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## **Dafeng Port Heshun Technology Company Limited**

**大豐港和順科技股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8310)**

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF 60% EQUITY INTERESTS IN THE TARGET COMPANY**

#### **THE PROPOSED DISPOSAL**

The Board is pleased to announce that on 28 April 2020 (after trading hours of the Stock Exchange), the Group and the Purchaser entered into the Disposal Agreement in relation to the Disposal, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the 60% equity interests of the Target Company at the Consideration of RMB226,980,000 .

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

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Purchaser, Jiangsu Dafeng, owns 40% of the shareholding of Dafeng Port Overseas, which in turn owns 57.46% of the Shares. As the Purchaser has substantial influence on Dafeng Port Overseas (the Company's direct Controlling Shareholder), accordingly for the Disposal, the Purchaser is deemed as a connected person of the Company as defined under the GEM Listing Rules and the Disposal constitutes connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As such, the Disposal Agreement and the transactions contemplated thereunder are subject to the requirements of notification, announcement, Circular and Independent Shareholders' approval under the GEM Listing Rules. Mr. Tao Ying, an executive Director and the Chairman, is also an executive director, the chairman of the board and the legal representative of Jiangsu Dafeng shall abstain from voting at the Board meeting. Save as disclosed, none of the Directors has any material interest in the transaction. In accordance with the GEM Listing Rules, any Shareholder who has a material interest in the Disposal shall abstain from voting on the resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder at the GM. As at the date of this announcement, Dafeng Port Overseas, being the close associate of Jiangsu Dafeng and is interested in 740,040,000 Shares, representing approximately 57.46% of the total Shares, will be required to abstain from voting on the relevant resolution(s) at the GM accordingly. Save for Dafeng Port Overseas, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal and will be required to abstain from voting on the relevant resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder at the GM.

**Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the section headed “The Disposal Agreement — Conditions Precedent” in this announcement. Therefore, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.**

## **THE DISPOSAL**

The Board is pleased to announce that on 28 April 2020 (after trading hours of the Stock Exchange), the Group and the Purchaser entered into the Disposal Agreement in relation to the Disposal, pursuant to which the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the 60% equity interests of the Target Company at the Consideration of RMB226,980,000.

Principal terms of the Disposal are set out below.

## **THE EQUITY INTERESTS TRANSFER AGREEMENT**

### **Date**

28 April 2020 (after trading hours of the Stock Exchange)

## Parties

- (1) Seller: 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited\*)
- (2) Purchaser: 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited\*)
- (3) Target Company: 江蘇海融大豐港油品化工碼頭有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited\*)

As at the date of this announcement, the Purchaser owns 40% of the shareholding of Dafeng Port Overseas (the Company's direct Controlling Shareholder), which in turn owns 57.46% of the Shares. As the Purchaser has substantial influence on Dafeng Port Overseas, the Purchaser is deemed as a connected person of the Company.

## Subject matter and background of the transaction

Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the 60% equity interests of the Target Company.

Reference is made to the announcement dated 29 May 2018 and the circular dated 29 June 2018 in relation to the very substantial acquisition and connected transaction of the acquisition of the Target Company (the "**Previous Acquisition**"). Pursuant to the Previous Acquisition, the Group shall pay a consideration of RMB405.9 million for the entire equity interests in the Target Company, of which 60% is attributable to the Purchaser, who is one of the sellers in the Previous Acquisition. The Group has already paid the first instalment (i.e. 30% of the acquisition cost, RMB121.77 million) to the sellers of the Previous Acquisition. As at the date of the announcement, the Group has not yet settled the second instalment of the remaining 70% of the acquisition cost of the Previous Acquisition, together with interest at 4.35% per annum on the outstanding amount which should have been paid by December 2019.

As at 31 March 2020, the Group owed to the Purchaser (who is one of the sellers in the Previous Acquisition) an unaudited amount of approximately RMB243.0 million, which comprises (i) the remaining acquisition price of approximately RMB170.5 million; (ii) certain current account balances in the amount of approximately RMB62.5 million; and (iii) interest thereon (together, the "**Owing Sum**"). In light of the debt position of the Group, the Purchaser, being the substantial shareholder of the Group, has conditionally agreed to a proposal to alleviate the Group from the Owing Sum by re-purchasing the 60% equity interests in the Target Company (i.e. the Disposal).

