



Dafeng Port Heshun Technology Company Limited

大豐港和順科技股份有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 8310)

Executive Director:

Mr. Zhao Liang (*Chairman*)

Non-executive Directors:

Mr. Ji Longtao

Mr. Yang Yue Xia

Mr. Zhang Shukai

Independent non-executive Directors:

Mr. Lau Hon Kee

Mr. Yu Xugang

Ms. Hui Alice

Registered Office:

Cricket Square

Hutchins Drive,

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Headquarters and Principal Place of
Business in Hong Kong:*

Unit 1009, Exchange Tower

33 Wang Chiu Road

Kowloon Bay, Kowloon

Hong Kong

28 February 2025

To the Offer Shareholders:

Dear Sir/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 in relation to, among other things, the Agreement and the Share Offer.

The Company was informed by the Vendors that on 31 December 2024, the Offeror as the purchaser entered into the Agreement with the Vendors as the vendors, 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, for a cash Consideration of US\$60,000,000.

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

As the Offeror acquired a statutory control (as referred to under the Takeovers Code) over the Target Company upon Completion and the Offeror and the Offeror Concert Parties are interested in approximately 57.46% in the Company, 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) pursuant to Note 8 to Rule 26.1 of the Takeovers Code and Practice Note 19 to the Takeovers Code.

As stated in the “Letter from Huatai”, Huatai, on behalf the Offeror, makes the Share Offer on the following basis:

For each Offer Share HK\$0.4800 in cash

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Share Offer, (ii) the letter from Huatai containing, among others, details of the Share Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Offer Shareholders in relation to the Share Offer; (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Share Offer; and (v) procedures for acceptance of the Share Offer.

This letter forms part of this Composite Document and sets out, amongst other things, certain background information of the Offeror and the intentions of the Offeror in relation to the Group. Further details on the terms of the Share Offer are set out in this letter, Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

Your attention is also drawn to the “Letter from Huatai”, the “Letter from the Independent Board Committee” to the Offer Shareholders and the “Letter from Independent Financial Adviser” to the Independent Board Committee, the Offer Shareholders, as contained in this Composite Document, the accompanying Form of Acceptance and Transfer and the appendices which form part of this Composite Document.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee has been formed in accordance with Rule 2.8 of the Takeovers Code to advise and give a recommendation to the Offer Shareholders in respect of the Share Offer, as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer. The Independent Board Committee comprises of all the non-executive Directors who are not interested in the Share Offer, being Mr. Lau Hon Kee, Mr. Yu Xugang and Ms. Hui Alice. As (i) Mr. Zhang Shukai has served as the deputy general manager of Dafeng Port Development Group, a controlling shareholder of the Company; (ii) Mr. Yang Yuexia is the brother of Mr. Yang Yuezhou, the ultimate beneficial owner of Top Bright; and (iii) Mr. Ji Longtao is the shareholder of Success Pacific and Jiangsu Huahai, they are considered to have direct or indirect interest in the Share Offer.

Altus Capital has been appointed as the Independent Financial Adviser and such appointment has been approved by the Independent Board Committee to advise the Independent Board Committee in respect of the Share Offer, as to whether the Share Offer is, or is not fair and reasonable, and as to the acceptance of the Share Offer pursuant to Rule 2.1 of the Takeovers Code.

The full text of the letter from the Independent Board Committee addressed to the Offer Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Share Offer.**

THE SHARE OFFER

Huatai, on behalf the Offeror, makes the Share Offer 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 confirms that as at 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\$0.4700 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 Shares

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.

Further details of the Share Offer

Further details of the Share Offer, including, among other things, its extension to the Overseas Offer Shareholders, taxation advice, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the “Letter from Huatai” and Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

INFORMATION OF THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the GEM of the Stock Exchange. The Group is principally engaged in trading business and the provision of petrochemical products storage business in the PRC.

