THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Dafeng Port Heshun Technology Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN JIANGSU HAIRONG DAFENG PORT PETROCHEMICAL PRODUCT TERMINAL COMPANY LIMITED; AND (2) NOTICE OF EGM

Financial adviser to the Company

SOMERLEY CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee and Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 6 to 40 of this circular. A letter from the Independent Board Committee is set out on pages 41 to 42 of this circular. A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 63 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 5/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong, on Tuesday, 17 July 2018 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven (7) days from the date of its publication and is available for reference on the website of the Company at www.dfport.com.hk.

29 June 2018

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

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

"Acquisition"	the proposed acquisition of the 100% equity interest in the Target Company by the Purchaser from the Sellers pursuant to the Framework Equity Purchase Agreement
"Assets Transfer"	the assets transfer pursuant to which Dafeng Harbour Port transferred all the assets related specifically to the Target Business formally to the Target Company on 30 June 2017 at an aggregate consideration of RMB797,456,000 in accordance with an assets transfer agreement dated 27 May 2017
"associate"	has the meaning as ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for the transaction of business
"CAGR"	compound annual growth rate
"close associate"	has the meaning as ascribed to it under the GEM Listing Rules
"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)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Framework Equity Purchase Agreement
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	RMB405.9 million, being the consideration for the Acquisition
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Dafeng Harbour Port"	大豐海港港口有限責任公司 (Dafeng Harbour Port Limited Liability Company*), a company establish in the PRC with limited liability and is a wholly-owned subsidiary of Jiangsu Dafeng

"Dafeng Port Overseas"	Dafeng Port Overseas Investment Holdings Limited (大豐港海外投資控股有限公司), a company incorporated in Hong Kong with limited liability and is interested in approximately 57.46% of the issued share capital of the Company, being one of the Controlling Shareholders of the Company
"Deposit"	the amount of RMB40,590,000 to be transferred to an escrow account designated by the Property Rights Exchange for the bidding of the equity interest of the Target Company
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, approve the Framework Equity Purchase Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition (assuming the Acquisition has been completed)
"First Payment"	RMB121.77 million, being 30% of the Consideration which will be paid by the Purchaser to the Sellers upon satisfaction or waiver of the Payment Conditions for the first payment, details of which are set out in the paragraph headed "Letter from the Board — Consideration and Payment Conditions for the Framework Equity Purchase Agreement" in this circular
"Framework Equity Purchase Agreement"	the framework equity purchase agreement entered into between the Purchaser and the Sellers in relation to the Acquisition on 29 May 2018 and supplemented by a supplemental agreement dated 26 June 2018
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"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 Framework Equity Purchase Agreement and the transactions contemplated thereunder

"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Equity Purchase 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 Framework Equity Purchase Agreement and the transactions contemplated thereunder
"Jiangsu Dafeng"	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
"Jiangsu Huahai"	江蘇華海投資有限公司 (Jiangsu Huahai investment Company Limited*), a company established in the PRC and is interested in Dafeng Port Overseas as to 10%, being one of the Controlling Shareholders of the Company
"Jiangsu Zhongnanhui"	江蘇中南滙石化倉儲有限公司 (Jiangsu Zhongnanhui Petrochemical Storage Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Latest Practicable Date"	26 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"M^3"	cubic metres
"On-shore Properties"	the Target Company's properties erected on top of land area (including an ancillary building and a switching room)
"Payment Conditions"	the conditions of payment of the Consideration as set out in the Framework Equity Purchase Agreement, details of which are set out in the paragraph headed "Letters from the Board — Consideration and Payment Conditions for the Framework Equity Purchase Agreement" in this circular
"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

"Port Sea Use Rights"	the sea use rights in respect of an area of 57.7189 hectares on which the Petrochemical Port is situate
"PRC" or "China"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Property Rights Exchange"	鹽城市大豐區興達產權交易服務中心(Yancheng City Dafeng District Xing Da Property Rights Exchange*)
"Purchaser" or "Yancheng Dafeng"	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
"Qianhai Mingtian"	前海明天供應鏈(深圳)有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Sea Use Certificates"	the 海域使用權證書 (Sea Use Rights Certificates*) of the Petrochemical Port to be obtained by (and to be in the name of) the Target Company
"Second Payment"	RMB284.13 million, being 70% of the Consideration which will be paid by the Purchaser to the Sellers upon satisfaction or waiver of the Payment Conditions for the second payment, details of which are set out in the paragraph headed "Consideration and Payment Conditions for the Framework Equity Purchase Agreement" in this circular
"Seller(s)"	Jiangsu Dafeng or Jiangsu Huahai respectively, or both
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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 Business"	the business of the Target Company, as detailed in the section headed "Letter from the Board — Information on the Target Company — Business model of the Target Company"
"Target Company"	江蘇海融大豐港油品化工碼頭股份有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited*), a company established in the PRC
"Tianjin Lian Qi Cheng"	天津聯企成石油製品銷售有限公司 (Tianjin Lian Qi Cheng Petroleum Products Trading Limited*), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company
"US$"	United States dollars, the lawful currency of the United States
"Zhuhai Heng Feng"	珠海恒豐和順石化有限公司 (Zhuhai Heng Feng Heshun Petrochemical Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"%"	per cent

* *For identification purposes only*

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)

Executive Directors:
Mr. Ni Xiangrong *(Chairman)*
Mr. Shum Kan Kim
Mr. Sun Lin
Mr. Pan Jian

Non-executive Directors:
Mr. Ji Longtao
Mr. Yang Yue Xia
Mr. Miao Zhibin

Independent Non-executive Directors:
Dr. Bian Zhaoxiang
Mr. Lau Hon Kee
Mr. Yu Xugang
Mr. Zhang Fangmao

Registered office:
Cricket Square, Hutchins Drive
P. O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 1009, Exchange Tower
33 Wang Chiu Road
Kowloon Bay, Kowloon
Hong Kong

29 June 2018

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN JIANGSU HAIRONG DAFENG PORT PETROCHEMICAL PRODUCT TERMINAL COMPANY LIMITED AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 29 May 2018 in relation to the Acquisition. On 29 May 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Sellers entered into the Framework Equity Purchase

Agreement, pursuant to which the Purchaser conditionally agreed to purchase and each of the Sellers conditionally agreed to sell 60% and 40% of their respective equity interests in the Target Company at the aggregate Consideration of RMB405.9 million, which shall be satisfied by the Purchaser by cash.

The purpose of this circular is to provide you with, among other matters, (i) further details of the Acquisition; (ii) the financial information of the Group; (iii) the financial information of the Target Company; (iv) unaudited pro forma financial information of the Enlarged Group; (v) property valuation report of the Target Company; (vi) the letter of the Independent Board Committee to the Independent Shareholders in respect of the Framework Equity Purchase Agreement and the transactions contemplated thereunder; (vii) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Framework Equity Purchase Agreement and the transactions contemplated thereunder; (viii) the general information of the Company; and (ix) a notice convening the EGM.

THE FRAMEWORK EQUITY PURCHASE AGREEMENT

Date

29 May 2018 (supplemented by a supplemental agreement dated 26 June 2018)

Parties

(a) Sellers:

(i) 江蘇大豐海港控股集團有限公司(Jiangsu Dafeng Harbour Holdings Limited*); and

(ii) 江蘇華海投資有限公司(Jiangsu Huahai investment Company Limited*)

(b) Purchaser: 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*)

(c) Target Company: 江蘇海融大豐港油品化工碼頭股份有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited*)

As at the Latest Practicable Date, the Sellers, in aggregate, own 50% of the shareholding of Dafeng Port Overseas (the Company's direct Controlling Shareholder), which in turn owns 57.46% of the Shares. As the Sellers have substantial influence on Dafeng Port Overseas, the Sellers are connected persons of the Company.

Equity interests to be acquired

The 60% and 40% equity interests held by Jiangsu Dafeng and Jiangsu Huahai in the Target Company, respectively.

Conditions precedent

The Framework Equity Purchase Agreement will become effective upon the following major conditions being fulfilled or being waived by the Purchaser (provided that only condition (c) below can be waived):

(a) the Company having obtained its Independent Shareholders' approval at the EGM to proceed with the Acquisition in accordance with the GEM Listing Rules;

(b) the Purchaser having completed all its internal approval procedures in relation to the Acquisition;

(c) the Target Company having completed all its internal approval procedures in relation to the Acquisition;

(d) Jiangsu Dafeng having completed the internal procedures required for the transfer of the state-owned equity interest of the Target Company in relation to the Acquisition;

(e) the equity interest of the Target Company having been listed on the Property Rights Exchange, with the Purchaser being the only intended purchaser or alternatively, the Purchaser having won the bid; and

(f) the Acquisition will not constitute a reverse takeover pursuant to Rule 19.06(6) of the GEM Listing Rules.

After the Sellers have listed their equity interest of the Target Company on the Property Rights Exchange and the Company obtained its Independent Shareholders' approval at the EGM to proceed with the Acquisition in accordance with the GEM Listing Rules, if required by the Property Rights Exchange, the Purchaser shall in accordance with the rules of the Property Rights Exchange transfer RMB40,590,000, as the Deposit, to an escrow account designated by the Property Rights Exchange as the deposit for the bid of the equity interest of the Target Company. If the Purchaser successfully wins the bid, the Deposit will be used to offset against part of the First Payment. The Sellers shall procure the Property Rights Exchange to timely return the Deposit to the Purchaser or failing which, the Sellers shall themselves pay the Purchaser the Deposit amount if (i) the Framework Equity Purchase Agreement is terminated without Completion in accordance with its terms, or (ii) the Sellers are in material breach of the Framework Equity Purchase Agreement.

Pursuant to the Framework Equity Purchase Agreement, the Purchaser has the right, but is not obliged, to acquire either of the Sellers' equity interests in the Target Company.

Consideration and Payment Conditions for the Framework Equity Purchase Agreement

The Consideration for the sale and purchase of the 100% equity interest in the Target Company under the Framework Equity Purchase Agreement shall be RMB405.9 million, which, upon the satisfaction or waiver of the Payment Conditions, shall be paid by the Purchaser to the Sellers by cash in the following manner:

(a) First Payment: subject to the satisfaction or waiver of the Payment Conditions for the First Payment below, the Purchaser shall pay 30% of the Consideration which amounts to RMB121,770,000 to the Sellers (of which Jiangsu Dafeng shall be entitled to receive RMB73,062,000 for the First Payment and Jiangsu Huahai shall be entitled to receive RMB48,708,000 for the First Payment), within five days from the date of the 產權交易合同 (Property Rights Transfer Contract*) (the "**First Payment Date**"), of which the Deposit shall be used to offset part of the First Payment (save as otherwise agreed by the Purchaser and the Sellers, Jiangsu Dafeng shall be entitled to receive RMB24,354,000 of the Deposit and Jiangsu Huahai shall be entitled to receive RMB16,236,000 of the Deposit) and after deducting the Deposit, the Purchaser shall pay RMB81,180,000 to the Sellers as First Payment, of which RMB48,708,000 shall be paid to Jiangsu Dafeng and RMB32,472,000 shall be paid to Jiangsu Huahai; and

(b) Second Payment: subject to the satisfaction or waiver of the Payment Conditions for the Second Payment below, the Purchaser shall pay the remaining 70% of the Consideration which amounts to RMB284,130,000 to the Sellers (of which Jiangsu Dafeng shall be entitled to receive RMB170,478,000 for the Second Payment and Jiangsu Huahai shall be entitled to receive RMB113,652,000 for the Second Payment) and the interest on the Second Payment (in a 6:4 proportion between Jiangsu Dafeng and Jiangsu Huahai), within one year from the date of the Property Rights Transfer Contract (the "**Second Payment Date**"). The interest on the Second Payment shall be at the interest rate of 4.35%, the People's Bank of China base interest rate as at the date of the Framework Equity Purchase Agreement.

Payment Conditions

The Purchaser is required to pay the Consideration by their respective due dates as mentioned above if the Payment Conditions have been fulfilled or waived by the Purchaser (provided that only conditions (b), (c), (d) and (f) below for the First Payment and conditions (b), (c) and (e) below for the Second Payment can be waived):

First Payment:

(a) the Framework Equity Purchase Agreement having become effective;

(b) the Target Company having been changed to a limited liability company;

(c) the representations and warranties of the Sellers at the date of the Framework Equity Purchase Agreement and at the date of the First Payment Date are true, accurate, complete in all material respects and contain no material misleading information;

(d) the Sellers having complied with all the material covenants and obligations under the Framework Equity Purchase Agreement;

(e) there is no applicable laws or actions taken by government authorities which may limit, prohibit or terminate the Acquisition and the Target Company having obtained all necessary consents or approvals (including but not limited to the consents of the Target Company's creditors) in relation to the Acquisition (save for the registration of the transfer of equity interest in the Target Company in relation to the Acquisition);

(f) there being no occurrence of any incident which may cause or has caused a material adverse effect on the Acquisition since the date of the Framework Equity Purchase Agreement;

(g) the Target Company having completed the registration of the change of ownership of the Port Sea Use Rights and obtained the Sea Use Certificates in the name of the Target Company; and

(h) the Purchaser's PRC legal advisers having issued its legal opinion to the satisfaction of the Purchaser on the compliance of the Target Company's operations confirming the due incorporation, validity and continue existence of the Target Company, the obtaining of all necessary approvals, consents, licenses and/or permissions on the business operations of the Target Company and the Target Company has legal ownership of the Port Sea Use Rights and has obtained the Sea Use Certificates registered in the name of the Target Company.

Second Payment:

(a) the Payment Conditions for the First Payment having been fulfilled or waived;

(b) the representations and warranties of the Sellers at the date of the Framework Equity Purchase Agreement and at the date of the Second Payment Date are true, accurate, complete in all material respects and contain no material misleading information;

(c) the Sellers having complied with all the material covenants and obligations under the Framework Equity Purchase Agreement;

(d) there is no applicable laws or actions taken by government authorities which may limit, prohibit or terminate the Acquisition and the Target Company having obtained all necessary consents or approvals (including but not limited to the consents of the Target Company's creditors) in relation to the Acquisition;

(e) there being no occurrence of any incident which may cause or has caused a material adverse effect on the Acquisition since the date of the Framework Equity Purchase Agreement;

(f) the Target Company having completed the ownership registration in the name of the Target Company or a nominee of the Purchaser in respect of the Sea Properties (as defined below) (if applicable) or having obtained a confirmation from the relevant competent government authority confirming that the Target Company or a nominee of the Purchaser has obtained the legal ownership of the Sea Properties (as defined below); and

(g) the Purchaser's PRC legal advisers having issued its legal opinion to the satisfaction of the Purchaser on the Target Company confirming the Target Company has legal ownership of the Sea Properties (as defined below).

As supplemented by a supplemental agreement, it was further agreed that if any of the Payment Conditions to the Second Payment cannot be fulfilled or waived within one year from the date of the Property Rights Transfer Contract, the Purchaser shall have the right to (i) allow the vendors additional time to fulfil the Payment Conditions; and (ii) terminate the Framework Equity Purchase Agreement. If the Framework Equity Purchase Agreement is terminated in this context, upon receiving full refund of First Payment and interest from the Vendors, the Purchaser shall facilitate the transfer of equity interests in the Target Company back to the Vendors.

As at the Latest Practicable Date, the Company has no intention to waive any of the Payment Conditions for the First Payment and for the Second Payment.

If the Acquisition fails to proceed and the Framework Equity Purchase Agreement is terminated, details of the provisions on terminations are set out in the paragraph headed "Termination" below, the Purchaser is entitled to request for the return of the First Payment or terminate the Framework Equity Purchase Agreement and claim for damages in accordance with the Framework Equity Purchase Agreement.

According to the Payment Conditions for the First Payment, the Target Company is required to have been changed to a limited liability company. Pursuant to the Company Law of the PRC, a joint-stock limited company shall be established by no less than two shareholders, while a limited liability company is allowed to be established by one person. Since the Purchaser will become the only shareholder of the Target Company after the Acquisition, the Target Company, which is a joint-stock limited company, is required to be registered with the competent administration for industry and commerce as a limited liability company to satisfy the above requirement. As advised by the Company's PRC legal advisers, such registration will change the Target Company's legal form, but is unlikely to affect its operation. Although the Company does not foresee any material difficulties in making the change, the Company will appoint another subsidiary of the Company to jointly hold the equity interests of the Target Company to satisfy the legal requirements of a joint-stock limited company if the relevant authorities fail to approve the change.

The Purchaser intends to fund the Consideration by internal resources and the proceeds from the placing of unlisted secured bonds which was completed in March 2018. For further details of the unlisted secured bonds, please refer to the announcements of the Company dated 27 and 29 March 2018.

The aggregate of the remuneration payable to and benefits in kind receivable by the directors of the Purchaser will not be varied in consequence of the Acquisition.

Basis of the determination of the Consideration

The Consideration was determined after arm's length negotiation between the Purchaser and the Sellers with reference to the valuation multiple based on the audited total assets and liabilities of the Target Company as at 31 December 2017.

