (2). DPCM and DICT shall transfer all the tangible and intangible assets to DCT, and complete the approval, transfer of ownership, registration, record-filing, discharge and other procedures relevant to the transfer of the assets;
- (3). DPCM and DICT shall notify their clients, suppliers, lessors or lessees, other business-related parties, creditors and debtors, and assist DCT in signing the new business agreements, lease agreements and/or credits and debt agreements, or entering into an appropriate agreement regarding the transfer of rights and obligations under the agreements with such parties; and
- (4). DCT shall enter into new employment contracts with the employees who are planned to be transferred from DPCM or DICT to DCT, or sign the tripartite contracts between DPCM or DICT and relevant employees and reach an agreement with DPCM and DICT on the continuous exercise of the rights and performance of the obligations of DCT under the original employment contracts, and arrange for the relevant filing and change of registration in relation to labour, social security and housing fund matters for the relevant employees.

**Surviving Company after the Merger:**

The Parties confirm that, pursuant to the evaluation reports issued by an independent assets evaluation company (conducted using the assets-based approach), as at 31 August 2016 (the “**Evaluation Date**”), the respective assessed value of the equity interests of all the shareholders of the Merged Companies were as follows:

<b>Name of Merged Companies</b>	<b>Assessed value of all the equity interests</b>
DCT	RMB1,828,462,800
DPCM	RMB906,786,700
DICT	RMB1,528,974,600
<b>Total:</b>	<b>RMB4,264,224,100</b> (the “ <b>Total Assessed Value</b> ”)

Based on the aforesaid Total Assessed Value and after arm's length negotiation among the shareholders of the Merged Companies, the shareholders of the Merged Companies agree that the value of the equity interest in the Surviving Company held by various parties as at the Evaluation Date is as follows:

- (1). the value of the equity interest in the Surviving Company held by Dalian Port Container (including the APM Equity Interest acquired by Dalian Port Container, details of which are set out in the announcement of the Company dated 3 August 2017) is RMB2,053,223,904.15, accounting for 48.15% of the Total Assessed Value;
- (2). the value of the equity interest in the Surviving Company held by COSCO Ports, China Shipping Terminal and China Shipping Ports is RMB810,202,579, accounting for 19% of the Total Assessed Value;
- (3). the value of the equity interest in the Surviving Company held by Singapore Dalian Port and PSA China is RMB1,108,698,266, accounting for 26% of the Total Assessed Value; and
- (4). the value of the equity interest in the Surviving Company held by NYK is RMB292,099,350.85, accounting for 6.85% of the Total Assessed Value.

Upon completion of the Merger, the total amount of investment of the Surviving Company is RMB10,190,000,000.00, the registered capital and paid-in capital is RMB3,480,000,000.00, and the registered capital subscribed by each of the shareholders of the Surviving Company shall be deemed to have been duly contributed and fully paid.

Based on the aforesaid value of the equity interest in the Surviving Company held by various parties as at the Evaluation Date, the shareholding structure of the shareholders in the Surviving Company is as follows:

Name of shareholders	Amount of registered capital (in RMB)	Shareholding percentage
Dalian Port Container	1,675,620,000	48.15%
Singapore Dalian Port	722,100,000	20.75%
PSA China	182,700,000	5.25%
COSCO Ports	151,380,000	4.35%
China Shipping Terminal	382,452,000	10.99%
China Shipping Ports	127,368,000	3.66%
NYK	238,380,000	6.85%
<b>Total</b>	<b>3,480,000,000</b>	<b>100%</b>

The shareholders of the Surviving Company will enter into a joint venture agreement to govern their respective rights and obligations in the Surviving Company.

**Conditions of the Merger:**

Completion of the Merger is conditional upon the fulfilment of the following conditions (excluding those explicitly waived by all the Parties in writing to the extent permitted by applicable laws):

- (1). the following consents and approvals of the Merged Companies and their shareholders which are necessary for the Merger having been obtained:
  - (a) the resolutions approving the Merger and authorizing the execution of relevant legal documents duly passed by the board of directors of the Merged Companies; and
  - (b) the resolutions and decisions of the shareholders of the Merged Companies formed in accordance with due process approving the Merger and authorizing the execution of relevant legal documents;
- (2). all the approvals, permits, consents, examination, registration, publication and record-filing with/from the governmental authorities required for the completion of the Merger according to the applicable laws having been obtained, including without limitation the completion of the examination of the concentrations of business undertakings involved in the Merger by the Anti-monopoly Bureau of The Ministry of Commerce of the PRC (中華人民共和國商務部反壟斷局);
- (3). the representations and warranties made by the Parties in the Merger Agreement are true, accurate and complete in all respects; and
- (4). the Parties having performed and complied with the provisions and obligations under the Merger Agreement and other legal documents relevant to the Merger in all aspects.