## **Consideration**

The Consideration of RMB226,980,000 shall be settled in the following manner and order:

- (a) set off against the Group's obligations to repay the remaining balance and interest of the acquisition cost from the Previous Acquisition; and
- (b) set off against the current account balances the Group owed to the Purchaser.

The Consideration was arrived at after arm's length negotiation between the Company and the Purchaser, after taking into account the factors such as, (i) the Target Company's financial position, results of operation and prospects; (ii) the prevailing market conditions and economic landscape; (iii) the lack of interest from independent third parties to acquire the Target Company; (iv) the Consideration offered by the Purchaser; and (v) the information set out under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below.

## **Conditions Precedent**

Completion is subject to the satisfaction of the following conditions precedent:

- (a) the Group having completed the vetting and approval procedures required under the GEM Listing Rules in relation to the Disposal;
- (b) the Group having obtained its Independent Shareholders' approval at the GM to proceed with the Disposal;
- (c) the Seller having completed all its internal approval procedures in relation to the Disposal;
- (d) the Target Company having completed all its internal approval procedures in relation to the Disposal; and
- (e) the Purchaser having completed all its internal approval procedures in relation to the Disposal.

## **Completion**

Completion shall take place on the 30<sup>th</sup> day (or any other later date as agreed in writing between the parties) after the fulfillment of all conditions precedent set out in the Disposal Agreement.

On the date of Completion, the Seller shall deliver to the Purchaser:

- (a) the registration of the transfer of the 60% equity interests in the Target Company, the registration of the new articles of association of the Target Company and the registration of the new directors and other personnel of the Target Company; and

- (b) the certificate evidencing the transfer of the 60% equity interests in the Target Company and the register of members of the Target Company reflecting such transfer.

## INFORMATION ON THE TARGET COMPANY

The Target Company was established in the PRC in June 2010 as a joint stock company, which is wholly owned by the Group as at the date of this announcement. The Target Company is principally engaged in the provision of integrated logistics handling and the relevant supporting services business (the “**Integrated Logistics Handling and Supporting Business**”). The Target Company has been principally engaged in the provision of terminal handling and berthing services in an integrated petrochemical terminal complex, being the only berthing dock for petrochemical vessels in Dafeng Port, a national first-class open port located in Jiangsu Province, the PRC. Dafeng Port is one of the three deep sea ports in Jiangsu Province and the only one with access to the central sea region of Jiangsu Province. The Petrochemical Port, with designed annual throughput of 6.6 million tonnes, includes a liquid chemical berth of 50,000 tonnes, a liquid chemical berth of 5,000 tonnes, an oil berth of 50,000 tonnes and the ancillary facilities. The primary cargo types of the Petrochemical Port are methanol, ethylene glycol, benzene, acetone, toluene, dimethyl ether, propane, butane, propylene, acrylonitrile, diesel, gasoline and dichloroethane.

Based on the unaudited financial statements of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards, (i) its unaudited total assets and unaudited net liabilities as at 31 December 2019 were approximately HK\$547.0 million and approximately HK\$412.8 million, respectively; and (ii) for the two years ended 31 December 2018 and 2019, the Target Company recorded losses as follows:

	<b>For the year ended 31 December 2018*</b> (audited) <i>(approximately HK\$ million)</i>	<b>For the year ended 31 December 2019</b> (unaudited) <i>(approximately HK\$ million)</i>
Loss before taxation	(2.1)	(868.7)
Loss after taxation	(2.1)	(868.7)

\* The amounts represented the audited loss from the date of the acquisition of the Target Company on 21 December 2018 to 31 December 2018.

## FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Company. The Group will only maintain a substantial investment position in the Integrated Logistics Handling and the Relevant Supporting Services Business which will be classified as associate where the Company will have significant influence onto the Target Company (the “**Remaining Investment**”).

It is estimated that, upon Completion, the Company will record an unaudited gain on disposal of approximately HK\$504.7 million, being the difference between the Consideration and the unaudited net assets of the Target Company as at 31 December 2019. The final amount of the gain from disposal is subject to the audit by the auditor of the Company.

The Group does not expect to receive any cash from the Disposal after the setting off of the Consideration against the Owing Sum. Nevertheless, the overall financial position of the Group will be improved after the Disposal as the Group will be significantly alleviated from the Owing Sum.