Taking into account (i) the net asset value of the Target Company as at 31 December 2017; (ii) the benefits which the Acquisition can bring to the Group upon Completion as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below; and (iii) the price-to-book ratio ("**P/B ratio**") of the Target Company which represents a reasonable ratio compared to the range of the P/B ratios of comparable precedent transactions involving transaction targets which are engaged in similar business of the Target Company ("**Comparable Transactions**"), the Directors (excluding the Directors who are required to abstain from voting but including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The aforesaid Comparable Transactions and their respective P/B ratios are summarized as follows:

	Announcement date	Purchaser	Seller	Target company (Stake acquired)	Principal business	P/B ratio (times)
(a)	21 July 2017	Nantong State-owned Assets Investment Holding Co., Ltd.	PYI Corporation Ltd (stock code: 498.HK)	Nantong Port Group Limited (45% stake)	China-based engaged in providing cargo loading and offloading, storage, shipping agent, cargo agent, ship anchoring, ship repairing, port machinery, shipping logistics and ship piloting services	2.05
(b)	21 April 2017	Tianjin Port Co., Ltd.	Tianjin Port Development Holdings Ltd. (stock code: 3382.HK)	(1) Tianjin Port Alliance International Container Terminal Co., Ltd. (40% stake); (2) Tianjin Port Container Terminal Co., Ltd. (100% stake); (3) Tianjin Port No. 2 Stevedoring Co., Ltd. (100% stake); (4) Tianjin Port Haifeng Bonded Logistics Co., Ltd. (51% stake); (5) Tianjin Port Euroasia International Container Terminal Co., Ltd. (40% stake)	China-based providers of cargo handling services	1.11

	Announcement date	Purchaser	Seller	Target company (Stake acquired)	Principal business	P/B ratio (times)
(c)	14 October 2016	Yichang Xingfa Group Co., Ltd.	Hubei Xingfa Chemicals Group Co., Ltd. (stock code: 600141.SH)	Xingshan County Xiakou Port Co., Ltd. (100% stake)	China-based company engaged in cargo handling and warehousing business	1.66
(d)	27 January 2016	Ningbo Zhoushan Port Company Limited (stock code: 601018.SH)	Ningbo Zhoushan Port Group Limited	Zhoushan Port Co., Ltd. (85% stake) *(Note 1)*	China-based port services provider and logistics company for containers, minerals and crude oil	1.93
(e)	23 January 2016	TangShan Port Group Co., Ltd. (stock code: 601000.SH)	Tangshan Port Industrial Group Co. Ltd	Tangshan Caofeidian Shiye Port Co., Ltd. (10% stake)	China-based port operator, mainly for minerals	1.33
(f)	20 March 2015	Zhejiang Jiahua Energy Chemical Industry Co., Ltd. (stock code: 600273.SH) ("**Zhejiang Jiahua**")	Sanjiang Chemical Co Ltd; Capitol International Limited; Guangdong Jinsheng Petrochemical Co Ltd; Mike Petroleum & Chemical (Singapore) Limited	Zhejiang Zhapu Meifu Port & Storage Co Ltd (100% stake) ("**Zhejiang Zhapu**")	China-based company engaged in loading and storage services for petrochemical products	3.50
(g)	12 March 2013	Tibet Haihan Transport Development Co Ltd	N/A	Jinzhou Port Co., Ltd. (stock code: 600190.SH) (15% stake)	China-based company engaged in port management, port cargo loading and unloading, road transportation and materials warehousing	1.62
(h)	24 January 2013	COSCO SHIPPING Ports Limited (stock code: 1199.HK)	China Ocean Shipping (Group) Company	Taicang International Container Terminal Co., Ltd. (39.04% stake)	China-based company engaged in the development and construction of container terminals, warehousing, transhipment, cargo containers handling, and related services	1.69
(i)	8 December 2012	Beibu Gulf Port Co., Ltd. (stock code: 000582.SZ)	Guangxi Beibu Gulf International Port Group Co., Ltd.	(1) Qinzhou Port Group Co.Ltd. (100% stake); (2) Fangchenggang Beibu Gulf Port Co., Ltd (100% stake)	(1) Qinzhou Port Group Co Ltd is the China based port operator engaged in port cargo handling (2) Fangchenggang Beibu Wan Port Co., Ltd is the China based port operator for a wide range of goods including containers, minerals, coal and petrochemicals products	2.35

	Announcement date	Purchaser	Seller	Target company (Stake acquired)	Principal business	P/B ratio (times)
(j)	4 December 2011	Sinopec Kantons Holdings Limited (stock code: 934.HK) ("**Sinopec Kantons**")	China Petroleum & Chemical Corporation	(1) Tianjin Port Shihua Crude Oil Terminal Co., Ltd. (50% stake) (2) Ningbo Shihua Crude Oil Terminal Company Limited (50% stake) (3) Qingdao Shihua (50% stake) (4) Rizhao Shihua Crude Oil Terminal Company Limited (50% stake) (5) Tangshan Caofeidian Shihua (90% stake) ("Altogether, the "**Five Joint Ventures**")	The Five Joint Ventures are engaged in the operation of terminal and port facilities, loading and unloading of crude oil and refined oil product	1.15
(k)	31 May 2011	Chu Kong Shipping Development Company Limited	Chu Kong Shipping Enterprises (Group) Company Limited (stock code: 560.HK)	CKS Container Terminal (Zhuhai Doumen) Co., Ltd (100% stake)	China-based company engaged in handling and storage of cargos at Doumen port located in the Pearl River Delta area	2.04
(l)	29 May 2011	Sinopec Kantons	Zhanjiang Port (Group) Co., Ltd	Zhan Jiang Port Petrochemical Jetty Co. Limited (50% stake) ("**Zhan Jiang Port**")	China-based company engaged in the operation of providing logistic services for crude oil and chemical products	0.88
(m)	2 January 2011	Rudong County Ritai Infrastructure Development and Investment Co., Ltd.	PYI Corporation Limited (stock code: 498.HK)	Jiangsu Yangkou Port Investment and Development Co., Ltd (50.1% stake)	China based operator of bulk cargo at Yangkou Port	1.57
				Primary Comparable Transactions *(Note 2)*	Average	1.84
					Maximum	3.50
					Minimum	0.88
				All Comparable Transactions	Average	1.76
					Maximum	3.50
					Minimum	0.88
					The Acquisition	**1.81**

Source: Mergermarket, the Stock Exchange website and www.cninfo.com.cn

Notes:

(1) Majority of terminals owned by Zhoushan Port Co. Ltd. is engaged in loading and unloading of cargos and minerals.

(2) The primary comparable transactions (the "**Primary Comparable Transactions**") include the acquisition of 100% Zhejiang Zhapu in (f), the acquisition of the Five Joint Ventures in (j) and the acquisition of Zhanjiang Port in (l), which involved the acquisition targets mainly engaged in the operation of petrochemical or crude oil terminals and relevant facilities.

The Board considers the above Comparable Transactions to be relevant and appropriate comparables as referenced to determine the Consideration, as they were selected based on the criteria that these transaction targets were involved in the port industry and principally engaged in the provision of terminal handling and related logistics services, similar to the Target Business.

The Primary Comparable Transactions (i.e. transactions (f), (j) and (l)), namely (i) the acquisition of 100% interest in Zhejiang Zhapu by Zhejiang Jiahua; (ii) the acquisitions of the Five Joint Ventures by Sinopec Kantons; and (iii) the acquisition of 50% interest in Zhan Jiang Port by Sinopec Kantons, involved acquisition targets that were mainly engaged in the business operation of petrochemical or crude oil terminal and relevant facilities and are considered as the most appropriate comparables to the petrochemical terminal operated by the Target Company. Amongst the Primary Comparable Transactions, the only transaction involved acquisition of 100% interest of crude oil terminal is the acquisition of Zhejiang Zhapu by Zhejiang Jiahua in March 2015 and its consideration represented P/B ratio of 3.5 times which, in the Directors' view (excluding the Directors who are required to abstain from voting but including the independent non-executive Directors), has taken into account the control premium of Zhejiang Zhapu. The average of the P/B ratios of these Primary Comparable Transactions was approximately 1.84 times, which the Company has taken into account and placed more weight in determining the Consideration for the Acquisition, which has a P/B ratio of 1.81 times.

Completion

The Target Company shall register with the relevant industry and commerce administration authority in the PRC with respect to the transfer of the 100% equity interest in the Target Company within 20 days (unless if further agreed by the Purchaser and the Sellers and the cause of delay is due to the government) after the First Payment Date. The date of Completion shall be the date when the Target Company completes the above registration.

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

(a) the registration certificate of the transfer of the 100% equity interest in the Target Company, the registration certificate of the new articles of association of the Target Company and the registration certificate of the new directors and other personnel of the Target Company;

(b) the certificate evidencing the transfer of the 100% equity interest in the Target Company and the register of members of the Target Company reflecting such transfer; and

(c) all the seals, financial books, certificates, electronic passwords, the access information of all the sites or accounts which was set up or opened by the Target Company and all other documents and information which are necessary and relevant to the Acquisition.

Business Covenants of the Sellers

From the date of the Framework Equity Purchase Agreement to the date of Completion, the Sellers shall procure the Target Company to operate its business normally and shall use its commercially reasonable efforts to maintain its business and its relationships with its customers, creditors and employees, and shall not act in any event which will have an adverse effect on the Target Company's assets, business, or reputation.

Except as otherwise provided in the Framework Equity Purchase Agreement and any ancillary documents, from the date of the Framework Equity Purchase Agreement to the date of Completion, the Sellers shall not and shall procure the Target Company not to, without prior written consent of the Purchaser:

(a) amend the Target Company's articles of association (other than adopting a new articles of association of the Target Company for the purpose of the Acquisition), or amend other systems, documents, or agreements relating to the Target Company's assets or business operations;

(b) increase or decrease the registered capital of the Target Company, or grant or agree to grant to any person(s) the right to subscribe to any options of the shares of the Target Company;

(c) cause any shares of the Target Company to be subject to any encumbrances;

(d) declare or pay any dividends;

(e) sell, transfer, lease, license, assign or dispose of all or any part of any business or asset of the Target Company with the value more than RMB500,000;

(f) take any measures, waive any rights or make other tax-related decisions in the relevant business of the Target Company, except for filing of tax returns and settling tax payment in the normal business operations of the Target Company;

(g) lease or agree to lease or in any way relinquish the Port Sea Use Rights and the rights to use the On-shore Properties owned or used by the Target Company, or enter into any relevant long-term agreement or agreement with unusual terms;

(h) grant or issue any bonds, mortgages, securities or other guarantees;

(i) increase borrowings, make similar arrangements or amend any terms or arrangements of the loan or credit documents of the Target Company;

(j) grant any loan, credit, guarantee, compensation, assurance or similar liability to third parties, unless such is pursuant to the Framework Equity Purchase Agreement and any ancillary documents;

(k) repay any borrowings to the Sellers or their connected parties or enter into any agreements with connected parties;

(l) enter into any contract or undertaking which exceeds or is not in the normal and usual course of business of the Target Company or which materially affects the business of the Target Company, or enter into any contract or undertaking which is materially unusual or over burdensome, or provide payment of any fees which are not fair and reasonable in the normal and usual course of business of the Target Company;

(m) make any material changes to the nature of the business, scope or organization of the business of the Target Company and manage the business not in accordance with the normal operating procedures of its business;

(n) suspend or cease the operation of all or a substantial part of the business of the Target Group or carry out any new business;

(o) purchase or sell any shares, bonds, or any relevant rights of an entity or enter into any capital investment;

(p) enter into joint venture, partnership or profit distribution agreements with another entity;

(q) make any material changes to the accounting procedures or principles to which the accounts have been prepared;

(r) cancel, forgo, waive or cease any claims against any entity which is not in the normal and usual course of business of the Target Company, or commence or settle any claims or arbitrations, or enter into a compromise in respect of a claim or arbitration;

(s) waive or settle any cumulative amount of more than RMB500,000 debt receivable of the Target Company with any single entity;

(t) increase or agree to increase the employee's salary, benefits or other remuneration, or make any major changes to the terms of their employment contracts;

(u) enter into any employment contract with any person whose annual salary exceeds RMB300,000, or enter into any consultancy contract with a cumulative consultancy fee in excess of RMB500,000;

(v) enter into any agreement relating to any of the above, or enter into any transaction or arrangement which is to the disadvantage to the assets or business of the Target Company; or

(w) enter into or agree to enter into a business contract with an amount in excess of RMB500,000.

Obligations of Sellers subsequent to Completion

Subsequent to Completion, the Sellers agreed to, prior to the Purchaser paying the Second Payment, assist the Target Company to complete the ownership registration in the name of the Target Company or a nominee of the Purchaser in respect of the Sea Properties and obtaining the relevant ownership certificate (if applicable).

Termination

The Framework Equity Purchase Agreement may be terminated upon the occurrence of the following:

(a) the Purchaser and the Sellers having agreed to terminate the Framework Equity Purchase Agreement in writing;

(b) the conditions precedent on the effectiveness of the Framework Equity Purchase Agreement have not been fulfilled within 90 days from the date of the Framework Equity Purchase Agreement or have not been waived by the Purchaser and the parties have not reached a consensus on the delay in fulfilling such conditions precedent, either party may serve a written notice to the other party to terminate the Framework Equity Purchase Agreement;

(c) the Payment Conditions of the First Payment have not been fulfilled within 90 days from the date the Framework Equity Purchase Agreement becomes effective or have not been waived by the Purchaser and the parties have not reached an agreement to delay the fulfilment such Payment Conditions, the Purchaser may serve a written notice to the Sellers to terminate the Framework Equity Purchase Agreement;

(d) the Sellers, their controlling shareholders or the Target Company is involved in a criminal litigation or investigation, the Purchaser may serve a written notice to the Sellers to terminate the Framework Equity Purchase Agreement without having to bear any obligations for terminating the Framework Equity Purchase Agreement;

(e) the Sellers failing to register with the relevant industry and commerce administration authority in the PRC with respect to the transfer of the 100% equity interest in the Target Company within 20 days after the First Payment Date and after 20 days from the date the Purchaser gives notice to the Sellers to rectify such failure and the Sellers fail to make such rectifications, the Purchaser may serve a written notice to the Sellers to terminate the Framework Equity Purchase Agreement and the Sellers shall return the amount equivalent to the First Payment to the Purchaser within 20 days from the receipt of the written notice by the Purchaser; or

(f) either party having committed a material breach of the Framework Equity Purchase Agreement, the non-defaulting party may serve a written notice to the other party to terminate the Framework Equity Purchase Agreement.

Upon termination of the Framework Equity Purchase Agreement in accordance with the above provisions, the non-breaching party may claim for damages against the breaching party in accordance with the Framework Equity Purchase Agreement.

INFORMATION ON THE GROUP

The Group is principally engaged in trading business, the provision of integrated logistics freight services and the relevant supporting services, and petrochemical products storage business.

Business model of the Group

The business activities of the Group are currently segmented into (i) trading; (ii) provision of integrated logistics freight services and relevant supporting services; and (iii) petrochemical products storage business. As a whole, the business of the Group is transforming and developing from mainly logistics business to an integrated port trading, storage and freight business. Furthermore, the Group is intended to differentiate itself from other port operators by developing itself into a petrochemical port strategically located in Dafeng port.

(a) Trading business

The Group is engaged in the trading and import and export businesses of mainly (i) electronic and other products and (ii) petrochemical products. The total revenue from the Group's trading business amounted to approximately HK$3,148 million and accounted for approximately 92% of the total revenue of the Group for the year ended 31 December 2017.

The number of customers and suppliers for the trading business segment is approximately 70 and 55 respectively. They are mainly new customers and suppliers to the Group with less than three years of business relationship, as the Group established Qianhai Mingtian in 2016 and acquired Tianjin Lian Qi Cheng and Zhuhai Heng Feng in 2017. The suppliers of the Group's trading business primarily include PRC and foreign trading companies, domestic small and medium manufacturing companies, listed companies and certain state-owned enterprises and the customers of the Group's trading business primarily include PRC and foreign trading companies and refineries. The Group employs around 140 employees for the trading business.

Petrochemical products trading

The Acquisition is expected to facilitate the Group's petrochemical products trading. The significant increase in revenue from the Company's trading business for the year ended 31 December 2017 was partly attributable to the acquisitions of Tianjin Lian Qi Cheng and Zhuhai Heng Feng in 2017.

For the year ended 31 December 2017, Tianjin Lian Qi Cheng recorded revenue of approximately HK$294 million from the trading of petrochemical products. Tianjin Lian Qi Cheng relies mainly on the Shandong crude oil market in the trading of petrochemical products. Shandong is where China's second largest oil field is situate and has hundreds of petrochemical enterprises. Tianjin Lian Qi Cheng purchases petrochemical products from these petrochemical enterprises, and then consolidates the products and sells them to designated customers of large state owned petrochemical companies and other customers. Zhuhai Heng Feng mainly engages in trading of petrochemical products and procures some of its petrochemical products from the customers of Jiangsu Zhongnanhui, and Zhuhai Heng Feng recorded revenue of approximately HK$544 million from the trading of petrochemical products.