The Parties shall make reasonable effort to satisfy the above conditions on or before 31 October 2017 (or such other date as agreed by the Parties in writing).

**Completion of the Merger:**

Completion of the Merger shall take place on the Merger Date, being the last day of the month to which the day when the conditions set out above are all satisfied (excluding those explicitly waived by the Parties in writing to the extent permitted by applicable laws) belongs.

**Other arrangement:**

Dalian Port Container and NYK agree that they will enter into an acting-in-concert agreement such that the financial results of the Surviving Company will be consolidated into the financial statement of Dalian Port Container.

The Parties agree to support and cooperate with Dalian Port Container such that the financial results of the Surviving Company will be consolidated into the financial statement of Dalian Port Container, including without limitation granting Dalian Port Container substantial control over the Surviving Company through the arrangements under the new joint venture agreement and the articles of association of the Surviving Company.

## **REASONS FOR AND BENEFITS OF THE MERGER AND MERGER AGREEMENT**

Subsequent to the global financial crisis in 2008 and owing to the new developments in the global economy, the shortcomings of container terminals such as the lack of scale, the uneven resource distribution among coastal yards, the lack of an unified standard of service, and the increase in operational costs have become more apparent, and have to a certain extent inhibited the growth of the core competitive strengths of container terminals. Sizable vessel companies in the market have been forming transport alliances and have been actively increasing the size and volume of new vessels built, which has led to the rapid change in the current business condition of container terminals. As such, a proactive measure has to be employed to tackle such imminent needs in order to emphasize the leading market position of our terminals as well as to increase their profitability. Over the years, the consolidation of port resources have gone from the planning stage to the implementation stage, and the utilization of economy of scale for the purpose of increasing business competitiveness has become the new market trend.

Through the Merger, the Group would be able to realize the benefits of economies of scale and the synergy between stakeholders, which would be achieved through the better management of costs, increased synergy among different resources and increase utilization rate. As such, the requests from larger vessels can be satisfied, leading to the Group having more bargaining power when negotiating with vessel companies. The Surviving Company would be able to take a lead in the overall resource management and utilization, and minimizing the cost of operation of container terminals in the southern coast of the Dayao Bay, in a view to maximize the benefits brought to the Company and its shareholders as a whole.

Accordingly, the Directors are of the view that the terms of the Merger Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the Merger exceed 5% and are less than 25%, the Merger constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements under the Listing Rules.

As at the date of this announcement, DCT, a non wholly-owned subsidiary of the Company, is owned as to 51% by Dalian Port Container and 49% by Singapore Dalian Port. As Singapore Dalian Port is a substantial shareholder (as defined under the Listing Rules) of DCT, Singapore Dalian Port is a connected person of the Company at the subsidiary level. Each of Singapore Dalian Port and PSA China is controlled by Temasek Holdings. As such, PSA China is an associate of Singapore Dalian Port and a connected person of the Company at the subsidiary level. Accordingly, the transactions with Singapore Dalian Port and PSA China under the Merger constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Merger or is required to abstain from voting on the Board resolutions for approval of the same. Given (i) the Board has approved the Merger Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Merger Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Merger contemplated under the Merger Agreement is subject to the reporting and announcement requirements only but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## **GENERAL INFORMATION OF THE SURVIVING COMPANY**

The Surviving Company will be principally engaged in developing, construction, managing and operating container terminals and their auxiliary facilities; providing loading and unloading, transportation, yarding, storage, safekeeping, allocation, forwarding and multimodal transport services for containers and other goods; integrated logistics; repair and cleaning of containers; assembly and disassembly of containers; providing integrated services for the management of containers; providing electronic data interchange services, developing and consultation services in relation to information systems; operating freight stations; providing bonded warehouse and regulatory services for imported and export goods; investing, constructing and operating auxiliary facilities such as yards and warehouses related to the container terminal business; and other related businesses.

## **GENERAL INFORMATION OF THE PARTIES**

### **The Group**

The Group is principally engaged in the following businesses: (1) oil/liquefied chemicals terminal and related logistics services; (2) container terminal and related logistics services; (3) automobile terminal and related logistics and trading services; (4) ore terminal and related logistics services; (5) general cargo terminal and related logistics and trading services; (6) bulk grain terminal and related logistics and trading services; (7) passenger and roll-on, roll-off terminal and related logistics services; and (8) port value-added services and ancillary port operations.

