



62/F, The Center,
99 Queen's Road Central,
Hong Kong

28 February 2025

To the Offer Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED
FOR AND ON BEHALF OF
DAFENG PORT (HK) DEVELOPMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
DAFENG PORT HESHUN TECHNOLOGY COMPANY LIMITED
(OTHER THAN THOSE OWNED AND/OR AGREED TO BE ACQUIRED BY
DAFENG PORT (HK) DEVELOPMENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement.

THE AGREEMENT

Subject of the Agreement

On 31 December 2024, the Offeror as the purchaser and the Vendors as the vendors entered into the Agreement, pursuant to which (i) Top Bright, Success Pacific and Jiangsu Huahai conditionally agreed to sell 32%, 18% and 10%, respectively, of the total issued share capital of the Target Company as at the date of the Agreement, and (ii) the Offeror conditionally agreed to acquire from Top Bright, Success Pacific and Jiangsu Huahai an aggregate of 60% of the total issued share capital of the Target Company as at the date of the Agreement.

Consideration

The total consideration for the sale and purchase of the Sale Shares amounted to a sum of US\$60,000,000, which would be settled by the Offeror in the following manner:

Consideration I:

- (a) for the liability portion of Consideration I, on Completion, the Offeror assumed the Unpaid Share Capital I payable by Top Bright to the Target Company; and

- (b) for the cash portion of Consideration I:
 - (i) US\$4,665,000 (representing 30% of the cash portion of Consideration I) was remitted to Top Bright on Completion; and
 - (ii) subject to the completion of the Share Offer:
 - (A) the amount which equals to the Deduction Amount attributable to Top Bright out of the balance of the cash portion of Consideration I would be deemed to have been paid (if applicable); and
 - (B) after setting off the Deduction Amount attributable to Top Bright, subject to the Completion, on the Balance Settlement Day, the balance of the cash portion of Consideration I would be remitted to Top Bright.

Consideration II:

- (a) for the liability portion of Consideration II, on Completion, the Offeror assumed the Unpaid Share Capital II payable by Success Pacific to the Target Company; and
- (b) for the cash portion of Consideration II:
 - (i) US\$1,200,000 (representing 30% of the cash portion of Consideration II) was remitted to Success Pacific on Completion; and
 - (ii) subject to the completion of the Share Offer:
 - (A) the amount which equals to the Deduction Amount attributable to Success Pacific out of the balance of the cash portion of Consideration II would be deemed to have been paid (if applicable); and
 - (B) after setting off the Deduction Amount attributable to Success Pacific, subject to the Completion, on the Balance Settlement Day, the balance of the cash portion of Consideration II would be remitted to Success Pacific.

Consideration III:

- (a) US\$3,000,000 (representing 30% of the cash portion of Consideration III) was remitted to Jiangsu Huahai on Completion;
- (b) subject to the completion of the Share Offer:
 - (A) the amount which equals to the Deduction Amount attributable to Jiangsu Huahai out of the balance of the cash portion of Consideration III would be deemed to have been paid (if applicable); and

- (B) for the remaining amount of Consideration III, after setting off the Deduction Amount attributable to Jiangsu Huahai, subject to the Completion, on the Balance Settlement Day, the balance of the cash portion of Consideration III would be remitted to Jiangsu Huahai.

Save as to the consideration paid and payable by the Offeror to the Vendors under the Agreement, there is no other consideration, compensation or benefits in whatever form provided or to be provided by the Offeror and parties acting in concert with it (other than the Vendors) to the Vendors and parties acting in concert with any of them.

Vendors' undertakings in relation to restoration of the Company's public float

The Vendor Group unconditionally and irrevocably undertake to the Offeror that if, immediately after closing of the Share Offer, the Company fails to satisfy the minimum public float requirement under the GEM Listing Rules, the Vendors shall provide all assistance and take all actions to restore the Company's public float. The Offeror has the absolute discretion to request any or all the members of the Vendor Group to purchase or procure to be purchased such number of the Shares as requested by the Offeror at a price equal to the Offer Price, and the Vendors agree that the Offeror may directly deduct the Deduction Amount from the cash portion of the Consideration payable to the Vendors without further consent of the Vendors.