Electronic products and others trading

The electronic products trading operation is mainly conducted by Qianhai Mingtian, which recorded significant increase in revenue from approximately HK$303 million for the year ended 31 December 2016 to approximately HK$1,461 million for the year ended 31 December 2017. This increase was mainly due to contribution from full-year operation of Qianhai Mingtian in 2017 as compared to only half-year operation in 2016 as Qianhai Mingtian was established in May 2016, and it also added over 50 new customers in 2017.

(b) Integrated logistics freight services business and the relevant supporting services business

The integrated logistics freight services of the Group currently provide sea shipping services and local land logistics services covering the region of the Pearl River Delta and Hong Kong. The Group's target customers for the integrated logistics freight services are mainly domestic factory companies. To support the logistics and freight services of the Group, it also provides its customers with tractor maintenance and repair services and insurance agency services as value-added services to enhance customers' satisfaction. The Company also provides fuel cards to logistics companies and general individual customers, in the aim of enhancing the Company's reputation and increasing market promotion efforts.

The aggregate revenue from the Group's integrated logistics freight services business and the relevant supporting services business (the "**Freight Logistics Business**") for the year ended 31 December 2017 was approximately HK$264 million and the Group employs around 90 employees for the Freight Logistics Business.

Given the recent rise of trade wars between the PRC and the United States and the rise of global trade protectionism, the Company will closely monitor its Freight Logistics Business and take necessary actions to preserve and protect the Group's business and financial position taking into account the available resources and overall strategy of the Company. The Company currently has no specific plans to expand or downsize its Freight Logistics Business.

(c) Petrochemical products storage business

The petrochemical products storage business is provided by Jiangsu Zhongnanhui which principally provides warehouse storage services for petrochemical products including but not limited to light oil products, naphtha, diesel oil, butadiene, toluene, acetone, kerosene, liquid paraffin, naphtha oil, methanol, and solvent oil to the customers in Dafeng port.

Currently, the Group's storage capacity is approximately 100,000M^3, which cannot meet with the demand of existing customers. Therefore, the Group has rented the nearby storage tanks to satisfy its customers' demand. To expand its capacity, the Group has contracted to construct four groups of petrochemical tanks of a total of 80,000M^3 last year and to construct and repair one group of petrochemical storage tanks of total 80,000M^3 and various fire services upgrade this year, details of which were set out in the announcements of the Company dated 11 January 2017 and 1 February 2018. The revenue from the Group's petrochemical products storage business for the year ended 31 December 2017 was approximately HK$13 million and the Group employs around 65 employees for the petrochemical products storage business.

The Dafeng Economic Development Zone will establish new petrochemical materials industrial parks, coal chemical industry parks, and crude oil and refined oil storage areas. It is expected that Jiangsu Zhongnanhui will benefit from the growing demand for petrochemical warehousing services driven by the recovery of China's petrochemical industry.

INFORMATION ABOUT THE SELLERS

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 service.

Jiangsu Huahai was established in the PRC in April 2010. Its principal business includes but not limited to investment and asset management, investment consulting and real estate services.

INFORMATION ON THE TARGET COMPANY

The Target Company was established in the PRC in June 2010 as a joint stock company. The Target Company has been inactive since the date of its incorporation until 30 June 2017. Historically, the Target Business was carried out by Dafeng Harbour Port. Prior to the Assets Transfer, Dafeng Harbour Port also carried out other terminal businesses in addition to the Target Business which do not form part of the Target Business. Dafeng Harbour Port effected an Assets Transfer with the Target Company, pursuant to which Dafeng Harbour Port ceased to operate the Target Business and transferred all the assets related specifically to the Target Business formally to the Target Company. After the completion of the Assets Transfer, the principal activity of the Target Company has become the provision of harbour port terminal handling services. Through the Assets Transfer (as further explained in the Appendix IIA — Accountants Report of the Target Business in the Circular), the Target Company has succeeded the Target Business from Dafeng Harbour Port since 30 June 2017. The Target Company is currently owned as to 60% by Jiangsu Dafeng and 40% by Jiangsu Huahai. As at the Latest Practicable Date, the Sellers, in aggregate, own 50% of the shareholding interests of Dafeng Port Overseas (the Company's direct Controlling Shareholder), which in turn owns 57.46% of the Shares. As the Sellers have substantial influence on Dafeng Port Overseas, the Sellers are connected persons of the Company.

Business model of the Target Company

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 oil 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 chemical berth of 50,000 tonnes, a liquid chemical berth of 5,000 tonnes, a vegetable oil berth of 50,000 tonnes and the ancillary facilities of which an oil berth pipe gallery, an oil berth edible oil pipeline and a petrol wharf pipeline connect the berths with five storage tanks (four 5,000M^3 tanks and one 50,000M^3 tank). The primary cargo types of the Petrochemical Port are methanol, ethylene glycol, benzene, acetone, toluene, dimethyl ether, caustic soda, propane, butane, propylene, acrylonitrile, diesel, gasoline, dichloroethane, epichlorohydrin and raw salt.

Set out below is the detailed description of the port-related services provided by the Target Company:

Major Services	**Description**
Terminal handling services	Loading and discharging services: (i) oil/liquefied chemicals discharged from the oil vessels at the port and stored in storage tanks; (ii) stored oil/liquefied chemicals transported to oil refineries or petrochemical factories through pipelines; (iii) oil/liquefied chemicals transported back to the port through pipelines for storage or loading onto the oil vessels for transportation. Loading and discharging fee and pipeline usage fee charged to customers are determined after arms' length negotiations with the customers in accordance with market conditions, and charged based on the throughput volume of the oil/liquefied chemicals discharged from/loaded onto the vessels and transported through pipelines.
Berthing services	Berthing services include the berthing and de-berthing of vessels at the port. The berthing fee charged to customers is determined after arm's length negotiations with the customers in accordance with market conditions, and charged based on the tonnage of the vessel.

The major revenue derived from the Target Business includes the provision of terminal handling services of oil/liquefied chemicals and berthing services for oil vessels.

Upon discussion and negotiations with the customers, the Target Company may enter into service contracts with customers in relation to the provisions of terminal handling and berthing services, normally for a contract term of one year. Pursuant to the service contracts, the customers will be charged based on a unit service fee, and the actual throughput volume for terminal handling services or the tonnage of the vessel for berthing services. A minimum throughput volume is set out in some of the service contracts regarding the provision of terminal handling services, and the unit service fee may be subject to upward adjustment if the customer does not meet the minimum throughput volume.

Pricing

The service fee charged to customers are not subject to any state-prescribed prices. In general, the Target Company charges the terminal handling and berthing services provided to customers based on factors including the prevailing market conditions, the types of cargo products being handled, and the relationship with the customer.

Customers

Since the Petrochemical Port commenced official operation in 2016 upon completion of the construction of its terminal facilities, the Target Company has been approached by customers which require cargo transportation through the Petrochemical Port, and has established business relationships with six major customers. Currently, the major customers of the Target Company's Petrochemical Port comprise oil trading companies, shipping companies and manufacturing companies, which include both state-owned listed companies and private enterprises. As at the Latest Practicable Date, four of these major customers have entered into service contracts with the Target Company in relation to the provisions of terminal handling and berthing services for contract terms of up to one year. Taking into account of the aforementioned service contracts, the utilisation rate of the Target Company's Petrochemical Port would be approximately 15%.

With the Target Company, the Enlarged Group would be able to provide total solutions to oil trading, shipping and manufacturing companies in the Jiangsu region, from terminal handling and berthing services to storage services and to trading and logistics services for crude oil or petrochemical materials of its customers. The Company believes that comprehensive services to be provided by the Enlarged Group would be a great attraction to new customers as they can rely on the Enlarged Group to provide them with a one stop service, instead of having to separately engage a service provider for each type of service. Further, Jiangsu Zhongnanhui is expanding its petrochemical products storage capacity with a view of the expanding petrochemical products storage business. It is expected that the existing and future customers of Jiangsu Zhongnanhui will also become customers of the Target Company and the existing and future petrochemical products customers of the Target Company will also become customers of Jiangsu Zhongnanhui upon completion of the Acquisition given that there is only one petrochemical port in the Dafeng Port. On the other hand the business and sales department of the Target Company has been actively pursuing potential customers by providing attractive offer to new customers who will engage the Enlarged Group for both terminal handling and berthing services and storage services in order to expand the customer base of the Enlarged Group.

Upon Completion, the Target Company together with the Group would be able to provide total solutions from terminal handling and storage services to trading and logistics services for petrochemical products of its customers. Hence, the Acquisition is expected to be a driving force for the Target Company to further enlarge its customer base.

Management and employees

The management of the Target Company, namely Mr. Tao Ying (legal representative and chairman of the Target Company) and Mr. Ji Longtao (deputy chairman of the Target Company and legal representative of Jiangsu Huahai), have been responsible for overseeing the daily operations and businesses of the Target Company.

The management of the Target Business, namely Mr. Han Guiqin and Ms. Wang Yan, each has around 4 and 3 years of experience in the terminal operation business respectively and well-equipped with significant and in-depth technical knowledge of the industry. Mr. Han Guiqin is the deputy general manager of the Target Business and is mainly responsible for the production and daily operation of the Target Business. Ms. Wang Yan is the business manager of the Target Business and is responsible for business activities such as market development, maintenance of customer relationships and liaison with regulatory authorities of the government.

The Target Company employs around 60 employees for the terminal operation at the Petrochemical Port.

License and permits

The Target Company has obtained all the relevant licenses, permits, approvals and certificates necessary for its business operations at the Petrochemical Port including, among others, the Port Operation Permit (港口經營許可證) issued on 5 June 2017 and expiring on 4 June 2020 for providing terminal facilities services for ships as well as loading and discharging of cargos at the Petrochemical Port, and the Port Operation of Hazardous Goods Permit (港口危險貨物作業附證) issued on 5 June 2017 and expiring on 4 June 2020 for handling hazardous goods at the Petrochemical Port.

As of the Latest Practicable Date, the Target Company has not encountered any difficulties or received any notices from the relevant governmental authorities or third parties showing or indicating any difficulties in respect of the future renewal of such license and permits upon expiry.

Licence status of the Target Company's property

As at the Latest Practicable Date, the Target Company's properties on top of or ancillary to the sea ("**Sea Properties**") are set out as follows:

No.	Property description	Quantity
1.	Petrochemical terminal	1
2.	Petrochemical terminal dike	1
3.	Southern harbour sewage treatment station	1
4.	Oil product pipes	2,366 m
5.	Edible oil pipeline	11,200 m
6.	Petrochemical pipeline	81,100 m
7.	Dike platform	/
8.	Storage tanks	5 units

As at the Latest Practicable Date, the Sea Use Certificates in relation to the business of the Target Company were owned by one of the Sellers, Jiangsu Dafeng. The Target Company had received the reply letter from 鹽城市海洋與漁業局 (the Ocean and Fisheries Bureau of Yancheng City*), acknowledging that (1) it considers the application for registration of the change of ownership of the Port Sea Use Rights complies with the relevant requirements; and (2) the Target Company's application has been submitted to Jiangsu Provincial Department of Ocean and Fisheries for approval. As such, it is currently expected that they will be transferred to the Target Company prior to the First Payment. As one of the Payment Conditions for the First Payment, the Target Company has to obtain the valid Sea Use Certificates.

As for the Sea Properties, according to the relevant property laws and regulations in the PRC, properties shall be duly registered with the relevant departments in order to become effective. Further, the owner shall register the sea properties together with the sea use rights with the relevant departments to maintain consistency and to preserve its rights over such sea properties. According to the confirmation (the "**Confirmation**") issued by the 鹽城市大豐區不動產登記中心 (Real Estate Registration Center of the Dafeng District of Yancheng City*) (the "**Yancheng Real Estate Registration Centre**"), there were no records of non-compliance of the applicable laws in respect of the Sea Properties. According to the 江蘇省國土資源廳關於實施海域使用權不動產統一登記的通告 (Notice of the Jiangsu Provincial Department of Land and Resources on Implementing the Unified Registration of Real Estate for Use of Sea Areas*), the authorities for the registration of properties constructed in or on the sea will be transferred from the 江蘇省海洋與漁業局 (Jiangsu Provincial Ocean and Fisheries Bureau*) and taken up by the 江蘇省國土資源廳 (Jiangsu Provincial Department of Land and Resources*) and its subsidiary departments, including the Yancheng Real Estate Registration Centre (collectively, the "**Sea Property Registration Authorities**"). According to the Confirmation, the registration of the Sea Properties will be processed by the Yancheng Real Estate Registration Centre after the transfer of the registration functions to the Sea Property Registration Authorities and prior to registration, the Target Company can continue to use the Sea Properties. In view of the above, the PRC legal advisers to the Company are of the view that prior to the registration, the Target Company can continue to use the Sea Properties.

After Completion, the Company will actively pursue registering the Sea Properties in the name of the Target Company or a nominee of the Purchaser and engage competent legal advisers for this purpose if necessary. As one of the Payment Conditions for the Second Payment, the Target Company will either have completed the ownership registration of the Sea Properties in the name of the Target Company or a nominee of the Purchaser or have obtained a confirmation from the relevant competent government authority confirming that the Target Company or a nominee of the Purchaser has obtained the legal ownership of the Sea Properties. The Sellers have also undertaken to indemnify the Purchaser against any damages, losses, costs, expenses (including reasonable legal costs) or other liabilities which the Purchaser may suffer or incur as a result of or in connection with the failure of registration of the Sea Properties. As regards the Payment Condition (f) for the Second Payment, if the registration of the Sea Properties in the name of the Target Company or a nominee of the Purchaser cannot be completed due to governmental function adjustment, the Target Company will seek to obtain a written confirmation from the relevant competent government authority to confirm its legal right over the Sea Properties. In the event that the written confirmation from the relevant competent government authority confirms the Target Company's legal right over the Sea Properties, the PRC legal advisers to the Company are of the view that the Target Company will be able to continue to use the Sea Properties.

During the initial stage of the development and construction of the Dafeng port, Jiangsu Zhongnanhui was incorporated in the PRC in December 2010 for the provision of warehouse storage services at Dafeng port. In 2011, Jiangsu Zhongnanhui acquired the land use right of a parcel of land located at Dafeng port from the 大豐市國土資源局 (Department of Land and Resources of Dafeng City*) and also completed the filing with the 大豐市發展和改革委員會 (Development and Reform Commission of Dafeng City*) for the permission to construct storage tanks and ancillary facilities including the On-shore Properties (the "**Dafeng Harbour Properties**") at Dafeng port. In order to expedite the construction process and development of Dafeng port, Dafeng Harbour Port was engaged for the initial stage of construction of the Dafeng Harbour Properties. Following completion of the construction by Dafeng Harbour Port, the Dafeng Harbour Properties were held by Dafeng Harbour Port but not used by Dafeng Harbour Port nor Jiangsu Zhongnanhui as the construction of certain ancillary facilities required to bring the Dafeng Harbour Properties into operation remained incomplete. In November 2013, Dafeng Harbour Port entered into an agreement with Jiangsu Zhongnanhui, pursuant to which Dafeng Harbour Port agreed to handover the construction project of the Dafeng Harbour Properties and Jiangsu Zhongnanhui agreed to undertake the remaining construction works (the "**Construction Works**") on the Dafeng Harbour Properties with an aim to enable Jiangsu Zhongnanhui to commence commercial operation. At such time, both parties expected that they would enter into a formal sale and purchase agreement for the transfer of the ownership of the Dafeng Harbour Properties from Dafeng Harbour Port to Jiangsu Zhongnanhui at a later stage. Costs of approximately RMB7,498,000 was then incurred by Jiangsu Zhongnanhui to complete the Construction Works. Following completion of the Construction Works in 2016, no assets transfer agreement has been entered into between the parties, but the Dafeng Harbour Properties have been used by Jiangsu Zhongnanhui without consideration. Following the acquisition of Jiangsu Zhongnanhui by the Company in 2016, Jiangsu Zhongnanhui has continued to use the Dafeng Harbour Properties for its operation without consideration. Upon the Assets Transfer, Dafeng Harbour Port transferred the Dafeng Harbour Properties (including the On-shore Properties) to the Target Company. The net book value of the Dafeng Harbour Properties held by the Target Company, which included the costs incurred by Dafeng Harbour Port for the initial construction of the Dafeng Harbour Properties, was approximately RMB19.05 million as at 31 December 2017.

As at the Latest Practicable Date, the land use rights of the On-shore Properties owned by the Target Company belonged to Jiangsu Zhongnanhui. As a result, the Target Company's On-shore Properties did not have certificate of real estate ownership, and accordingly the relevant authorities may fine the Target Company or demand the On-shore Properties to be demolished. However, as advised by the management of the Company, it has been their intention to demolish the ancillary building as part of its future development plans. The Sellers have also undertaken to indemnify the Purchaser against any damages, losses, costs, expenses (including reasonable legal costs) or other liabilities which either of them may suffer or incur as a result of or in connection with the absence of certificate of real estate ownership of the On-shore Properties. The aggregate book value of the On-shore Properties amounted to approximately RMB4.1 million as at 31 December 2017, and as advised by the independent property valuer, if based on good title, the On-shore Properties would be worth RMB4.9 million as at 30 April 2018. The On-shore Properties are mainly used as offices. If the On-shore Properties are required to be demolished, given there are readily available premises in the close proximity to the On-shore Properties, the Company intends to relocate the offices of the Target Company to another building nearby the On-shore Properties. It is expected that the relocation can be done in a short period of time and the Company does not expect that the relocation will have a material impact on the operation of the Target Company. Given that (i) the value of the On-shore Properties is relatively small compared to the Consideration; (ii) the On-shore Properties are not critical to the operation of the Target Company and the Company has an adequate relocation plan should the On-shore Properties are forced to be demolished; and (iii) it has been the Company's intention to demolish the ancillary building as part of its future development plans, the Company considers that the defects in the On-shore Properties does not have a material impact on the Acquisition.