## DCT

DCT is a company established in the PRC with limited liability and is principally engaged in the developing, construction, managing and operating container terminals and their auxiliary facilities; providing the loading and unloading of containers, intra-port logistics, storage, container repair and cleaning, information consultation, intra-terminal freight station, freight transfer station and bonded warehouse services. As at the date of this announcement and immediately before completion of the Merger, the equity interest of DCT is held as to 51% by Dalian Port Container and 49% by Singapore Dalian Port.

The original acquisition cost paid by Singapore Dalian Port for the 49% equity interest in DCT was RMB661,500,000.

The consolidated financial information of DCT for the two financial years ended 31 December 2016 are as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>
	<i>RMB</i> (audited)	<i>RMB</i> (audited)
Profit before taxation and extraordinary items	173,741,751.68	179,802,019.04
Profit after taxation and extraordinary items	<u>127,890,570.23</u>	<u>136,595,247.17</u>
	<b>As at 31 December 2015</b>	<b>As at 31 December 2016</b>
	<i>RMB</i> (audited)	<i>RMB</i> (audited)
Total assets	<u>1,592,345,679.66</u>	<u>1,587,103,208.58</u>

## DICT

DICT is a company established in the PRC with limited liability and is principally engaged in constructing, operating and managing container terminals; providing loading and unloading, storage, forwarding, repair, assembly and disassembly, and integrated management services of containers; operating freight stations, providing bonded warehouse and regulatory services for imported and export goods; and investing, constructing and operating auxiliary facilities such as yards and warehouses related to the container terminal business. As at the date of this announcement and immediately before completion of the Merger, the equity interest of DICT is held as to 40%, 30%, 20% and 10% by Dalian Port Container, China Shipping Terminal, NYK and China Shipping Ports respectively.

The consolidated financial information of DICT for the two financial years ended 31 December 2016 are as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>
	<i>RMB</i> (audited)	<i>RMB</i> (audited)
Profit before taxation and extraordinary items	7,492,482.41	23,675,998.27
Profit after taxation and extraordinary items	<u>10,024,308.22</u>	<u>20,563,798.18</u>
	<b>As at 31 December 2015</b>	<b>As at 31 December 2016</b>
	<i>RMB</i> (audited)	<i>RMB</i> (audited)
Total assets	<u>2,944,056,287.21</u>	<u>2,885,904,468.74</u>

#### **DPCM**

DPCM is a company established in the PRC with limited liability and is principally engaged in the loading and unloading, assembly and disassembly, storage, safekeeping, allocation, transportation, forwarding and multimodal transport, integrated logistics of goods; the repair and cleaning of containers; providing auxiliary services to yards; providing electronic data interchange services; developing information systems; constructing, managing and operating container terminals; and providing relevant consultation and supplemental services. As at the date of this announcement and immediately before completion of the Merger, the equity interest of DPCM is held as to 35%, 25%, 20% and 20% by Dalian Port Container, PSA China, COSCO Ports and APM Terminals Dalian Company Limited respectively.

The consolidated financial information of DPCM for the two financial years ended 31 December 2016 are as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>
	<i>RMB</i> (audited)	<i>RMB</i> (audited)
Profit before taxation and extraordinary items	10,765,036.08	53,785,585.75
Profit after taxation and extraordinary items	<u>10,450,084.26</u>	<u>48,052,307.45</u>

	<b>As at 31 December 2015</b> <i>RMB</i> (audited)	<b>As at 31 December 2016</b> <i>RMB</i> (audited)
Total assets	<u>1,919,755,842.21</u>	<u>1,908,237,803.88</u>

### **Dalian Port Container**

Dalian Port Container is a company established in the PRC with limited liability and is principally engaged in providing terminal services to vessels; the provision of container loading and unloading, yarding, assembly and disassembly services; leasing and maintaining port facilities and machines; household leasing; corporate management and general consultation services. Dalian Port Container is a wholly-owned subsidiary of the Company.

### **COSCO Ports**

COSCO Ports is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in the management and operation of container terminals and related businesses.

### **China Shipping Terminal**

China Shipping Terminal is a company established in the PRC with limited liability and is principally engaged in investing in local and foreign container terminals; providing storage services; the finance leasing of terminal facilities and equipment; international trading of mainly port machines; and the provision of trading and business consultation services among corporations located in the bonded area.