Completion

On the Completion Date, the Offeror and the Company jointly announced that Completion took place on even date.

Upon Completion, the Unpaid Share Capital I and Unpaid Share Capital II were assumed by the Offeror and the 30% of the cash portion of Consideration I, Consideration II and Consideration III was paid by the Offeror from its internal cash resources and the Offeror will finance the consideration of the remaining amount of Consideration by its internal cash resources. None of the Sale Shares acquired and the Offer Shares to be acquired by the Offeror is pledged or will be pledged (as the case may be) by the Offeror for financing the payment of the Sale Shares or the consideration payable under the Share Offer (as the case may be).

Immediately after the Completion and as at the Latest Practicable Date, (i) the Offeror held 60% of the total number of issued shares of the Target Company; (ii) Dafeng Port Development Group held 40% of the total number of issued shares of the Target Company.

As at the Latest Practicable Date, the Company had a total of 1,288,000,000 Shares in issue.

As at the Latest Practicable Date, the Target Company held 740,040,000 Shares, representing approximately 57.46% of the entire issued share capital of the Company. For details, please see section headed "3. Disclosure of Interests of the Offeror and Offeror Concert Parties" in Appendix IV to this Composite Document.

The Offeror has acquired a statutory control (as referred to under the Takeovers Code) over the Target Company and the voting rights in the Company held by the Target Company have effectively passed to the Offeror.

Pursuant to Note 8 to Rule 26.1 of the Takeovers Code and Practice Note 19 to the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer for all the issued Shares of the Company (other than those already owned or agreed to be acquired by the Offeror and the Offeror Concert Parties).

This letter forms part of this Composite Document and sets out, amongst other things, the details of the Share Offer, certain information on the Offeror, and the intention of the Offeror on the Group. Further terms of the Share Offer and the procedures for acceptances of the Share Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

Offer Shareholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Independent Financial Adviser” and the appendices as set out in this Composite Document before reaching a decision as to whether or not to accept the Share Offer.

INFORMATION OF THE SHARE OFFER

Huatai makes the Share Offer on behalf of the Offeror, subject to the terms set out in this Composite Document and in the Form of Acceptance and Transfer, on the following basis:

For each Offer Share HK\$0.4800 in cash

The Offeror will not increase the Offer Price. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Offer Price and the Offeror does not reserve the right to increase the Offer Price.

The Share Offer is extended to all Offer Shareholders in accordance with the Takeovers Code. Under the terms of the Share Offer, the Offer Shares will be acquired fully paid and free from all encumbrances and with all rights and benefits at any time accruing and attaching thereto on or after the date on which the Share Offer is made, being the date of despatch of the Composite Document, including but not limited to the rights to receive all dividends and distributions declared, and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

The Company confirmed that as at the date of the Latest Practicable Date, (i) it has not declared any dividend or other distributions which have not yet paid; and (ii) it does not have any intention to declare or pay any future dividend or make other distributions prior to and including the date of closing of the Share Offer.

Comparisons of value

The Offer Price of HK\$0.4800 represents:

- (i) a premium of approximately 2.13% to the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

- (ii) a premium of approximately 11.63% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 30 December 2024, being the Last Trading Day;
- (iii) a premium of approximately 10.85% to the average closing price of approximately HK\$0.4330 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 16.22% to the average closing price of approximately HK\$0.4130 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day; and
- (v) a premium of approximately 26.42% to the average closing price of approximately HK\$0.3797 per Share based on the daily closing prices as quoted on the Stock Exchange for the thirty (30) consecutive trading days immediately prior to and including the Last Trading Day.