Based on the rectification plan and risk mitigating mechanism as set out above, the Company believes such non-compliances are rectifiable in nature and/or there are sufficient mechanisms to mitigate the transaction risks. Having considered (i) the reasons for and benefits of the Acquisition as set out in later part of the Letter from the Board in this circular, (ii) the Consideration is considered fair and reasonable as set out in the paragraph headed "The Framework Equity Purchase Agreement — Basis of the determination of the Consideration" above and is required to be paid by the Purchaser only upon satisfaction of the Payment Conditions that require the Target Company to obtain the valid Sea Use Certificates prior to the First Payment, and to have either completed the ownership registration of the Sea Properties in the name of the Target Company or a nominee of the Purchaser or obtained a confirmation from the relevant competent government authority confirming that the Target Company or a nominee of the Purchaser has obtained the legal ownership of the Sea Properties prior to the Second Payment; (iii) the rectification plan and risk mitigating mechanism in place to mitigate non-compliances of the Target Company's properties and the PRC legal advisers to the Company are of the view that the Target Company can continue to use the Sea Properties prior to the registration; and (iv) the insignificant value of the On-shore Properties which amounts to only approximately 1% of the Consideration, the Directors (excluding the Directors who are required to abstain from voting, but including independent non-executive Directors) are of the view that the Acquisition is in the interests of the Company and Shareholders as a whole.

Financial information of the Target Company

Set out below is a summary of the key financial information of the Target Company based on the audited financial statements of the Target Company for the two financial years ended 31 December 2017, which were prepared under the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2016 (audited) *(RMB'000)*	**For the year ended 31 December 2017** (audited) *(RMB'000)*
Revenue	—	4,939
Loss before taxation	16	17,357
Loss for the year	16	17,357
Net assets	241,651	224,294

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Purchaser and the financial results of the Target Company will be consolidated into the Group's financial statements.

The audited net assets value of the Target Company as at 31 December 2016 and 31 December 2017 amounted to approximately RMB242 million and RMB224 million, respectively. The decrease in the net assets value of the Target Company from 31 December 2016 to 31 December 2017 was mainly attributable to the loss recorded for the year which will be further explained below.

The revenue of the Target Company increased from nil for the year ended 31 December 2016 to approximately RMB5 million for the year ended 31 December 2017. The substantial increase in revenue of the Target Company was due to the fact that the Target Company was inactive since the date of its establishment to June 2017 and did not recognize any revenue until completion of the Assets Transfer. The loss for the year of the Target Company substantially increased from approximately RMB16,000 for the year ended 31 December 2016 to approximately RMB17 million for the year ended 31 December 2017 mainly due to recording the loss from the operation of the Target Business and the increase in depreciation expenses following the Assets Transfer.

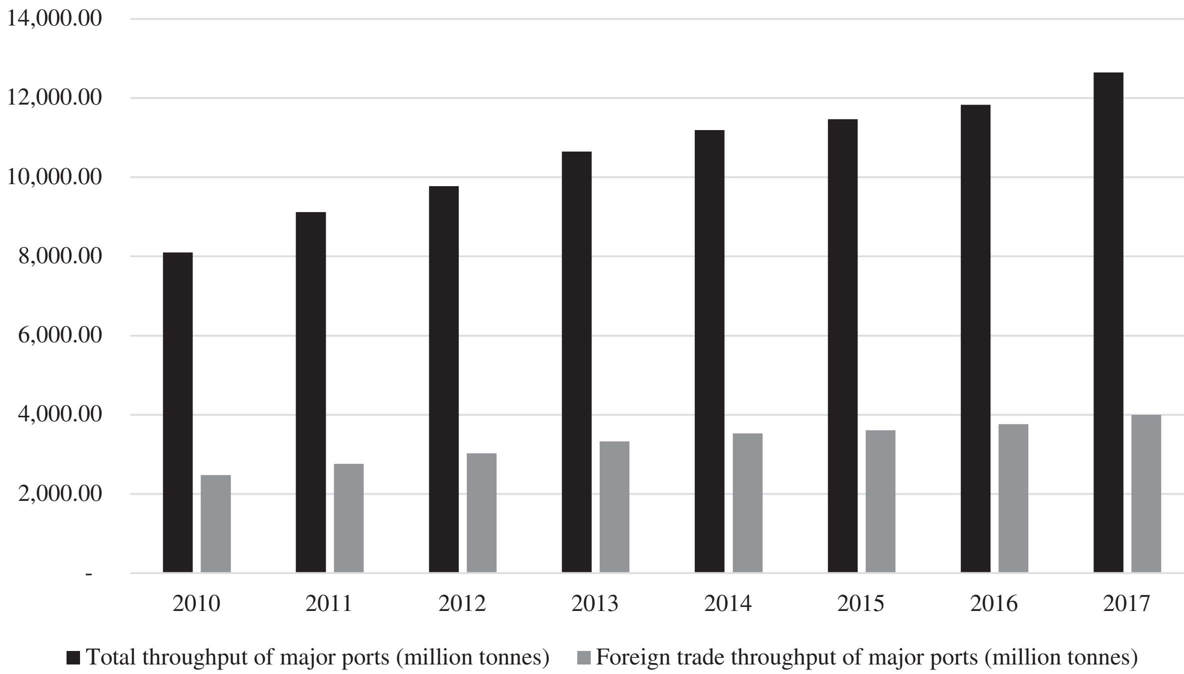
Further details in relation to the financial information and management discussion and analysis of the Target Business and the Target Company are set out in the Appendices IIA, IIB and IV to this circular.

INDUSTRY OVERVIEW

As the Target Company is an integrated terminal service provider handling petrochemical products in Dafeng Port, the Directors (excluding the Director who are required to abstain from voting but including independent non-executive Directors) believe that the Acquisition would benefit the Group from the performances of the port industry and the petrochemical market.

The Port Industry in the PRC

The chart below sets forth the total and foreign trade throughput of major ports above designated size with an annual throughput over 70 million tonnes from 2010 to 2017:



Source: Ministry of Transport of the PRC

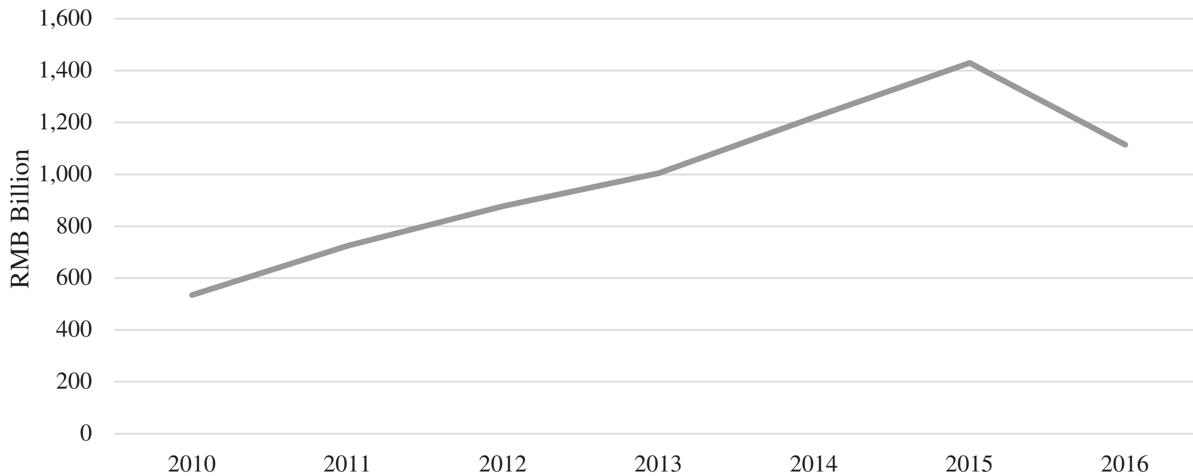
According to the Ministry of Transport of the PRC, the total throughput of cargoes in major ports above designated size increased from 8.10 billion tonnes in 2010 to 12.64 billion tonnes in 2017, representing a CAGR of 6.6% between 2010 to 2017 and also a year-on-year increase of 6.9% in 2017 compared to 2016, of which the cargo throughput of foreign trade increased from 2.48 billion tonnes in 2010 to 4.00 billion tonnes in 2017 representing a CAGR of 7.1%. According to the National Bureau of Statistics of the PRC, the total throughput of oil, gas and products in major coastal ports above designated size increased from 607.86 million tonnes in 2010 to 799.54 million tonnes in 2016, representing a CAGR of 4.7% between 2010 to 2016 and also a year-on-year increase of 9.6% in 2016 compared to 729.42 million tonnes in 2015.

The Petrochemical Industry in the PRC

According to the National Bureau of Statistics of the PRC, the total new fixed capital investment in petrochemical industry of the PRC recorded an increase from approximately RMB535 billion in 2010 to approximately RMB1,114 billion in 2016, representing a CAGR of approximately 13.0%. In line with the steady growth in the total investment amount in petroleum and chemical industry in the PRC, according to the National Bureau of Statistics of the PRC, the total revenue of petroleum and chemical enterprises above designated size with an annual income over RMB20 million ("**Sizable Enterprises**") in the PRC also recorded a significant increase from approximately RMB7,676 billion in 2010 to approximately RMB12,183 billion in 2016, representing a CAGR of approximately 8.0%.

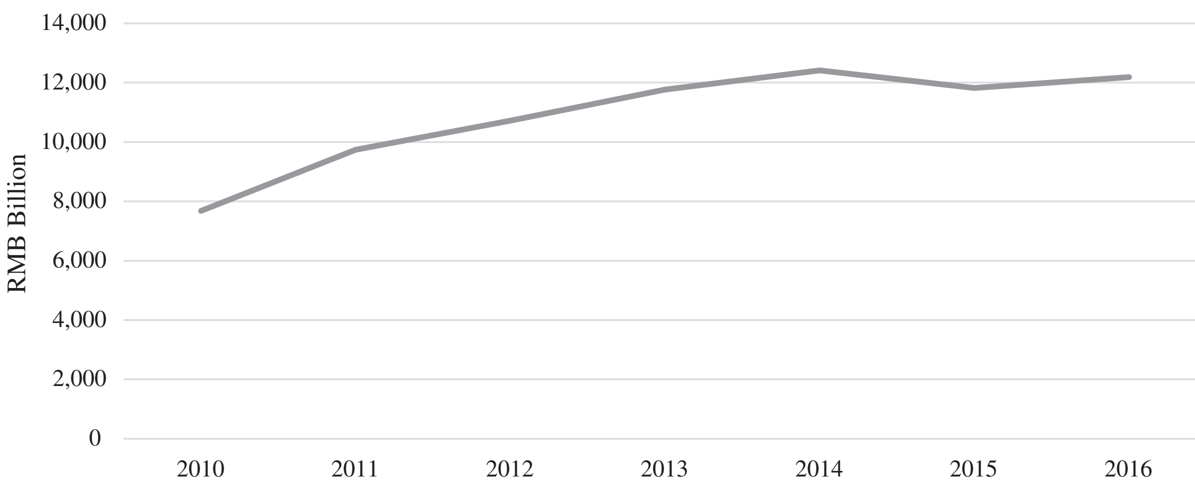
The following diagram illustrates the total revenue and total new fixed capital investment in petrochemical industry of the PRC from 2010 to 2016:

New Fixed Capital Investment



Source: National Bureau of Statistics of the PRC

Revenue



Source: National Bureau of Statistics of the PRC

According to the latest available data from the National Bureau of Statistics of the PRC, the crude oil consumption in the PRC grew at a CAGR of 4.76% between 2010 and 2015. In 2016, the PRC's total imported crude oil was approximately 381 million tonnes, representing approximately 13.6% growth in volume over the prior year. In 2017, the price of crude oil remained low in the international market with slow recovery, which led to the continuously decrease in production volume of crude oil in the PRC with crude oil production volume of 192 million tonnes in 2017, representing a year-on-year decrease of 4.1%, narrowed by 2.8 percentage points. In order to meet the requirement for production and consumption, the import volume of crude oil maintained rapid growth and registered a record high of 420 million tonnes in 2017, representing a year-on-year growth of 10.1%. Driven by the increase in import volume of crude oil, the inward volume of imported crude oil at major ports in the PRC maintained at a relatively high level throughout the year, and the demand for crude oil terminal capacity and related logistics services in the PRC is expected to grow in the coming years.

Having considered the steady growth in both the total investment amount and revenue of the petrochemical industry in the PRC by a CAGR of approximately 13.0% and 8.0% respectively from 2010 to 2016, as well as the growing crude oil consumption in the PRC which grew at a CAGR of 4.76% between 2010 and 2015 on the back of the continuing industrialization and urbanization in the PRC, the Directors are of the view that the petrochemical industry in the PRC is expected to continue to grow in the future. The Target Company is well positioned to benefit from the rising foreign oil imports as a result of the increasing demand for crude oil and continuously decrease in production volume of crude oil in the PRC, which consequently triggers a strong demand in crude oil terminal services.

The Petrochemical Industry in Jiangsu Province

Jiangsu is one of the largest chemical bases in the Yangtze River Delta region. According to the Jiangsu Provincial Bureau of Statistics and National Bureau of Statistics, the number of petroleum and chemical Sizable Enterprises in Jiangsu in 2016 was 3,803, accounted for approximately 14% of the number of petroleum and chemical Sizable Enterprises in the PRC of approximately 26,459. In 2016, Jiangsu's industrial production value in petroleum and chemical industry by Sizable Enterprises was approximately RMB1,992 billion, representing approximately 5% growth in value over the prior year. The total industrial sales production value in petroleum and chemical industry by Sizable Enterprises in Jiangsu in 2016 was approximately RMB1,976 billion, accounted for approximately 16% of the total industrial sales production value in petroleum and chemical industry by Sizable Enterprises in the PRC of approximately RMB12,087 billion in 2016.

Dafeng is one of the fast-growing industrial cities in the PRC, and the petrochemical industry in Dafeng is one of the four dominated industries (food, machine, textile and petrochemical). According to the statistics yearbook of Dafeng, the invoiced sales in petrochemical industry by Sizable Enterprises in Dafeng in 2016 was RMB14 billion, representing approximately 25% of total invoiced sales of the four dominated industries.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been engaged in integrated logistics freight services since its listing in August 2013. Its land and ocean freight services include feeder shipping services, container terminal, stevedoving and storage, container handling and tractor delivery services and warehousing service. The Group recorded decrease in revenue for the year ended 31 December 2015 due to the decline of the land and ocean freight services business and reported losses for the two financial years ended 31 December 2016. In view of the substantial losses of the Group in the past years, the Group has streamlined its integrated logistics freight services, and has expanded into trading business and petrochemical products storage business in the last two years with an aim to complement and create synergies to its integrated logistics freight services business.

Crude oil terminals have been strategically planned and controlled by the PRC government. With limited availability of terminal sites and high initial capital expenditure requirements, the Directors (excluding the Directors who are required to abstain from voting, but including independent non-executive Directors) consider that the Acquisition is very strategic in value and would enable the Group to strengthen its logistics business and also enable the Group to become the primary crude oil terminal platform in Dafeng Port.

In the 沿海開發六大行動方案 (Six Actions Plan for Coastal Development*) (the "**Six Actions Plan**") meeting in 2014, it was emphasized that to facilitate a new round of coastal development, the government will implement existing policies on coastal development and also propose new measures on development. In the Six Actions Plan, the "Port Function Enhancement Action Plan" will focus on upgrading the functions of ports. Moreover, according to 關於石化產業調結構促轉型增效益的指導意見 (Guidance on the Petrochemical Industry Structural Adjustment and Transformation of Increasing Efficiency*) published by the State Council of the PRC in August 2016, the PRC government will promote corporate mergers and acquisitions, and optimise, among others, capital, technology and personnel to enhance the competitiveness of the petrochemical enterprises. Further, according to the 江蘇省石化產業規劃布局方案 (Jiangsu Petrochemical Industry Planning Proposal*) issued in 2016, Jiangsu government intends to reduce the scale of the petrochemical industry in the southern part of Jiangsu and expand and optimise the petrochemical industry in the middle and northern part of Jiangsu. As Dafeng Port is located in the northern part of Jiangsu, it is therefore expected that the Enlarged Group will be able to benefit from the said proposal. The Board considers the Acquisition to be in line with the above policies, and it will also allow the Group to seize the opportunities brought by these policies.