## **INFORMATION ON THE COMPANY AND THE PURCHASER**

The Company is an investment holding company incorporated in the Cayman Islands. As at the date of this announcement, the principal business activities of the Group are (i) petrochemical products storage business; (ii) trading business (together with (i), the “**Remaining Business**”); and (iii) the Integrated Logistics Handling and Supporting Business.

The Purchaser, Jiangsu Dafeng, was established in the PRC in June 1997 and is wholly-owned by Dafeng Municipal People’s Government. Its principal business includes but not limited to port development, construction and business operation, stevedoring services at port, and container multimodal transport services.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Target Company is principally engaged in the Integrated Logistics Handling and the Relevant Supporting Services.

For the two years ended 31 December 2018 and 2019, the segment results of the Target Company recorded net losses attributable to the Company of approximately HK\$2.1 million and HK\$868.7 million, respectively, and its revenue for the same periods amounted to approximately HK\$0.7 million and HK\$7.1 million, respectively, representing approximately merely 0.0% and 0.5% of the Group’s revenue for the respective periods.

The net losses from the Integrated Logistics Handling and the Relevant Supporting Services are mainly attributable to (i) the Group has just completed the acquisition of the entire equity interest in Target Company on 21 December 2018 and had not enough time to turn around for a profit; and (ii) the explosion accident in the chemical industry park on 21 March 2019 has caused a large number of chemical industry companies to be shut down or rectified, resulting in a decline in business volume of the Target Company.

The Group expects that global economic activities will be hindered as (i) the conflict and trade war between China and USA is likely to continue and it has a negative impact on economy development of China and it undermines the global economy and logistics services and (ii) the outbreak of COVID-19 has caused the blockade of borders by many countries around the world and had materially affected the global productivity and the associated



logistics services. In the face of adverse and extreme external operating environment, the Company has to react and resolve prudently the future plans for each of its business segments, to reasonably optimize the Company's existing resources, and to streamline and restructure its operation to maintain the interests of shareholders.

As the Integrated Logistics Handling and the Relevant Supporting Services has been significantly loss-making for the previous year, the Disposal would enable the Group to generate an one-off effect to substantially improve the Company's financial position. While the Group has established a relatively robust and expanding footprint in terms of the Remaining Business, keeping 40% of the Target Company (i.e. the Remaining Investment) can allow continual deepening of business segments optimization and consolidation that in turn spur the Remaining Businesses from the synergy effect and at the same time benefit from the potential upside of the Integrated Logistics Handling and the Relevant Supporting Services should the operative environment has improved in future.

Aside from business operation and perspective outlook, from a finance point of view, the carrying cost of the Target Company has become a major burden of the Group. The failure of the Target Company to generate robust cashflows in year 2019, coupled with the interest arising from the Owing Sum have affected and will continue to hurt the profitability of the Group in future. In this regard, the Purchaser, as the controlling shareholder of the Group, has conditionally agreed to a proposal to alleviate the Group from the Owing Sum (i.e. the Disposal) by re-purchasing the 60% equity interests of the Target Company.

Having taken into account the above factors, the Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the Circular) are of the view that the Disposal is carried out on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Intention of the Company on its Remaining Business and Remaining Investment**

Upon Completion, the Company will conduct a review on the then existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. The Directors consider that the Remaining Business is the major source of profit for the Group in the coming future, especially the petrochemical products storage business. This is mainly due to the fact that the demand of storage of petrochemical products has increased given (i) storage space is needed for energy and petrochemical raw materials as the global production has slowed down due to Covid-19 outbreak; and (ii) the recent sharp decrease of fuel price leading to increased purchase of fuel in China. Also, even after the Disposal, the synergy effect between the Remaining Investment with the Remaining Business can continue on and the Remaining Investment allows the Group to benefit from the potential upside of the Integrated Logistics Handling and Supporting Business in future when the operative environment of Integrated Logistics and the Relevant Supporting Services improves.

The Company may look into business opportunities and consider whether any further asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at the date of this announcement, save for the Disposal, the Company did not have any intention, arrangement, agreement or negotiation on such corporate actions or to downsize, cease and/or dispose of any of the existing businesses of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the GEM Listing Rules.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) for the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction under the GEM Listing Rules. As at the date of this announcement, the Purchaser, Jiangsu Dafeng, owns 40% of the shareholdings of Dafeng Port Overseas, which in turn owns 57.46% of the Shares. As the Purchaser has substantial influence on Dafeng Port Overseas (the Company's direct Controlling Shareholder), accordingly for the Disposal, the Purchaser shall be deemed as a connected person of the Company as defined under the GEM Listing Rules and the Disposal constitutes a connected transaction of the Company under the GEM Listing Rules. As such, the Disposal Agreement and the transactions contemplated thereunder are subject to the requirements of notification, announcement, Circular and Independent Shareholders' approval under the GEM Listing Rules. In accordance with the GEM Listing Rules, Mr. Tao Ying, an executive director, the Chairman of the board and the legal representative of Jiangsu Dafeng, shall abstain from voting at the Board meeting.