The following table is a summary of certain audited consolidated financial information of the Group for the financial years ended 31 December 2022 and 31 December 2023, as extracted from the annual reports of the Company for the years ended 31 December 2022 and 31 December 2023, respectively and the unaudited consolidated financial information of the Group for the six-month periods ended 30 June 2023 and 2024 as extracted from the Company’s interim reports for the six months ended 30 June 2023 and 2024:

	For the year ended 31 December		For the six months ended 30 June	
	2022	2023	2023	2024
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	795,967	1,158,042	419,628	690,507
(Loss)/Profit before income tax	(64,162)	53,489	(33,964)	(18,094)
(Loss)/Profit for the year or period (where appropriate) attributable to the owners of the Company	(61,967)	54,715	(34,226)	(17,758)
Net (liabilities)	(501,793)	(446,983)	(535,533)	(469,561)

Further financial and general information in relation to the Group are set out in Appendix II titled “Financial Information of the Group” and Appendix III titled “General Information of the Group” to this Composite Document.

PROPOSED CHANGE OF COMPANY NAME

Reference is made to the Company's announcement (the **"Proposed Change of Name Announcement"**) dated 10 February 2025 in relation to the proposed change of the Company's name.

Based on the Proposed Change of Name Announcement, the Company proposed to (i) change the English name of the Company from "Dafeng Port Heshun Technology Company Limited" to "Yancheng Port International Co., Limited" and adopt "鹽城港國際股份有限公司" as the Chinese name of the Company in place of its existing Chinese name of "大豐港和順科技股份有限公司" (the **"Proposed Change of Name"**).

The Proposed Change of Name shall not affect the procedures and Shareholder's entitlement of the Share Offer.

PROFIT WARNING ANNOUNCEMENT AND PROFIT FORECAST

Reference is made to the Profit Warning Announcement whereby, among others, it was announced that based on the information currently available and the preliminary assessment of the unaudited consolidated financial statements of the Group for the year ended 31 December 2024, the Group is expected to record (1) revenue of approximately HK\$781.7 million for the year ended 31 December 2024, representing a decrease of 32.50% as compared to approximately HK\$1,158.0 million for the corresponding period in 2023; and (2) net loss of approximately HK\$47.8 million for the year ended 31 December 2024 as opposed to a profit of approximately HK\$53.5 million for the corresponding period in 2023 (the **"Profit Warning"**).

This was mainly due to the following reasons:

1. the revenue generated from the Group's trading business decreased by 32.70% to approximately HK\$768.5 million for the year ended 31 December 2024 from approximately HK\$1,141.9 million in the corresponding period in 2023. Such decrease was attributable to the reduced scale of the Group's trading business with its certain major customers which are state-owned enterprises due to the new regulatory policies issued by the State-owned Assets Supervision and Administration Commission; and
2. the Group recognised a one-off gain on disposal of 40% equity interest in Jiangsu Yancheng Port Hairong Petrochemical Terminal Co., Ltd. of approximately HK\$108.9 million for the year ended 31 December 2023 while no such gain on disposal recognised for the year ended 31 December 2024.

The Profit Warning constituted a profit forecast for the purposes of Rule 10 of the Takeovers Code and as it was made during the Offer Period, the Company is required to comply with the requirements under Rule 10 of the Takeovers Code.

The Profit Warning has been reported on in accordance with Rule 10 of the Takeovers Code by Forvis Mazars CPA Limited, the auditor of the Company, and Altus Capital. Your attention is drawn to the reports issued by Forvis Mazars CPA Limited and Altus Capital set out in Appendix V to this Composite Document.

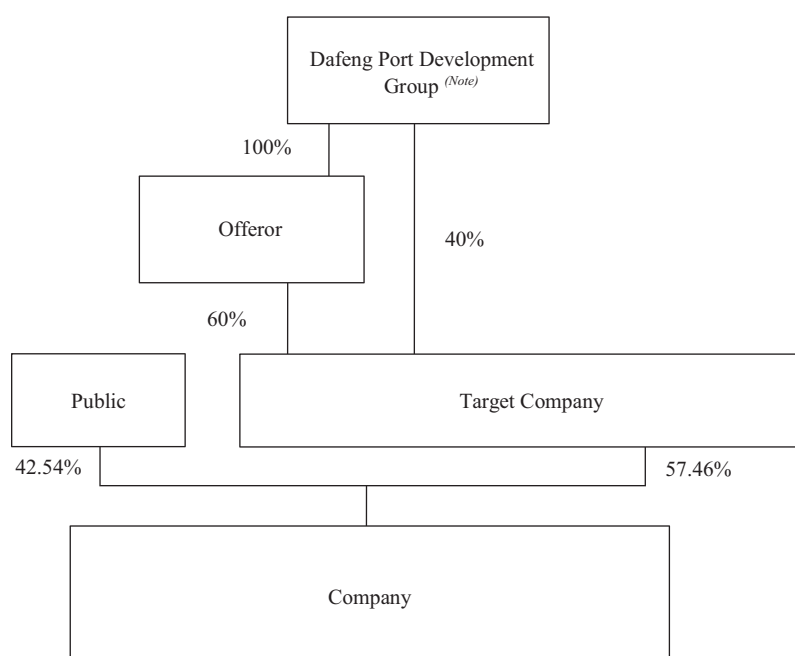
In deciding whether or not to accept the Share Offer, the Offer Shareholders should consider the material uncertainty related to going concern raised by the auditors of the Group in the annual reports of the Company for the years ended 31 December 2021, 2022 and 2023 (for further details please refer to Appendix II to this Composite Document), which may have an impact to the financial results of the Company.