The Directors (excluding the Directors who are required to abstain from voting, but including independent non-executive Directors) are of the view that the following benefits will be achieved from the Acquisition and synergies will be created between the principal business of the Target Company and that of the Group:

(1) Extend the Group's handling of containers to crude oil transportation

The Group recorded decrease in revenue for the year ended 31 December 2015 due to the decline of the land and ocean freight services business and reported losses for the two financial years ended 31 December 2016. The Group's land and ocean freight services business has then been streamlined. The Company has been actively looking for business opportunities that may enhance and benefit the Group's current mix of business operations. The Acquisition enables the Group to extend from handling of cargo containers to crude oil business. Upon Completion, the Group will be holding a unique portfolio of strategic assets providing integrated crude oil terminal and related logistics and warehouse storage services in Dafeng port, and the Acquisition will significantly increase the scale of the Group's businesses and diversify the Group's revenue stream.

The demand for crude oil terminal capacity and related logistics services in the PRC is expected to grow in the coming years, driven primarily by the PRC's growing demand for crude oil riding on the back of continuing industrialization and urbanization in the PRC. According to the latest available data from the National Bureau of Statistics of

China, the crude oil consumption in the PRC grew at a CAGR of 4.76% between 2010 and 2015, while the CAGR of crude oil consumption in the Jiangsu Province was 4.98% during this period. In 2016, the PRC's total imported crude oil was approximately 381 million tonnes, representing approximately 13.6% growth in volume over the prior year. The Target Company is well positioned to benefit from the rising foreign oil imports as a result of the increasing demand for crude oil, which consequently triggers a strong demand in crude oil terminal services.

(2) Bring strong cross-selling opportunities between the Group's existing business and that of the Target Group

The Group's petrochemical products storage business has been operated through its subsidiary, Jiangsu Zhongnanhui, which principally provides warehouse storage services for petrochemical products to the customers in Dafeng port. Currently, the Group's storage capacity is approximately 100,000M^3. Having regard to the promising market outlook of the petrochemical sector and that the existing petrochemical storage tanks of Jiangsu Zhongnanhui are close to their full capacities, the Group has contracted to construct four groups of petrochemical tanks of total 80,000M^3 last year and to construct and repair one group of petrochemical storage tanks of total 80,000M^3 and various fire services upgrade this year, and has also ventured into the petrochemical products trading business.

Leveraging on the Group's established platform of its existing petrochemical products storage services in Dafeng port, the Acquisition is expected to stimulate synergies by enabling the Group to provide integrated crude oil logistics services to its customers and to facilitate cross-selling of services.

Currently, the majority of petrochemical products stored at the warehouse facilities of Jiangsu Zhongnanhui are discharged from the oil vessels of the Target Company's customers at the Petrochemical Port. There are two other storage companies operating at the Petrochemical Port. However, should the Target Company become part of the Group upon Completion, the Target Company would be able to cross-sell to its customers the warehouse storage services provided by Jiangsu Zhongnanhui and only direct customers to the other two storage companies when the maximum storage capacity of Jiangsu Zhongnanhui has been exceeded, and thus create further demand for the petrochemical products storage business of Jiangsu Zhongnanhui. As a result, the Acquisition could unlock the full potential of the petrochemical products storage business of Jiangsu Zhongnanhui to reach its expanding maximum storage capacity.

Zhuhai Heng Feng procures some of its petrochemical products from the customers of Jiangsu Zhongnanhui for resale. The Directors expect the scale of the petrochemical products trading business of the Group to increase upon Completion due to the expected increase in the storage demand for Jiangsu Zhongnanhui's warehousing facilities as mentioned above. Consequently, the growth of the trading business would also be able to drive the transaction flow of the logistics business of the Enlarged Group.

(3) Provide total solution for oil trading companies, shipping companies and manufacturing companies in Jiangsu region

Upon Completion, the Target Company would then be able to provide total solution for oil trading companies, shipping companies and manufacturing companies in the Jiangsu region, from terminal handling and storage services to trading and logistics services for the crude oil or petrochemical materials of its customers. Consequently, by combining their well-established customer network, dedicated sales force and other resources and expertise, the Acquisition is expected to be a driving force for the business growth for both the Group and the Target Company. The Company would also be able to provide strong capital support for the Target Company's future business development, and further expand the Target Company's financing channels and brand influence to enhance its competitiveness. Accordingly, the Board is of the view that the Acquisition would not only enhance the quality of the Group's terminal assets, but also lay a solid foundation for the Group's long-term development of existing businesses.

(4) Reducing operating costs of the Group's existing business

As the Target Company is currently a connected person of the Company, in order to avoid connected transactions, the majority of the Company's existing petrochemical trading products have been transported through other ports, such as Nansha Port in Guangdong and Nantong Port in Jiangsu, which has consequently increased the Group's cost of transportation as extra costs are involved to transport the petrochemical trading products from the neighbouring ports to Dafeng Port. In anticipation of the increasing scale of the Group's petrochemical products trading business, the Directors (excluding the Directors who are required to abstain from voting, but including independent non-executive Directors) consider the Acquisition to be a logical move which will enable the Target Company to provide terminal handling services at Dafeng Port for the Group's petrochemical trading products, which could also effectively reduce the operating costs of the Group.

(5) Management expertise on the Target Business

The Target Business is an area which the Company is already familiar with as the Directors had relevant and sufficient experience and expertise in the Target Business.

Mr. Ni Xiangrong (**"Mr. Ni**"), an executive Director and the chairman of the Company, is the leader in construction of Dafeng Port. Since 1997 when the Dafeng Municipal Party Committee and the municipal government decided to develop and construct Dafeng Port, Mr. Ni has served as the leader of engineering construction of the Dafeng Port. Since the issuance of the 國務院關於同意江蘇大豐港口岸對外開放的批复 (State Council's approval regarding the open of Jiangsu Dafeng Port*) by Premier Wen Jiabao of the State Council in 2006, Mr. Ni has continued to contribute to the development of Dafeng Port and accumulated extensive experiences in terminal construction and operations. Dafeng Port is now equipped with a number of dedicated dock facilities extending into the deep sea, and also with different departments such as customs, commodity inspection, animal and plant inspection and quarantine and border defense.

Mr. Sun Lin, an executive Director and chief executive officer of the Company, served as deputy general manager at Beihai Port Co., Ltd. (**"Beihai Port**", stock code: 000582.SZ) from December 2003 to September 2010 and had extensive experience in the operation and management of terminals. Beihai Port is the operator of Guangxi Beibuwan Port, which is one of the 24 major ports along the coast of the PRC and its terminal handling services cover 17 types of cargo listed by the Ministry of Transport and trading relations with more than 250 ports in more than 100 countries and regions.

The Target Company has obtained necessary administrative licences for port operations such as 中華人民共和國港口經營許可證 (PRC Port Operation Licence*), 江蘇省排放污染物許可證 (Jiangsu Province's Pollutants Discharge Permit*) and 港口危險貨物作業許可證 (Certificate for Operations of Hazardous Goods at Ports*) before the Petrochemical Port commenced official operation in 2016. As the Petrochemical Port was at its start-up stage, the Target Company recorded loss of RMB17 million for the year ended 31 December 2017.

Upon completion of the Acquisition, the Enlarged Group will have a complete service chain at the Dafeng Port together with a self-owned port which will create synergies with the Group's existing businesses. The Group is striving to expand its petrochemical products storage capacity of Jiangsu Zhongnanhui in anticipation of the strong cross-selling opportunities between the Group's existing businesses and that of the Target Group. As such, when deciding whether or not to proceed with the Acquisition, the Board not only considered the financials of the Target Company but also the synergy effects that the Target Company can bring about to the Group and the added values of having a complete service chain with a self-owned port at the Dafeng Port.

Having considered the above factors and synergies, the Directors (excluding the Directors who are required to abstain from voting, but including independent non-executive Directors) are of the view that the terms of the Acquisition are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Intention of the Company on its existing businesses

The existing principal businesses of the Group include trading business, the provision of integrated logistics freight services and the relevant support services, and petrochemical products storage business. Upon Completion, the Company will conduct a review on the 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. In this regard, the Company may look into business opportunities and consider whether any 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 Latest Practicable Date, 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 Listing Rules.

RISKS RELATED TO THE ACQUISITION

Set out below are some of the major risks and challenges related to the business and industry of the Target Company.

(i) Developments and changes in laws, regulations and government policies

Any changes to the laws, regulations and policies governing the petrochemical port industry in the PRC may have a material adverse effect on the Target Company's business and operations. Currently, the terminal handling and berthing service fees charged by the Target Company to its customers are not subject to any state-prescribed prices. There is no assurance that the government will not impose any price ceiling on the service fees charged by petrochemical port operators including the Target Company in the future, or that future changes in regulations and tax rules or policies will not discourage or be less favorable to the development of the petrochemical port industry. Any such adverse policy changes may constrain the Target Company's ability to develop or expand its business operations or to maximize its profitability.

Further, the Target Company operates its business pursuant to licenses granted by various PRC government authorities. If any of these approvals or licenses granted to the Target Company were revoked or suspended as a result of any changes in laws, regulations or government policies, the business and operation of the Target Company may be materially and adversely affected.

(ii) Reliance on customers

Since the Petrochemical Port commenced official operation in 2016 upon completion of the construction of its terminal facilities, the Petrochemical Port remains at its ramping up stage. The Target Company has been approached by customers which require cargo transportation through the Petrochemical Port, and has established business relationships with six major customers. As at the Latest Practicable Date, four of these major customers have entered into service contracts with the Target Company in relation to the provisions of terminal handling and berthing services for contract terms of up to one year. Besides, the Target Company has been actively conducting marketing activities via direct contact with existing and potential customers. Any failure to solicit new customers or significant reduction in the throughput volume with any of these customers or any deterioration of the credibility of the customers could also have a material adverse effect on the operating results and financial condition of the Target Company. It is anticipated that the Target Company may continue to derive a significant portion of revenue from these major customers in the near future. Should any of these customers elect to terminate or not to renew the service contracts with the Target Company upon expiry, there is no assurance that the Target Company will be successful in implementing its marketing strategies and development plans of the Target Company and there could be a risk that the Target Company might not be able to attract and obtain business from other customers.

(iii) Economic, financial and political conditions affecting import and export volumes

The results of operations of the Target Company are affected by the throughput volume with its customers, which in turn may depend on the import and export volume of crude oil and petrochemical products. The demand for crude oil and petrochemical terminal capacity and related logistics services in the PRC is expected to grow in the coming years, driven primarily by the PRC's growing import demands for crude oil and petrochemicals riding on the back of continuing industrialization and urbanization in the PRC. However, the import and export volumes of crude oil and petrochemical products may be affected by unpredictable changes or developments in global economic, financial and political conditions such as the recent trade wars between the PRC and the United States and the rise of global trade protectionism, which are outside of the control of the Target Company. Any such adverse changes or an economic slowdown in the PRC and/or globally may materially and adversely affect trading volumes and lead to a material decline in the demand for the Target Company's services, and the financial position and future prospects of the Target Company could be adversely affected.

(iv) Inherent operational risks of petrochemical terminal operations

In the course of providing terminal services at the Petrochemical Port, the Target Company loads and discharges, stores, handles and transports hazardous petrochemical products. The Target Company's operations are therefore exposed to certain hazards associated with transporting and storing petrochemicals, including serious pollution, fires, explosions, personal injury, chemical spills or other discharges or releases of toxic or hazardous substances or gases, storage tank leaks, and other environmental risks, resulting in possible legal liability including litigations, government fines or penalties. Improper handling of these hazardous materials may also cause significant damage to our facilities and terminals and may cause interruptions to our business. Any of these events could adversely affect the business operations and financial condition and may harm the reputation of the Target Company.

(v) Profitability of the Group

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its results will be consolidated to the Group. The Target Company recorded a loss of approximately RMB17.4 million (equivalent to approximately HK$20.8 million) for the year ended 31 December 2017. As set out in the section headed "Information on the Target Company — Customers" above, the Company has been actively pursuing potential customers by providing attractive offer to new customers who will engage the Enlarged Group for both terminal handling and berthing services and storage services in order to expand the customer base of the Enlarged Group. There is no assurance that the Company will be successful in implementing its development plans for the Target Company to turn a profit in the near future, and the profitability of the Group could be adversely affected following the Acquisition.

FINANCIAL EFFECT OF THE ACQUISITION ON THE GROUP

Following the Completion, the Target Company will become a wholly-owned indirect subsidiary of the Company, and the financial results of the Target Company will be consolidated into the Group's accounts. The unaudited pro form financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the results, assets and liabilities of the Group is set out in Appendix III to this circular.

Assets and liabilities

The audited consolidated total assets and total liabilities of the Group as at 31 December 2017 as extracted from the annual report of the Company for the year ended 31 December 2017 were approximately HK$1,268.6 million and HK$1,072.2 million, respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming Completion had taken place on 31 December 2017, the pro forma total assets and total liabilities of the Enlarged Group would have been increased to approximately HK$2,987.2 million and HK$2,794.9 million, respectively.

Earnings

Following the Completion, the Target Company will become a wholly-owned subsidiary of the Company and the Group will be able to consolidate revenue and costs from the Target Company. The audited profit attributable to the equity holders of the Company for the financial year ended 31 December 2017 as extracted from the annual report of the Company for the year ended 31 December 2017 was approximately HK$0.2 million. Based on the accountants' report of the Target Company as set out in Appendix IIB to this circular, for the year ended 31 December 2017, the Target Company recorded loss for the year of approximately RMB17.4 million (equivalent to approximately HK$20.8 million).

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, as if the Acquisition had been completed on 31 January 2017, the pro forma loss of the Enlarged Group for the year ended 31 December 2017 attributable to the owners of the Company would have been approximately HK$46.9 million.

Further details are set out in Appendix III to this circular.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in the GEM Listing Rules) for the Acquisition is 100% or more, the Acquisition constitutes a very substantial acquisition under the GEM Listing Rules.

As at the Latest Practicable Date, the Sellers, Jiangsu Dafeng and Jiangsu Huahai, own 40% and 10% of the shareholding of Dafeng Port Overseas respectively, which in turn owns 57.46% of the Shares. As the Sellers have substantial influence on Dafeng Port Overseas (the Company's direct Controlling Shareholder), accordingly for this Acquisition, the Sellers shall be connected persons of the Company as defined under the GEM Listing Rules and the Acquisition constitutes connected transaction of the Company under the GEM Listing Rules.

As such, the Framework Equity Purchase 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. Ni Xiangrong, the director and general manager and the legal representative of Jiangsu Dafeng, Mr. Pan Jian, the director of Jiangsu Dafeng, and Mr. Ji Longtao, the legal representative and a majority shareholder of Jiangsu Huahai, have abstained from voting at the Board meeting. Save as disclosed, none of the Directors has any material interest in the transaction.

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among others, the Framework Equity Purchase Agreement and the transactions contemplated thereunder.

In accordance with the GEM Listing Rules, any Shareholder who has a material interest in the Acquisition shall abstain from voting on the resolution(s) to approve the Framework Equity Purchase Agreement and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Dafeng Port Overseas, being the close associate of Jiangsu Dafeng and Jiangsu Huahai 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 EGM 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 Acquisition and will be required to abstain from voting on the relevant resolution(s) to approve the Framework Equity Purchase Agreement and the transactions contemplated thereunder at the EGM.

NOTICE OF EGM

Set out on pages EGM-1 to EGM-3 of the circular is a notice convening the EGM to be held at 5/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong on Tuesday, 17 July 2018 at 3:00 p.m. at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Framework Equity Purchase Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy of the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at EGM or any adjournment thereof if you so wish.

ENTITLEMENT TO ATTEND AND VOTE AT THE EGM

Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Wednesday, 11 July 2018 shall be entitled to attend and vote at the EGM. In order to be entitled to attend and vote at the EGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Wednesday, 11 July 2018.

RECOMMENDATION

The Independent Board Committee, compromising Dr. Bian Zhaoxiang, Mr. Lau Hon Kee, Mr. Yu Xugang and Mr. Zhang Fangmao, being all the independent non-executive Directors, has been established to advise the Independent Shareholders whether the terms of the Acquisition are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 63 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 41 to 42 of this circular.

The Board considers that the terms of the Framework Equity Purchase Agreement and the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Framework Equity Purchase Agreement and the transactions contemplated thereunder.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Dafeng Port Heshun Technology Company Limited
Ni Xiangrong
Chairman

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)

29 June 2018

To the Independent Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN JIANGSU HAIRONG DAFENG PORT OIL PRODUCTS AND CHEMICAL HARBOUR COMPANY LIMITED

We refer to the letter from the Board set out in the circular dated 29 June 2018 of the Company (the ''**Circular**'') of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Under the GEM Listing Rules, the transactions contemplated under the Framework Equity Purchase Agreement constitute a very substantial acquisition and connected transaction (as defined under the GEM Listing Rules) for the Company and are subject to the approval of the Independent Shareholders.

We have been appointed by the Board as members of the Independent Board Committee to, among others, advise the Independent Shareholders in respect of the terms of the Framework Equity Purchase Agreement, details of which are set out in the ''Letter from the Board'' in the Circular. We wish to draw your attention to (i) the letter of advice from Gram Capital, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Framework Equity Purchase Agreement, which has been set out on pages 43 to 63 of the Circular; and (ii) the ''Letter from the Board'' which has been set out on pages 6 to 40 of the Circular.