Save as disclosed, none of the Directors has any material interest in the transaction. In accordance with the GEM Listing Rules, any Shareholder who has a material interest in the Disposal shall abstain from voting on the resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder at the GM. As at the date of this announcement, Dafeng Port Overseas, being the close associate of Jiangsu Dafeng and is interested in 740,040,000 Shares, representing approximately 57.46% of the total Shares, will be required to abstain from voting on the relevant resolution(s) at the GM accordingly. Save for Dafeng Port Overseas, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal and will be required to abstain from voting on the relevant resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder at the GM.

An Independent Board Committee has been formed to advise the independent Shareholders in respect of the Disposal Agreement and the Disposal contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.



Pursuant to Rule 19.38 and Rule 20.44 of the GEM Listing Rules, a circular containing, among other things, (i) further information on the Disposal Agreement and the Disposal contemplated thereunder, (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Disposal Agreement and the Disposal contemplated thereunder, and (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the independent Shareholders, shall be dispatched to the Shareholders within 15 business days after publication of this announcement. Accordingly, the Circular is expected to be despatch to the Shareholders on or before 21 May 2020.

**Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the section headed “The Disposal Agreement — Conditions Precedent” in this announcement. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Chairman”	the chairman of the Board
“Circular”	the circular to be despatched to the Shareholders in relation to the Disposal
“Company”	Dafeng Port Heshun Technology Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (stock code: 8310)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	RMB226,980,000, being the consideration for the Disposal
“Controlling Shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Dafeng Port Overseas”	大豐港海外投資控股有限公司 (Dafeng Port Overseas Investment Holdings Limited), a company incorporated in Hong Kong with limited liability and is interested in approximately 57.46% of the Shares, being one of the Controlling Shareholders of the Company
“Director(s)”	director(s) of the Company

“Disposal”	the proposed disposal of the 60% equity interests in the Target Company pursuant to the Disposal Agreement
“Disposal Agreement”	the equity interest transfer agreement entered into between the Purchaser and the Seller in relation to the Disposal on 28 April 2020
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GM”	the extraordinary general meeting or annual general meeting of the Company to be held and convened to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect to the Disposal Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who are required by the GEM Listing Rules to abstain from voting on the resolution approving the Disposal Agreement and the transactions contemplated thereunder
“Jiangsu Dafeng” or “Purchaser”	江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*), a company established in the PRC and is interested in Dafeng Port Overseas as to 40%, being one of the Controlling Shareholders of the Company
“m <sup>3</sup> ”	cubic metres
“Petrochemical Port”	the integrated petrochemical terminal complex that includes a chemical berth of 50,000 tonnes, a liquid chemical berth of 5,000 tones and the ancillary pipeline and loading facilities
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Seller”	鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Remaining Businesses”	the principal business activities of the Group after the proposed Disposal, which mainly includes (i) petrochemical products storage business; and (ii) trading business
“Remaining Investment”	the remaining 40% equity interests of the Target Company held by the Group after the proposed Disposal
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	江蘇海融大豐港油品化工碼頭有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited*), a company established in the PRC
“%”	per cent

\* *For identification purposes only*

By order of the Board  
**Dafeng Port Heshun Technology Company Limited**  
**Tao Ying**  
*Chairman*

Hong Kong, 28 April 2020

*As at the date of this announcement, the Board comprises the following members:*

<i>Executive Directors</i>	<i>Non-executive Directors</i>	<i>Independent Non-executive Directors</i>
Mr. Tao Ying ( <i>Chairman</i> )	Mr. Ji Longtao	Dr. Bian Zhaoxiang
Mr. Miao Zhibin	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Mr. Chen Wenxiang		Mr. Yu Xugang
Ms. Leng Panpan		Mr. Zhang Fangmao

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

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of 7 days from the date of its publication and on the Company’s website at [www.dfport.com.hk](http://www.dfport.com.hk).*