As at 31 December 2023, the value of the Group's audited consolidated net liabilities attributable to equity holders of the Company was approximately HK\$466 million and based on a total of 1,288,000,000 Shares in issue as at the Latest Practicable Date, the value of the audited net liabilities per Share was approximately HK\$0.3615.

As at 30 June 2024, the value of the Group's unaudited consolidated net liabilities attributable to equity holders of the Company was approximately HK\$487 million and based on a total of 1,288,000,000 Shares in issue as at the Latest Practicable Date, the value of the unaudited net liabilities per Share was approximately HK\$0.3782.

Highest and lowest Closing prices of the Share

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.475 per Share on 9, 16, 21 to 23, 28 January, 7, 11 to 14, 19 to 21 and 24 February 2025 and HK\$0.285 per Share on 10 September and 4 November 2024, respectively.

TOTAL VALUE OF THE SHARE OFFER

On the basis of the Offer Price of HK\$0.4800 per Offer Share and 547,960,000 Shares subject to the Share Offer (excluding the Shares held by the Target Company), the Share Offer is valued at approximately HK\$263,020,800.

CONFIRMATION OF FINANCIAL RESOURCES SUFFICIENCY

The Offeror intends to finance and satisfy the Share Offer by way of internal cash resources.

Huatai, being the financial adviser to the Offeror in respect of the Share Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Share Offer.

EFFECTS OF ACCEPTING THE SHARE OFFER

The Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

By accepting the Share Offer, the relevant Shareholders will be deemed to warrant that all Offer Shares to be sold by such person under the Share Offer are fully paid and free from all encumbrances and with all rights and benefits at any time accruing and attaching thereto as at the date of the Composite Document or subsequently becoming attached to them, including but not limited to the rights to receive all dividends and distributions declared, and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Share Offer is made, being the date of despatch of the Composite Document.

HONG KONG STAMP DUTY

In Hong Kong, seller's ad valorem stamp duty payable by the Offer Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Offer Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Offer Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

PAYMENT

Payment in cash in respect of acceptances of the Share Offer will be made as soon as possible but in any event no later than seven (7) Business Days following the date on which the duly completed acceptance of the Share Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Registrar or for the Offeror to render each such acceptance complete and valid in accordance with the Takeovers Code. No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

TAXATION ADVICE

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror, the Company, Huatai, Altus Capital, and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

OVERSEAS OFFER SHAREHOLDERS

The Offeror intends to make the Share Offer available to all Offer Shareholders, including those with a registered address in a jurisdiction outside Hong Kong. The availability of the Share Offer to persons with a registered address in a jurisdiction outside Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Share Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. The Overseas Offer Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Offer Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Offer Shareholders in respect of such jurisdictions).

Any acceptance by Shareholders and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

As at the Latest Practicable Date, there was nil Overseas Offer Shareholder.

COMPULSORY ACQUISITION

The Offeror does not intend to privatise the Company by availing itself of any powers of compulsory acquisition of the remaining Shares not acquired under the Share Offer after the close of the Share Offer.

SHAREHOLDINGS AND DEALING IN SECURITIES OF THE COMPANY

Your attention is drawn to the sections headed “4. Dealings in Shares” of Appendix III to this Composite Document. Save as disclosed in those sections, as at the Latest Practicable Date, there are no other shareholdings in the Company:

- (1) of the Offeror;
- (2) in which the directors of the Offeror are interested;
- (3) which any persons acting in concert with the Offeror own or control;
- (4) which the Offeror and the Offeror Concert Parties have borrowed or lent; or

- (5) which the persons identified in paragraphs (1) to (4) above have dealt for value during the period commencing six months prior to the commencement of the Offer Period up to and including the Latest Practicable Date.