Having taken into account of the advice from Gram Capital and the terms of the Acquisition, we consider that (i) although the Acquisition is not in the ordinary and usual course of business of the Group, the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Acquisition and the Framework Equity Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Framework Equity Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Dr. Bian Zhaoxiang **Mr. Yu Xugang**
Mr. Lau Hon Kee **Mr. Zhang Fangmao**

Independent non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central
173 Des Voeux Road Central
Hong Kong

29 June 2018

To: The independent board committee and the independent shareholders of Dafeng Port Heshun Technology Company Limited

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 29 June 2018 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 May 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Sellers entered into the Framework Equity Purchase Agreement, pursuant to which the Purchaser may purchase and the Sellers may sell 60% and 40% of their respective equity interests in the Target Company at the aggregate consideration of RMB405.9 million, which shall be satisfied by the Purchaser by cash. On 26 June 2018, the Purchaser and the Sellers entered into the supplemental agreement to supplement certain terms of the framework equity purchase agreement.

With reference to the Board Letter, the Acquisition constitutes a very substantial acquisition and connected transaction of the Company and is subject to the notification, announcement, circular and Independent Shareholders' approval under the GEM Listing Rules.

The Independent Board Committee comprising Dr. Bian Zhaoxiang, Mr. Lau Hon Kee, Mr. Yu Xugang and Mr. Zhang Fangmao (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Framework Equity Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Acquisition and the Framework Equity Purchase Agreement at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in the Company's circular dated 31 March 2017 in respect of continuing connected transactions. As the aforesaid past engagement was independent financial adviser engagement, it does not affect our independence to act as the Independent Financial Adviser. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/ arrangement or implied understanding with anyone concerning the Acquisition. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

The Circular, 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 the Circular 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not conducted any independent in-depth investigation into the business and affairs of the Company, the Purchaser, the Sellers, the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Acquisition

Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in trading business, the provision of integrated logistics freight services and the relevant supporting services, and petrochemical products storage business.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2017 as extracted from the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**"):

	For the year ended 31 December 2017	**For the year ended 31 December 2016**	**Change from 2016 to 2017**
	HK$'000	*HK$'000*	*%*
Revenue	3,424,606	563,708	507.51
— Integrated logistics freight services	229,546	231,935	(1.03)
— Provision of fuel cards	33,691	26,496	27.16
— Tractor repair and maintenance services and insurance agency services	267	581	(54.04)
— Trading business	3,147,923	303,760	936.32
— Petrochemical products storage business	13,179	936	1,308.01
Gross profit	94,478	39,078	141.77
Profit/(loss) for the year	1,393	(37,094)	N/A

	As at 31 December 2017	**As at 31 December 2016**	**Change from 2016 to 2017**
	HK$'000	*HK$'000*	*%*
Bank balances and cash	61,703	36,070	71.06
Net assets	196,461	163,614	20.08

As illustrated by the above table, the Group recorded revenue of approximately HK$3.42 billion for the year ended 31 December 2017 ("**FY2017**"), representing an increase of approximately 507.51% as compared to that for the year ended 31 December 2016 ("**FY2016**"). During FY2017, revenue from the integrated logistics freight services and petrochemical products storage business collectively contributed approximately 7.09% of the Group's total revenue. For FY2017, the Group recorded a profit of approximately HK$1.39 million as compared to a loss of approximately HK$37.09 million for FY2016. Such improvement was mainly due to the increase in the Group's revenue and gross profit.

As at 31 December 2017, the Group had bank balances and cash and net assets of approximately HK$61.70 million and HK$196.46 million respectively.

With reference to the 2017 Annual Report, the Group decided to implement the strategy of expanding its scope of business and diversifying its core business by providing a more integrated logistics freight services and enhancing its capacity. During FY2017, the Company carried out a number of corporate activities to streamline the integrated logistics freight services, actively develop and expand the trading business and petrochemical products storage business. The Group will focus on expanding its trading business and petrochemical products storage business. In this regard, the Group has tapped into the petrochemical products trading business and commenced the construction of new storage facilities for petrochemical products. The Group will also review and assess potential projects or investments on a reliable basis to strengthen its performance and enhance the interests of the shareholders of the Company.

Information on the Sellers

With reference to the Board Letter, 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 service.

As further mentioned in the Board Letter, Jiangsu Huahai was established in the PRC in April 2010. Its principal business includes but not limited to investment and asset management, investment consulting and real estate services.

Information on the Target Company

With reference to the Board Letter, the Target Company was established in the PRC in June 2010 as a joint stock company. The Target Company has been inactive since the date of its incorporation until 30 June 2017.

Historically, the Target Business was carried out by Dafeng Harbour Port. Prior to the Assets Transfer, Dafeng Harbour Port also carried out other terminal businesses in addition to the Target Business which do not form part of the Target Business. Dafeng Harbour Port effected the Assets Transfer with the Target Company, pursuant to which Dafeng Harbour Port ceased to operate the Target Business and transferred all the assets related specifically to the Target Business formally to the Target Company.

After the completion of the Assets Transfer, the principal activity of the Target Company became the provision of harbour port terminal handling services. Through the Assets Transfer, the Target Company succeeded the Target Business from Dafeng Harbour Port since 30 June 2017. The Target Company is owned as to 60% by Jiangsu Dafeng and 40% by Jiangsu Huahai as at the Latest Practicable Date.

The Sea Properties

With reference to the Board Letter, as at the Latest Practicable Date, the Sea Use Certificates in relation to the business of the Target Company were owned by one of the Sellers, Jiangsu Dafeng. The Target Company had received the reply letter from 鹽城市海洋與漁業局 (The Ocean and Fisheries Bureau of Yancheng City*), acknowledging that (1) it considers the application for registration of the change of ownership of the Port Sea Use Rights complies with the relevant requirements; and (2) the Target Company's application has been submitted to Jiangsu Provincial Department of Ocean and Fisheries for approval. As such, it is expected that the Sea Use Certificates will be transferred to the Target Company prior to the First Payment. As one of the Payment Conditions for the First Payment, the Target Company has to obtain the valid Sea Use Certificates.

As further mentioned in the Board Letter, for the Sea Properties, according to the relevant property laws and regulations in the PRC, properties shall be duly registered with the relevant departments in order to become effective. The Sellers have undertaken to indemnify the Purchaser against any damages, losses, costs, expenses (including reasonable legal costs) or other liabilities which the Purchaser may suffer or incur as a result of or in connection with the failure of registration of the Sea Properties. As regards the Payment Condition (f) for the Second Payment, if the registration of the Sea Properties in the name of the Target Company or a nominee of the Purchaser cannot be completed due to governmental function adjustment, the Target Company will seek to obtain a written confirmation from the relevant competent government authority to confirm its legal right over the Sea Properties. In the event that the written confirmation from the relevant competent government authority confirms the Target Company's legal right over the Sea Properties, the PRC legal advisers to the Company are of the view that the Target Company will be able to continue to use the Sea Properties.

The On-shore Properties

With reference to the Board Letter, the land use rights of the On-shore Properties owned by the Target Company belonged to Jiangsu Zhongnanhui which is an indirect wholly-owned subsidiary of the Company. As a result, the Target Company's On-shore Properties did not have certificate of real estate ownership, and accordingly the relevant authorities may fine the Target Company or demand the On-shore Properties to be demolished.

With reference to the Board Letter, the On-shore Properties are mainly used as offices. If the On-shore Properties are required to be demolished, given there are readily available premises in the close proximity to the On-shore Properties, the Company intends to relocate the offices of the Target Company to another building near the On-shore Properties. It is expected that the relocation can be done in a short period of time and the Company does not expect the relocation to have a material impact on the operation of the Target Company. Given that (i) the value of the On-shore Properties is relative small compared to the Consideration; (ii) the On-shore

Properties are not critical to the operation of the Target Company and the Company has an adequate relocation plan should the On-shore Properties be forced to be demolished; and (iii) it has been the Company's intention to demolish the ancillary building as part of its future development plans, the Company considers that the defects in the On-shore Properties does not have a material impact on the Acquisition.

For further details regarding the Target Company (including the business model, license and permits and licence status of the Target Company's property), please refer to the section headed ''INFORMATION ON THE TARGET COMPANY'' of the Board Letter.

With reference to the Board Letter, based on the rectification plan and risk mitigating mechanism as set out above, the Company believes the aforementioned non-compliances are rectifiable in nature and/or there are sufficient mechanisms to mitigate the transaction risks. Having considered (i) the reasons for and benefits of the Acquisition as set out in section headed ''REASONS FOR AND BENEFITS OF THE ACQUISITION'' of the Board Letter; (ii) that the Consideration is considered fair and reasonable by the Board and is required to be paid by the Purchaser only upon satisfaction of the Payment Conditions which require the Target Company to obtain the valid Sea Use Certificates prior to the First Payment, and to have either completed the ownership registration of the Sea Properties in the name of the Target Company or a nominee of the Purchaser or obtained a confirmation from the relevant competent government authority confirming that the Target Company or a nominee of the Purchaser has obtained the legal ownership of the Sea Properties prior to the Second Payment; (iii) the rectification plan and risk mitigating mechanism in place to mitigate non-compliances of the Target Company's properties and the Company's PRC legal advisers' view that the Target Company can continue to use the Sea Properties prior to the registration; and (iv) the insignificant value of the On-shore Properties which amounts to only approximately 1% of the Consideration, the Directors (excluding the Directors who are required to abstain from voting but including the independent non-executive Directors) are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Set out below is a summary of the key audited financial information of the Target Company for the three years ended 31 December 2017 as extract from Appendix IIB to the Circular:

	For the year ended 31 December 2017	**For the year ended 31 December 2016**	**For the year ended 31 December 2015**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	4,939	Nil	Nil
Loss before taxation	17,357	16	12
Loss for the year	17,357	16	12

As at 31 December 2017, the Target Company had audited net assets of approximately RMB224.29 million.

With reference to the Board Letter, the Target Company was inactive since the date of its establishment and did not recognize any revenue until completion of the Assets Transfer in June 2017. As such, the revenue of the Target Company increased from nil for the year ended 31 December 2016 to approximately RMB5 million for the year ended 31 December 2017. Besides, the increase in loss for the year of the Target Company for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was mainly due to the loss recorded from the operation of the Target Business and the increase in depreciation expenses following the Assets Transfer.

As further mentioned in the Board Letter, when deciding whether or not to proceed with the Acquisition, the Board not only considered the financials of the Target Company but also the synergy effects that the Target Company can bring about to the Group and the added values of having a complete service chain with a self-owned port at the Dafeng Port (details are set out in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" of the Board Letter).

Reasons for and benefits of the Acquisition

As mentioned above, the Group has tapped into the petrochemical products trading business and commenced the construction of new storage facilities for petrochemical products, with a view to diversifying the revenue stream and business portfolio of the Group.

With reference to the Board Letter, the Group's petrochemical products storage business has been operated through its subsidiary, Jiangsu Zhongnanhui, which principally provides warehouse storage services for petrochemical products to the customers in Dafeng port. Having regard to the promising market outlook of the petrochemical sector and that the existing petrochemical storage tanks of Jiangsu Zhongnanhui are close to their full capacities, the Group has contracted to construct four groups of petrochemical tanks of total volume of 80,000 M^3 in 2017 and to construct and repair one group of petrochemical storage tanks of total volume of 80,000 M^3 and various fire services upgrade in 2018, and has also ventured into the petrochemical products trading business. In this regard, we noted from the announcement of the Company dated 11 January 2017 that Jiangsu Zhongnanhui entered into an agreement to construct four groups of petrochemical storage tanks with a total volume of 80,000 M^3. As advised by the Directors, the construction was completed in 2017. We further noted from the announcement of the Company dated 1 February 2018 that Jiangsu Zhongnanhui entered into another agreement for the construction and repair of one group of petrochemical storage tanks with a total volume of 80,000 M^3 and various fire services upgrade. As advised by the Directors, the construction will be completed in 2018.

As advised by the Directors, the aforesaid petrochemical storage tanks are/will be located in the江蘇大豐港經濟開發區(Jiangsu Dafeng Port Economic Development Zone*), the same economic zone as the crude oil terminal which the Target Company operates. The Directors consider that the Acquisition would bring synergy to the Group's existing businesses, especially the petrochemical products storage business (for details please refer to the sub-sections headed "(2) Bring strong cross-selling opportunities between the Group's existing business and that of the Target Group", "(3) Provide total solution for oil trading companies, shipping companies and manufacturing companies in Jiangsu region" and "(4) Reducing operating costs of the Group's existing business" under the the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" of the Board Letter). The Directors also expect positive demand in the Group's integrated logistics freight services following the Completion (for details please refer to the sub-section headed "(1) Extend the Group's handling of containers to crude oil transportation" under the the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" of the Board Letter)..

As further mentioned in the Board Letter, the Target Business is an area which the Company is already familiar with as the Directors had relevant and sufficient experience and expertise in the Target Business. For details of the experience of the relevant Directors, please refer to the sub-section headed (5) Management expertise on the Target Business" under the the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" of the Board Letter.

With reference to the Board Letter, the demand for crude oil terminal capacity and related logistics services in the PRC is expected to grow in the coming years, driven primarily by the PRC's growing demand for crude oil riding on the back of continuing industrialization and urbanization in the PRC. Based on our own research, we noted from the National Bureau of Statistics of the PRC that (i) the crude oil consumption amount increased from approximately 428.75 million tons in 2010 to approximately 540.88 million tons in 2015, representing a compounded annual growth rate ("**CAGR**") of approximately 4.76%; and (ii) the crude oil import amount increased from approximately 237.68 million tons in 2010 to approximately

381.01 million tons in 2016, representing a CAGR of approximately 8.18%. In 2015, the annual investment in fixed assets for state-owned economy petroleum and natural gas exploration industry amounted to approximately RMB206.80 billion.

For detailed reasons for and benefits of the Acquisition, please refer to the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" of the Board Letter.

Despite the defects/non-compliance of the Sea Properties and the On-shore Properties and the loss making position of the Target Company for the year ended 31 December 2017, having considered the above, in particular, that (i) as one of the Payment Conditions for the First Payment, the Target Company has to obtain the valid Sea Use Certificates; (ii) the Sellers have undertaken to indemnify the Purchaser against any damages, losses, costs, expenses (including reasonable legal costs) or other liabilities which the Purchaser may suffer or incur as a result of or in connection with the failure of registration of the Sea Properties; (iii) the On-shore Properties are not critical to the operation of the Target Company and the Company has an adequate relocation plan should the On-shore Properties are forced to be demolished; (iv) as one of the Payment Conditions for the Second Payment, the Target Company have to complete the ownership registration in the name of the Target Company or a nominee of the Purchaser in respect of the Sea Properties (if applicable) or obtain a confirmation from the relevant competent government authority confirming that the Target Company or a nominee of the Purchaser has obtained the legal ownership of the Sea Properties; (v) the Purchaser may terminate the Framework Equity Purchase Agreement should the Sellers fail to register with the relevant industry and commerce administration authority in the PRC with respect to the transfer of the 100% equity interest in the Target Company pursuant to termination provisions of the Framework Equity Purchase Agreement (details are is set out under the sub-section "Termination" under the section headed "THE FRAMEWORK EQUITY PURCHASE AGREEMENT" of the Board Letter); (vi) the Acquisition is in line with the Group's strategy; (vii) the Acquisition is expected to bring synergy to Group's petrochemical products storage business; and (viii) the demand for crude oil terminal capacity and related logistics services in the PRC is positive, we concur with the Directors (excluding the Directors who are required to abstain from voting but including the independent non-executive Directors) that the Acquisition is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Framework Equity Purchase Agreement

Date

29 May 2018 (supplemented by the supplemental agreement dated 26 June 2018)

Parties

(1) Sellers: Jiangsu Dafeng and Jiangsu Huahai

(2) Purchaser:鹽城大豐和順國際貿易有限公司(Yancheng Dafeng Heshun International Trade Company Limited*)

(3) Target Company:江蘇海融大豐港油品化工碼頭股份有限公司(Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited*)

Conditions precedent

The Framework Equity Purchase Agreement will become effective upon the following major conditions being fulfilled or being waived by the Purchaser (provided that only condition (c) below can be waived):

(a) the Company having obtained its Independent Shareholders' approval at the EGM to proceed with the Acquisition in accordance with the GEM Listing Rules;

(b) the Purchaser having completed all its internal approval procedures in relation to the Acquisition;

(c) the Target Company having completed all its internal approval procedures in relation to the Acquisition;

(d) Jiangsu Dafeng having completed the internal procedures required for the transfer of the state-owned equity interest of the Target Company in relation to the Acquisition;

(e) the equity interest of the Target Company having been listed on the Property Rights Exchange, with the Purchaser being the only intended purchaser of the bid or alternatively, the Purchaser having won the bid; and

(f) the Acquisition will not constitute a reverse takeover pursuant to Rule 19.06(6) of the GEM Listing Rules.

Assets to be acquired

The 60% and 40% equity interests held by Jiangsu Dafeng and Jiangsu Huahai in the Target Company, respectively.