### **China Shipping Ports**

China Shipping Ports is a company incorporated in Hong Kong with limited liability and is principally engaged in the management and operation of container terminals and related businesses.

### **Singapore Dalian Port**

Singapore Dalian Port is a company incorporated in Singapore with limited liability and is principally engaged in the holding and investment related business.

### **PSA China**

PSA China is a company incorporated in Singapore with limited liability and is principally engaged in the holding and investment related business, as well as providing consultation services for port management, port operation and information systems.

The original acquisition cost paid by PSA China for the 25% equity interest in DPCM was RMB182,500,000.

## NYK

NYK is a company incorporated in Japan with limited liability and is principally engaged in providing marine, land and air transportation services and agency services; storage and intra-port logistics services; marine development; sale and purchase of vessels; providing vessels and marine structures construction and repair consultation services; information systems related to the transportation industry; providing finance, guarantee and investment to other businesses; sale, purchase and leasing of real estate; owning, leasing, managing and operating of maritime recreational facilities; travelling services; manufacturing and sale of petroleum products and related machines; all relevant business ancillary to the above.

## TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“APM Equity Interest”	20% of the equity interest in DPCM held by APM Terminals Dalian Company Limited
“Board”	the board of Directors
“Business Day(s)”	any day (not being a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“China Shipping Ports”	China Shipping Ports Development Co., Ltd. (中海港口發展有限公司), a company incorporated in Hong Kong with limited liability
“China Shipping Terminal”	China Shipping Terminal Development Co., Ltd.* (中海碼頭發展有限公司), a company established in the PRC with limited liability
“Company”	Dalian Port (PDA) Company Limited* (大連港股份有限公司), a sino-foreign joint stock limited company incorporated in the PRC
“COSCO Ports”	COSCO Ports (Dalian) Limited (中遠碼頭(大連)有限公司), a company incorporated in the British Virgin Islands with limited liability
“Dalian Port Container”	Dalian Port Container Development Co., Ltd.* (大連港集裝箱發展有限公司), a company established in the PRC with limited liability
“DCT”	Dalian Container Terminal Co., Ltd.* (大連集裝箱碼頭有限公司), a company established in the PRC with limited liability and a non wholly-owned subsidiary of the Company
“DICT”	Dalian International Container Terminal Co., Ltd.* (大連國際集裝箱碼頭有限公司), a company established in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“DPCM”	Dalian Port Container Terminal Co., Ltd.* (大連港灣集裝箱碼頭有限公司), a company established in the PRC with limited liability

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merged Companies”	collectively, DCT, DICT and DPCM
“Merger”	a merger by absorption among DCT, DICT and DPCM, with DCT as the Surviving Company
“Merger Agreement”	the merger agreement dated 4 August 2017 entered into among DCT, DICT, DPCM, Dalian Port Container, COSCO Ports, China Shipping Terminal, China Shipping Ports, Singapore Dalian Port, PSA China and NYK in relation to the Merger
“Merger Date”	the last day of the month to which the day when the conditions set out in the Merger Agreement are all satisfied (excluding those explicitly waived by the Parties in writing to the extent permitted by applicable laws) belongs
“NYK”	Nippon Yusen Kabushiki Kaisha (日本郵船株式會社), a company incorporated in Japan with limited liability
“Parties”	collectively, DCT, DICT, DPCM, Dalian Port Container, COSCO Ports, China Shipping Terminal, China Shipping Ports, Singapore Dalian Port, PSA China and NYK, being the parties to the Merger Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PSA China”	PSA CHINA PTE LTD., a company incorporated in Singapore with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore Dalian Port”	Singapore Dalian Port Investment Pte Ltd. (新加坡大連港口投資私人有限公司), a company incorporated in Singapore with limited liability

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Surviving Company”	DCT, which after the Merger Date, shall continue as the surviving company and shall succeed to and assume all the assets, business, credits and debts of DICT and DPCM
“Temasek Holdings”	Temasek Holdings (Private) Limited (淡馬錫控股(私人)有限公司), a company incorporated in Singapore with limited liability
“%”	per cent.

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

Dalian, Liaoning Province, the PRC  
4 August 2017

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

Executive Directors: ZHANG Yiming and WEI Minghui

Non-executive Directors: BAI Jingtao, XU Song, ZHENG Shaoping and YIN Shihui

Independent non-executive Directors: WANG Zhifeng, SUN Xiyun and LAW Man Tat

*The Company is registered as a 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*