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Offer Shareholders and the Independent Board Committee to the material uncertainty in respect of the “going concern” issue (please refer to Appendix II to this Composite Document for details). The material uncertainty relating to the “going concern” basis of the Company means that the Offer Shareholders are advised to take into account the foregoing and consider carefully the terms of the Share Offer. If the Offer Shareholders decide not to accept the Share Offer, they should be aware of the potential risks associated with the material uncertainty in respect of the “going concern” issue.

SHAREHOLDING STRUCTURE OF THE COMPANY AND THE TARGET COMPANY

As at the Latest Practicable Date, (i) the Offeror was the single largest shareholder of the Target Company holding 60% of all issued shares of the Target Company; and (ii) the Target Company held approximately 57.46% of all issued Shares.

Simplified shareholding structure of the Company and the Target Company as at the Latest Practicable Date



Note: 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*).

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

Shareholder	No. of Shares	Approximate %
<i>The Offeror and the Offeror Concert Parties</i>		
The Offeror	—	—
Target Company	740,040,000 (Note 1)	57.46
<i>Public Shareholders</i>	<u>547,960,000</u>	<u>42.54</u>
Total	<u>1,288,000,000</u>	<u>100</u>

Notes:

1. The Target Company is directly owned as to 60% by the Offeror and as to 40% by Dafeng Port Development Group. The Offeror is wholly-owned by Dafeng Port Development Group.
2. Certain percentage figures included in this table may be subject to rounding adjustments, if any.

INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed “Information on the Offeror” in the “Letter from Huatai” and Appendix IV “General Information relating to the Offeror” to this Composite Document.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Please refer to the paragraph headed “Intentions of the Offeror regarding the Group” in the “Letter from Huatai” in this Composite Document for detailed information on the Offeror’s intention on the business and management of the Group.

The Board is aware of the intention of the Offeror in respect of the Company as disclosed and is willing to render reasonable cooperation to Offeror to support its intention regarding the Group to the extent it considers that it is in the interests of the Company and Shareholders as a whole.

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 this 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

As mentioned in the “Letter from Huatai” in this Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the closing of the Share Offer.

Pursuant to the GEM Listing Rules, if, at the closing of the Share Offer, less than the minimum prescribed percentage of public float applicable to the Company, being 25.0% of the issued share capital of the Company, are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- 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.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 27 to 28 of this Composite Document and the “Letter from the Independent Financial Adviser” set out on pages 29 to 48 of this Composite Document, which contain, among other things, their advice in relation to the Share Offer and the principal factors considered by them in arriving at their recommendation. The Offeror Shareholders are urged to read those letters carefully before taking any action in respect of the Share Offer.

ADDITIONAL INFORMATION

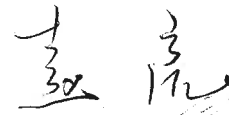
Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I titled “Further Terms and Procedures for Acceptance of the Share Offer” to this Composite Document and the accompanying Form of Acceptance and Transfer for further details in respect of the procedures for acceptance of the Share Offer.

In considering what action to take in connection with the Share Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,

By order of the Board

Dafeng Port Heshun Technology Company Limited

A handwritten signature in black ink, appearing to be 'Zhao Liang', written over a horizontal line.

Zhao Liang

Chairman