After the Sellers have listed their equity interest of the Target Company on the Property Rights Exchange and the Company has obtained its Independent Shareholders' approval at the EGM to proceed with the Acquisition in accordance with the GEM Listing Rules, if required by the Property Rights Exchange, the Purchaser shall in accordance with the rules of the Property Rights Exchange transfer RMB40,590,000 to an escrow account designated by the Property Rights Exchange as the deposit for the bid of the equity interest of the Target Company (i.e. the Deposit). If the Purchaser successfully wins the bid, the Deposit will be used to offset against part of the First Payment. The Sellers shall procure the Property Rights Exchange to timely return the Deposit to the Purchaser or failing which, the Sellers shall themselves pay the Purchaser the Deposit amount if (i) the Framework Equity Purchase Agreement is terminated without Completion in accordance with its terms, or (ii) the Sellers are in material breach of the Framework Equity Purchase Agreement.

Pursuant to the Framework Equity Purchase Agreement, the Purchaser has the right, but is not obliged, to acquire either of the Sellers' equity interests in the Target Company.

Consideration

The Consideration for the sale and purchase of the 100% equity interest in the Target Company under the Framework Equity Purchase Agreement shall be RMB405.9 million, which upon satisfaction or waiver of the Payment Conditions, shall be paid by the Purchaser to the Sellers by cash in the following manner:

(a) First payment: subject to the satisfaction or waiver of the Payment Conditions for the First Payment, the Purchaser shall pay 30% of the consideration which amounts to RMB121,770,000 to the Sellers (of which Jiangsu Dafeng shall be entitled to receive RMB73,062,000 for the First Payment and Jiangsu Huahai shall be entitled to receive RMB48,708,000 for the First Payment), within five days from the date of the產權交易合同(Property Rights Transfer Contract*) (the "**First Payment Date**"), of which the Deposit shall be used to offset part of the First Payment (save as otherwise agreed by the Purchaser and the Sellers, Jiangsu Dafeng shall be entitled to receive RMB24,354,000 of the Deposit and Jiangsu Huahai shall be entitled to receive RMB16,236,000 of the Deposit) and after deducting the Deposit, the Purchaser shall pay RMB81,180,000, of which RMB48,708,000 shall be paid to Jiangsu Dafeng and RMB32,472,000 shall be paid to Jiangsu Huahai; and

(b) Second payment: subject to the satisfaction or waiver of the Payment Conditions of Second Payment, the Purchaser shall pay the remaining 70% of the consideration which amounts to RMB284,130,000 to the Sellers (of which Jiangsu Dafeng shall be entitled to receive RMB170,478,000 on the Second Payment and Jiangsu Huahai shall be entitled to receive RMB113,652,000 on the Second Payment) and the interest on the Second Payment (in a 6:4 proportion to Jiangsu Dafeng and Jiangsu Huahai), within one year from the date of the Property Rights Transfer Contract (the "**Second Payment Date**"). The interest on the Second Payment shall be at the interest rate of 4.35%, the People's Bank of China base interest rate as at the date of the Framework Equity Purchase Agreement.

For details of the conditions of payment of consideration, please refer to the sub-section headed ''Consideration and payment conditions of the Framework Equity Purchase Agreement'' under the section headed ''THE FRAMEWORK EQUITY PURCHASE AGREEMENT'' of the Board Letter.

With reference to the Board Letter, the Company has no intention to waive any of the Payment Conditions for the First Payment and for the Second Payment as at the Latest Practicable Date. If the Acquisition fails to proceed and the Framework Equity Purchase Agreement is terminated (details of the provisions on terminations are set out under the sub-section headed ''Termination''' under the section headed ''THE FRAMEWORK EQUITY PURCHASE AGREEMENT'' of the Board Letter), the Purchaser is entitled to request for the return of the First Payment or terminate the Framework Equity Purchase Agreement and claim for damages in accordance with the Framework Equity Purchase Agreement.

Basis of the determination of the Consideration

With reference to the Board Letter, the Consideration was determined after arm's length negotiation between the Purchaser and the Sellers with reference to the valuation multiple based on the audited total assets and liabilities of the Target Company as at 31 December 2017. Taking into account (i) the net asset value of the Target Company as at 31 December 2017; (ii) the benefits which the Acquisition can bring to the Group as set out in the section headed ''Reasons for and benefits of the Acquisition'' of the Board Letter; and (iii) the price-to-book ratio (''**PBR(s)**'') of the Target Company which represents a reasonable ratio compared to the range of the PBRs of comparable precedent transactions involving transaction targets which are engaged in similar business of the Target Company, the Directors (excluding the Directors who are required to abstain from voting but including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As advised by the Directors, the Directors took into account certain transactions (the ''**Comparable Transactions**'') involving acquisition of targets which are engaged in similar business of the Target Company when determining the Consideration. With reference to the Board Letter, the Board considers the Comparable Transactions to be relevant and appropriate as reference to determine the Consideration, as they were selected based on the criteria that these transaction targets were involved in the port industry and principally engaged in the provision of terminal handling and related logistics services, similar to the Target Business.

For our due diligence purpose, we obtained the list of the said Comparable Transactions from the Company (the "**List**"). We noted that the List covers 22 transactions regarding acquisition of target companies engaging in the ports and harbour related business by/involving Hong Kong and PRC listed companies. Details of the Comparable Transactions are set out below:

Transaction	Announcement date/ Announcement publication date	Implied PBR (times)
Acquisition of 45% equity interest in Nantong Port Group Limited by Nantong State-owned Assets Investment Holding Co., Ltd. from PYI Corporation Limited (498) at a consideration of RMB1,613 million	21 July 2017	2.05
Acquisition of 40% equity interest in Tianjin Port Alliance International Container Terminal Co., Ltd. by Tianjin Port Holdings Co., Ltd. (SH600717) from Tianjin Port Development Holdings Limited (3382) at a consideration of approximately RMB747.86 million	21 April 2017	1.09
Acquisition of 100% equity interest in Tianjin Port Container Terminal Co., Ltd. by Tianjin Port Holdings Co., Ltd. (SH600717) from Tianjin Port Development Holdings Limited (3382) at a consideration of approximately RMB1.51 billion	21 April 2017	1.11
Acquisition of 100% equity interest in Tianjin Port No. 2 Stevedoring Co., Ltd. by Tianjin Port Holdings Co., Ltd. (SH600717) from Tianjin Port Development Holdings Limited (3382) at a consideration of approximately RMB1.04 billion	21 April 2017	1.25
Acquisition of 51% equity interest in Tianjin Port Haifeng Bonded Logistics Co., Ltd. by Tianjin Port Holdings Co., Ltd. (SH600717) from Tianjin Port Development Holdings Limited (3382) at a consideration of approximately RMB262.17 million	21 April 2017	1.03
Acquisition of 40% equity interest in Tianjin Port Euroasia International Container Terminal Co., Ltd. by Tianjin Port Holdings Co., Ltd. (SH600717) from Tianjin Port Development Holdings Limited (3382) at a consideration of approximately RMB556.02 million	21 April 2017	0.99

Transaction	Announcement date/ Announcement publication date	Implied PBR (times)
Acquisition of 100% equity interest in Xingshan County Xiakou Port Co., Ltd. by Yichang Xingfa Group Co., Ltd. from Hubei Xingfa Chemicals Group Co., Ltd. (SH600141) at a consideration of approximately RMB178.01 million	14 October 2016	1.71
Acquisition of 85% equity interest in Zhoushan Port Co., Ltd. by Ningbo Zhoushan Port Company Limited (SH601018) from Ningbo Zhoushan Port Group Limited at a consideration of approximately RMB3.01 billion	27 January 2016	1.93
Acquisition of 10% equity interest in Tangshan Caofeidian Shiye Port Co., Ltd. by Tangshan Port Group Co., Ltd. (SH601000) from Tangshan Port Industrial Group Co. Ltd. at a consideration of RMB374.9 million	23 January 2016	1.33
Acquisition of 100% equity interest in Zhejiang Zhapu Meifu Port & Storage Co Ltd. by Zhejiang Jiahua Energy Chemical Industry Co., Ltd. (SH600273) from Sanjiang Chemical Co Ltd, Capitol International Limited, Guangdong Jinsheng Petrochemical Co Ltd and Mike Petroleum & Chemical (Singapore) Limited at a total consideration of RMB700 million	20 March 2015	3.50
Acquisition of 15% equity interest in Jinzhou Port Co., Ltd. (SH600190) by Tibet Haihan Transport Development Co Ltd through subscription at a consideration of approximately RMB991.13 million	13 March 2013	1.62
Acquisition of 39.04% equity interest in Taicang International Container Terminal Co., Ltd. by COSCO Shipping Ports Limited (1199) (formerly known as COSCO Pacific Limited) from China Ocean Shipping (Group) Company at a consideration of approximately RMB322.78 million	24 January 2013	1.69
Acquisition of 100% equity interest in Fangchenggang Beibu Gulf Port Co., Ltd by Beibu Gulf Port Co., Ltd. (SZ000582) from Fangcheng Harbour Group Co., Ltd. at a consideration of approximately RMB3.78 billion	8 December 2012	2.37

Transaction	Announcement date/ Announcement publication date	Implied PBR (times)
Acquisition of 100% equity interest in Qinzhou Port Group Co.Ltd. by Beibu Gulf Port Co., Ltd. (SZ000582) from Guangxi Beibu Gulf International Port Group Co., Ltd. at a consideration of approximately RMB1.31 billion	8 December 2012	2.28
Acquisition of 50% equity interest in Ningbo Shihua Crude Oil Terminal Company Limited by Sinopec Kantons Holdings Limited (934) from China Petroleum & Chemical Corporation at a consideration of approximately RMB173.28 million	3 December 2011	1.09
Acquisition of 50% equity interest in Qingdao Shihua Crude Oil Terminal Company Limited by Sinopec Kantons Holdings Limited (934) from China Petroleum & Chemical Corporation (386, SH600028, NYSE: SNP & LSE: SNP) at a consideration of approximately RMB585.80 million	3 December 2011	1.21
Acquisition of 50% equity interest in Tianjin Port Shihua Crude Oil Terminal Company Limited by Sinopec Kantons Holdings Limited (934) from China Petroleum & Chemical Corporation (386, SH600028, NYSE: SNP & LSE: SNP) at a consideration of approximately RMB349.55 million	3 December 2011	1.25
Acquisition of 50% equity interest in Rizhao Shihua Crude Oil Terminal Company Limited by Sinopec Kantons Holdings Limited (934) from China Petroleum & Chemical Corporation (386, SH600028, NYSE: SNP & LSE: SNP) at a consideration of approximately RMB427.87 million	3 December 2011	1.11
Acquisition of 90% equity interest in Tangshan Caofeidian Shihua Crude Oil Terminal Company Limited by Sinopec Kantons Holdings Limited (934) from China Petroleum & Chemical Corporation (386, SH600028, NYSE: SNP & LSE: SNP) at a consideration of approximately RMB273.31 million	3 December 2011	1.02

Transaction	Announcement date/ Announcement publication date	Implied PBR (times)
Acquisition of 100% equity interest in CKS Container Terminal (Zhuhai Doumen) Co., Ltd by Chu Kong Shipping Enterprises (Group) Company Limited (560) (formerly known as Chu Kong Shipping Development Company Limited) from Chu Kong Shipping Enterprises (Holdings) Company Limited at a consideration of RMB210 million	31 May 2011	2.04
Acquisition of 50% equity interest in Zhan Jiang Port Petrochemical Jetty Co. Limited by Sinopec Kantons Holdings Limited (934) from Zhan Jiang Port Group Co. Limited at a consideration of approximately RMB331.99 million	27 May 2011	0.88
Acquisition of 50.1% equity interest in Jiangsu YangKou Port Development and Investment Co., Ltd. by Rudong County Ritai Infrastructure Development and Investment Co., Ltd. from PYI Corporation Limited (498) at a consideration of RMB1,507 million	1 February 2011	1.57
	Maximum	3.50
	Minimum	0.88
	Average	1.55

As illustrated above, the PBRs of the Comparable Transactions ranged from approximately 0.88 times to 3.50 times, with an average of approximately 1.55 times.

Based on the Consideration and the audited net asset value of the Target Company as at 31 December 2017, the implied PBR of the Acquisition is approximately 1.81 times, which is within the said PBR range of the Comparable Transactions.

Trading multiples analysis of comparable companies

We noted that the trading multiples analysis of price to earnings ratio ("**PER**") and PBR of comparable companies is a commonly adopted valuation method in the market. For this reason, to further assess the fairness and reasonableness of the Consideration, we performed the trading multiple analysis of comparable companies as below.

We searched for companies listed in Hong Kong which are engaged in similar line of business as the Target Company, being the port and harbour related business (such as the operation and management of port/ terminal facilities), and derived more than 50% of their turnover from such business based on their respective latest published financial information for comparison. To the best of our knowledge and endeavour and as far as we are aware of, we found 11 companies listed in Hong Kong which meet our selection criteria (the "**Comparable Companies**") and they are exhaustive as far as we are aware of. We did not subjectively carve out any Comparable Companies which met the aforesaid selection criteria. Accordingly, we consider the Comparable Companies to be fair and representative samples. Although the businesses, operations and prospects of the Target Company are not exactly the same as the Comparable Companies, the Comparable Companies can demonstrate the prevailing PBRs of Hong Kong listed companies engaging in similar line of business as the Target Company.

Given that the Target Company was loss making for the year ended 31 December 2017, we consider the PER analysis to be impracticable. Set out below are PBRs of the Comparable Companies based on their closing prices as at the date of the Framework Equity Purchase Agreement, and their latest published financial information:

Company name (Stock code)	Principal business	Year-end date	PBR *(Note 1)*
China Merchants Port Holdings Company Limited (144)	Port-related businesses	31 December 2017	0.80
PYI Corporation Limited (498)	Port and infrastructure businesses	31 March 2017	0.19
Dragon Crown Group Holdings Ltd. (935)	Construction and operation of terminal facilities	31 December 2017	1.09
COSCO Shipping Ports Ltd. (1199)	Operation of terminals, the handling, transportation and storage of containers, as well as the leasing, management and sales of containers and related businesses	31 December 2017	0.55
CIG Yangtze Ports PLC (1719)	Investment, development, operation and management of container ports through Wuhan Yangluo Terminal and the Multi-purpose Port	31 December 2017	4.03
Xinghua Port Holdings Limited (1990)	Operation and management of ports	31 December 2017	0.95
DaLian Port (PDA) Co. Ltd. (2880)	Port and related businesses	31 December 2017	0.75
Qinhuangdao Port Co., Ltd. (3369)	Provision of integrated port services	31 December 2017	0.71

Company name (Stock code)	Principal business	Year-end date	PBR *(Note 1)*
TianJin Port Development Holdings Ltd. (3382)	Provision of containerized and non-containerized cargo handling services and other port ancillary services and sales business at the port of Tianjin in the PRC	31 December 2017	0.54
QingDao Port International Co., Ltd. (6198)	Provision of containerized and non-containerized cargo handling services, port ancillary services and financial services	31 December 2017	1.21
XiangXing International Holding Ltd. (8157)	Provision of import and export agency services, container road freight forwarding services, intra-port ancillary services and intra-port container transportation services	31 December 2017	3.51
Maximum			4.03
Minimum			0.19
Average			1.30
The Acquisition			1.81 *(Note 2)*

Notes:

1. The PBRs of the Comparable Companies were calculated based on their respective latest published annual results or interim results and their respective closing prices as quoted on the Stock Exchange and total issued shares as at the date of the Framework Equity Purchase Agreement.

2. The implied PBR of the Acquisition was calculated based on the Consideration and the audited net asset value of the Target Company as at 31 December 2017.

We noticed from the above table that the PBRs of the Comparable Companies ranged from approximately 0.19 times to 4.03 times, with an average of approximately 1.30 times. The implied PBR of the Consideration is within the said PBR range of the Comparable Companies.

Having considered (i) our due diligence on the Comparable Transactions, which are used as references for the determination of Consideration by the Company, (ii) our independent work done on the prevailing PBRs of Hong Kong listed companies engaging in similar line of business as the Target Company; and (iii) that the implied PBR of the Acquisition is within the PBR range of the Comparable Transactions and Comparable Companies respectively, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

The Interest Rate

Pursuant to the Framework Equity Purchase Agreement, subject to the conditions of second payment (as specified under the sub-section headed ''Consideration and payment conditions of the Framework Equity Purchase Agreement'' under the section headed ''THE FRAMEWORK EQUITY PURCHASE AGREEMENT'' of the Board Letter), the Purchaser shall pay, amongst others, the interest on the second payment (in a 6:4 proportion to Jiangsu Dafeng and Jiangsu Huahai), within one year from the Second Payment Date. The interest on the Second Payment shall be at the interest rate of 4.35%, the People's Bank of China base interest rate as at the date of the Framework Equity Purchase Agreement.

We noted from the Framework Equity Purchase Agreement that the interest on the Second Payment shall be the consideration of the Second Payment times the specified interest rate of 4.35% (the ''**Interest Rate**'') over the same period times the days between the date of First Payment and the date of Second Payment. For our due diligence purpose, we noted that, as at the Latest Practicable Date, the Interest Rate is the same as the prevailing People's Bank of China base interest rate for bank loan with term of one year or less.