Nor are there any other arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exist between the Offeror, or any person acting in concert with it, and any other person.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in Hong Kong with limited liability, which is wholly-owned by Dafeng Port Development Group as at the Latest Practicable Date. The principal activity of the Offeror is investment holding. Dafeng Port Development Group is wholly owned by Jiangsu Yancheng, which is in turn owned as to approximately 40.8% by 鹽城市人民政府 (the People's Government of Yancheng City*), approximately 29.7% by 鹽城市大豐區人民政府 (the People's Government of Dafeng District of Yancheng City*), approximately 9.9% by 鹽城市射陽縣人民政府 (the People's Government of Sheyang County of Yancheng City*), approximately 9.9% by 鹽城市響水縣人民政府 (the People's Government of Xiangshui County of Yancheng City*) and approximately 9.7% by 鹽城市濱海縣人民政府 (the People's Government of Binhai County of Yancheng City*). The principal activity of Dafeng Port Development Group is port development and construction, terminal and other port facility operations, aquaculture, sales of agricultural products (except for non-packaged seeds) and self-operated and import and export agency business of various commodities. The principal activity of Jiangsu Yancheng is port operation, engineering construction, agricultural technology and sales of commodity.

As at the Latest Practicable Date, the Target Company held 740,040,000 Shares, representing approximately 57.46% of the entire issued share capital of the Company.

Save as disclosed above, none of the Offeror and the Offeror Concert Parties is interested in any Shares.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Upon the completion of the Proposed Change of Name and the close of the Share Offer, the Offeror intends to continue the existing principal businesses of the Group.

The Offeror will conduct a review of the existing principal businesses, business development strategy and the financial position of the Group following the close of the Share Offer for the purpose of formulating business plans and strategies for the future development and expansion of the Group's principal business. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, 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 Group. Should such corporation actions materialize, further announcement(s) will be made in accordance with the GEM Listing Rules and the Takeovers Code (if applicable).

Save for the Offeror's intention regarding the Group as set out above, as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group, and the Offeror has no intention to discontinue the employment of the employees or to redeploy any fixed assets of the Group (other than in the ordinary and usual course of business of the Group) as at the Latest Practicable Date.

PROPOSED CHANGE OF THE BOARD COMPOSITION

The Board is currently made up of one executive Director, three non-executive Directors and three independent non-executive Directors.

It is intended that Mr. Ji Longtao and Mr. Yang Yuexia will resign from the Board at the earliest time permitted under the Takeovers Code.

The Offeror intends to nominate new Directors to the Board in accordance with relevant requirements of the Takeovers Code, the GEM Listing Rules or other applicable regulations. Any changes to the Board composition will be made in compliance with the Takeovers Code and the GEM Listing Rules. As at the date of the Composite Document, the Offeror has not reached any final decision as to who will be nominated as new Directors. Further announcement(s)/disclosure(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the GEM Listing Rules and the Takeovers Code as and when appropriate.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange.

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

Therefore, it should be noted that upon closing of the Share Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

Each of the Offeror and the new Directors to be appointed (if any) will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Share Offer.

FURTHER MATTERS RELATING TO THE SHARE OFFER

Please refer to Appendix I to this Composite Document for information regarding the acceptance of the Share Offer and settlement of consideration.

GENERAL

All documents and remittances will be sent to the Offer Shareholders by ordinary post at their own risk. Such documents and remittances will be sent to them at their respective addresses as they appear in the Register of Members or in the case of joint holders of the Offer Shares, to the Offer Shareholder whose name appears first in the Register of Members, unless otherwise specified in the accompanying Form of Acceptance and Transfer completed, returned and received by the Registrar. None of the Company, the Offeror, Huatai, Altus Capital or any of their respective directors or professional advisers or other parties involved in the Share Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Shareholders are strongly encouraged and advised to read this Composite Document carefully, including the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser”, as to whether the Share Offer is fair and reasonable so far as the Offer Shareholders are concerned, and to consult their professional advisers as they see fit and necessary, before deciding whether or not to accept the Share Offer. Shareholders’ attention is further drawn to the additional information set out in the appendices to this Composite Document, which form part of this Composite Document.

Yours faithfully,
For and on behalf of
Huatai Financial Holdings (Hong Kong) Limited



LIU Taojiang
Executive Director
Head of M&A Division



YIM Chi Hang
Vice President