With reference to the 2017 Annual Report, the Group had the following bank and other borrowings as at 31 December 2017:

Items	**Amount** *(HK$)*	**Interest Rate per annum**
Interest-bearing bank loan	50,434,000	Prime rate plus 5.8% and 6.5% per annum
Interest-free bank loan *(Note)*	312,587,000	Nil
Loan from a third party	60,827,000	3%
Loan from connected companies	236,908,000	Ranged from 7% to 9%

Note: The loan balance is secured by the same amount of pledged deposit of the Group.

In addition, the Company announced on 29 March 2018 that it completed the placing of bonds in the principal amount of US$50 million at a coupon rate of 7.5% per annum and a term of three years.

We noted that the Interest Rate is within the interest/coupon rates as illustrated above. Accordingly, we consider the Interest Rate for the interest on the Second Payment to be justifiable.

For other detailed terms of the Framework Equity Purchase Agreement, please refer to the section headed ''THE FRAMEWORK EQUITY PURCHASE AGREEMENT'' of the Board Letter.

Having considered that the principal terms of the Framework Equity Purchase Agreement, we are of the view that the terms of the Framework Equity Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Financial effects of the Acquisition

With reference to the Board Letter, upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Purchaser and the financial results of the Target Company will be consolidated into the Group's financial statements.

The unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Information**") is included in Appendix III to the Circular.

With reference to the 2017 Annual Report, the audited consolidated total assets and total liabilities of the Group were approximately HK$1.27 billion and HK$1.07 billion as at 31 December 2017 respectively. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Enlarged Group would be approximately HK$2.99 billion and HK$2.79 billion respectively as if the Acquisition had been completed on 31 December 2017.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Framework Equity Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *for identification purpose only*

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for (i) each of the three years ended 31 December 2015, 2016 and 2017 are set out in (i) the annual reports of the Group for the years ended 31 December 2015 (pages 29 to 89) (http://www.hkexnews.hk/listedco/listconews/GEM/2016/0330/GLN20160330493.pdf), 2016 (pages 51 to 164) (http://www.hkexnews.hk/listedco/listconews/GEM/2017/0331/GLN20170331003.pdf) and 2017 (pages 50 to 176) (http://www.hkexnews.hk/listedco/listconews/GEM/2018/0329/GLN20180329019.pdf) respectively. All the above reports of the Company have also been published on the website of the Company (www.dfport.com.hk).

2. STATEMENT OF INDEBTEDNESS

The Group

Indebtedness

As at the close of business on 31 May 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately HK$823,613,000, details of which are set out below:

	HK$'000
Secured and unguaranteed bank loans	313,828
Secured and guaranteed bank loans	51,425
Secured and unguaranteed loan from a third party	50,189
Unlisted bonds, secured and guaranteed	392,325
Obligations under finance leases, secured and unguaranteed	10,949
Amount due to an ex-director of a subsidiary, unsecured and unguaranteed	3,863
Amount due to an ex-shareholder of a subsidiary, unsecured and unguaranteed	1,034
	823,613

Borrowings

As at 31 May 2018, the Group had outstanding secured bank and other loans of approximately HK$415,442,000, which comprised of (i) a bank loan of approximately HK$51,425,000 which is secured by prepaid lease payments with carrying amount of approximately HK$45,813,000 and secured by corporate guarantees issued by Jiangsu Dafeng Harbour Holdings Limited ("**Jiangsu Dafeng**", English translation of 江蘇大豐海港控股集團有限公司 for identification purpose only), the controlling shareholder of the Company and the ultimate holding company of the Target Company; (ii) a bank loan of approximately HK$313,828,000 which is secured by pledged deposit of approximately HK$313,316,000; and (iii) a loan from a third party of approximately HK$50,189,000 which is secured by property, plant and equipment with carrying amount of approximately HK$66,378,000.

Bonds

As at 31 May 2018, the Group had issued unlisted secured bonds with an aggregate principal of US$50,000,000 (approximately HK$392,325,000) which was secured by 740,040,000 ordinary shares of the Company beneficially owned by Dafeng Port Overseas Investment Holdings Limited ("**Dafeng Port Overseas**", 大豐港海外投資控股有限公司) and guaranteed by corporate guarantee provided by Jiangsu Dafeng.

Bank facilities and guarantees

As at 31 May 2018, the Group had obtained bank facilities in aggregate amount of approximately HK$1,372,934,000, of which HK$365,253,000 were utilised as at 31 May 2018, which are (i) secured by pledged bank deposit and prepaid lease payments of the Group in aggregate amounts of approximately HK$313,316,000 and HK$45,813,000 respectively; (ii) secured by certain properties owned by a director of the Group; and (iii) guaranteed by corporate guarantee provided by Jiangsu Dafeng.

Obligations under finance leases

As at 31 May 2018, the Group had outstanding obligations under finance leases of approximately HK$10,949,000, which are secured by charges over motor vehicles with carrying amount of approximately HK$10,692,000.

Commitment

As at 31 May 2018, the Group had capital expenditure commitments contracted but not provided, net of deposit paid, for construction of property, plant and equipment of approximately HK$119,369,000.

The Target Company

Indebtedness

As at the close of business on 31 May 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Target Company had total outstanding borrowings of approximately HK$1,196,797,000, comprising (i) secured bank loans of approximately HK$220,392,000 and (ii) an unsecured amount due to Dafeng Harbour Port Limited Liability Company (English translation of 大豐海港港口有限責任公司 for identification purpose only), a fellow subsidiary of the Target Company, of approximately HK$976,405,000.

Borrowings and guarantees

As at 31 May 2018, the Target Company had outstanding secured bank loans in aggregate of approximately HK$220,392,000, which are secured by leasehold land and building of Jiangsu Dafeng, Jiangsu Heshun Property Investment Company Limited (English translation of 江蘇和順港城實業投資有限公司 for identification purpose only), a fellow subsidiary of the Target Company, and Dafeng Gangcheng Properties Company

Limited (English translation of 大豐市港誠置業有限公司 for identification purpose only), a fellow subsidiary of the Target Company and guaranteed by corporate guarantee provided by Jiangsu Dafeng.

The Enlarged Group

Contingent liabilities

As at the close of business on 31 May 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 May 2018.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the effects of the completion of the proposed Acquisition and the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements and for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon completion of the Acquisition, the Enlarged Group will continue to be principally engaged in providing integrated port terminal, warehousing and trading business in the PRC, while the Target Company will continue to engage in the operation of oil and petrochemical terminals in Dafeng Port, Jiangsu Province. After the Acquisition, the Enlarged Group will have obtained all necessary administrative licenses for port operations including the 中華人民共和國港口經營許可證 (Port Operation Permit of the PRC*), 江蘇省排放污染物許可證 (Jiangsu Province's Emission Permit License*), and 港口危險貨物作業附證 (Dangerous Goods Port Operation Licence*).

According to 關於石化產業調結構促轉型增效益的指導意見 (Guidance on the Petrochemical Industry Structural Adjustment and Transformation of Increasing Efficiency*) published by the State Council of the PRC in August 2016, the PRC government will promote corporate mergers and acquisitions, and optimise, among others, capital, technology and personnel to enhance the competitiveness of the petrochemical enterprises. As a result, the petrochemical industry in the PRC is recovering. In March 2016, 江蘇省發展和改革委員會 (Jiangsu Provincial Development and Reform Commission*) has promulgated 江蘇省石化產業規劃佈局方案 (Layout plan for Petrochemical Industries in Jiangsu Province*), which has the effect of diminishing the scale of the petrochemical industry in southern Jiangsu, promoting the industrial structure of central Jiangsu and accelerating the development of the petrochemical industry in Northern and coastal Jiangsu. It is anticipated that central and coastal Jiangsu, where Dafeng Port is located, will become the major channel to the sea for nearby regions in the future, thus bringing the Group this opportunity to improve its industry-chain, and to become a one-stop service provider for terminals, warehousing and trading. The Directors believe this Acquisition will help position the Group into a strategic position and improve the Group's revenue.

The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the assets and liabilities of the Group is set out in Appendix III to this circular. The unaudited pro forma financial information of the Enlarged Group has been prepared for illustration purpose only, based on the judgments and assumptions of the Directors, and, due to its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at the date of completion of the Acquisition or any future date.

The following is the text of a report, received from the Company's reporting accountant, Mazars CPA Limited, Certified Public Accountants, for the purpose of incorporation in this circular.

MAZARS
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29 June 2018

The Board of Directors
Dafeng Port Heshun Technology Company Limited

Dear Sirs,

INTRODUCTION

We report on the historical financial information of the terminal business carried out by Dafeng Harbour Port Limited Liability Company ("**Dafeng Harbour Port**", English translation of 大豐海港港口有限責任公司 for identification purpose) (the "**Target Business**") set out on pages IIA-5 to IIA-26, which comprises the statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 (the "**Track Record Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-5 to IIA-26 forms an integral part of this report, which has been prepared for inclusion in the circular of Dafeng Port Heshun Technology Company Limited (the "**Company**") dated 29 June 2018 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest in Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited (the "**Target Company**", English translation of 江蘇海融大豐港油品化工碼頭股份有限公司 for identification purpose) (the "**Proposed Acquisition**").

Historically, the Target Business was carried out by Dafeng Harbour Port. During the Track Record Periods, Dafeng Harbour Port also carried out other terminal businesses in addition to the Target Business which do not form part of the Target Business (the "**Non-Target Business**"). As the Historical Financial Information aims to reflect only those relevant to the Target Business during the Track Record Periods, the financial position and operating results directly attributable to the Non-Target Business were excluded from the Historical Financial Information. For the purpose of this report, Dafeng Harbour Port had segregated relevant financial information of the Target Business, to the extent possible, from the historical financial information of Dafeng Harbour Port for the preparation of the Historical Financial Information to be included in this report. In particular, since Dafeng Harbour Port maintained the same bank accounts for both the Target Business as well as the Non-Target Business, all cash transactions from the Target Business and the Non-Target Business were processed through the same bank accounts, which cannot be segregated. As a result, the movements and balances of net assets value attributable to, and the cash flows of, the Non-Target Business during each reporting period, together with the capital of Dafeng Harbour Port were reflected in the amount due to or from Dafeng Harbour Port as transactions with Dafeng Harbour Port.

During the Track Record Periods, Dafeng Harbour Port entered into an assets transfer agreement with the Target Company, pursuant to which Dafeng Harbour Port ceased to operate the Target Business and transferred all the assets related specifically to the Target Business formally to the Target Company on 30 June 2017 (the "**Assets Transfer**"). The Target Company was incorporated on 10 June 2010 and had taken up the Target Business from Dafeng Harbour Port through the Assets Transfer. Up to 30 June 2017, it had not carried on any business since its date of incorporation, except for the Assets Transfer. Through the Assets Transfer (as further explained in the section "Information on the Target Company" in the Circular), the Target Company has succeeded the Target Business from Dafeng Harbour Port since 30 June 2017.

HISTORICAL FINANCIAL INFORMATION

Directors' responsibility

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to Dafeng Harbour Port's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dafeng Harbour Port's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Business' financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of the Target Business' financial performance and cash flows for the Track Record Periods in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Target Business which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments to the Historical Financial Statements

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements (as defined below) have been made.

Dividends

No dividends had been paid nor proposed by Dafeng Harbour Port in respect of the Track Record Periods.

Preparation or audit of financial statements

The financial statements of the Target Business for the Track Record Periods, on which the Historical Financial Information is based, were prepared by the directors of the Target Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards issued by the HKICPA (the "**Historical Financial Statements**") and were audited by Mazars CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

Subsequent financial statements

No audited financial statements of the Target Business have been prepared in respect of any periods subsequent to 30 June 2017 and up to date of this report.

Mazars CPA Limited
Certified Public Accountants
Hong Kong

A. THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET BUSINESS

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			**Six months ended 30 June**	
		2014	2015	2016	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*4*	203	5,503	16,228	7,635	7,565
Cost of services		(5,316)	(6,219)	(15,605)	(3,727)	(11,656)
Gross (loss) profit		(5,113)	(716)	623	3,908	(4,091)
Administrative and other operating expenses		(1,941)	(1,734)	(2,095)	(1,252)	(721)
Gain arising from the Assets Transfer	*10(a)*	—	—	—	—	31,816
(Loss) Profit before taxation	*5*	(7,054)	(2,450)	(1,472)	2,656	27,004
Taxation	*8*	—	—	—	—	(2,602)
(Loss) Profit for the year/ period		(7,054)	(2,450)	(1,472)	2,656	24,402
Other comprehensive income for the year/period		—	—	—	—	—
Total comprehensive (loss) income for the year/period		(7,054)	(2,450)	(1,472)	2,656	24,402

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*10*	503,778	509,479	703,948	—
Sea use rights payments	*11*	3,080	3,010	2,940	—
Prepayments for construction in progress		5,944	25,463	2,815	—
		512,802	537,952	709,703	—
Current assets					
Trade and other receivables	*12*	13,356	15,443	17,244	300
Sea use rights payments	*11*	70	70	70	—
Amount due from Dafeng Harbour Port	*14*	—	—	—	88,949
		13,426	15,513	17,314	89,249
Current liabilities					
Other payables	*13*	9,275	9,296	31,707	78,840
Tax payables		—	—	—	2,602
Amount due to Dafeng Harbour Port	*14*	529,626	559,292	711,905	—
		538,901	568,588	743,612	81,442
Net current (liabilities) assets		(525,475)	(553,075)	(726,298)	7,807
NET (LIABILITIES) ASSETS		(12,673)	(15,123)	(16,595)	7,807
Reserves					
Accumulated (losses) profits		(12,673)	(15,123)	(16,595)	7,807
TOTAL (DEFICIT) EQUITY		(12,673)	(15,123)	(16,595)	7,807

STATEMENTS OF CHANGES IN EQUITY

	Accumulated (losses) profits
	RMB'000
At 1 January 2014	(5,619)
Loss and total comprehensive loss for the year	(7,054)
At 31 December 2014 and 1 January 2015	(12,673)
Loss and total comprehensive loss for the year	(2,450)
At 31 December 2015 and 1 January 2016	(15,123)
Loss and total comprehensive loss for the year	(1,472)
At 31 December 2016 and 1 January 2017	(16,595)
Profit and total comprehensive income for the period	24,402
At 30 June 2017	7,807
	(unaudited)
At 1 January 2016	(15,123)
Profit and total comprehensive income for the period	2,656
At 30 June 2016	(12,467)

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
OPERATING ACTIVITIES					
(Loss) Profit before taxation	(7,054)	(2,450)	(1,472)	2,656	27,004
Depreciation	851	1,126	7,446	648	9,336
Amortisation	61	70	70	35	35
Gain arising from the Assets Transfer	—	—	—	—	(31,816)
Changes in working capital:					
Trade and other receivables	(2,708)	(2,254)	9,724	9,014	(26,973)
Other payables	(2,952)	(2,703)	(2,022)	(547)	22,827
Changes in amount due to Dafeng Harbour Port	11,802	6,211	(13,746)	(11,806)	(413)
Net cash from operating activities	—	—	—	—	—
Net increase in cash and cash equivalents	—	—	—	—	—
Cash and cash equivalents at beginning of the year/period	—	—	—	—	—
Cash and cash equivalents at end of the year/period	—	—	—	—	—

Note: As the Historical Financial Information included in this report aims to reflect the financial information relevant to the Target Business, which was segregated from the books of Dafeng Harbour Port. Historically and throughout the Track Record Periods, Dafeng Harbour Port carried out the Target Business as well as the Non-Target Business. Therefore, the financial position and operating results as shown in the Historical Financial Information in this report do not include those directly attributable to the Non-Target Business. However, historically and throughout the Track Record Periods, since several bank accounts were maintained by Dafeng Harbour Port for both the Target Business and the Non-Target Business, which are inseparable, any fund flows resulted in the increase and decrease of the bank accounts of Dafeng Harbour Port, as a result of transactions relating to the Target Business, were reflected as changes in the amount due to or from Dafeng Harbour Port throughout the Track Record Periods.

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET BUSINESS

1. GENERAL INFORMATION

Background and description of the business

The Target Business represents the terminal business operated in an integrated petrochemical terminal complex in the People's Republic of China (the "**PRC**") by Dafeng Harbour Port. The immediate and ultimate holding company of Dafeng Harbour Port is Jiangsu Dafeng Harbour Holdings Limited (the "**Holding Company**", English translation of 江蘇大豐海港控股集團有限公司 for identification purpose), which is incorporated in the PRC. The registered office of Dafeng Harbour Port is West Flank of Substation, Nan Gang Road North, Dafeng Port, Dafeng District, Yancheng, the PRC. The principal activity of the Target Business is the provision of terminal handling services.

Basis of preparation

The Historical Financial Information has been prepared on a "carve-out" basis from management accounts of Dafeng Harbour Port using the historical results from operations, assets, liabilities, and cash flows attributable to the Target Business from Dafeng Harbour Port. Transactions with the Non-Target Business of Dafeng Harbour Port, its fellow subsidiary and the Holding Company are disclosed as related party transaction as set out in Note 15 to the Historical Financial Information.

During the Track Record Periods, Dafeng Harbour Port also carried out the Non-Target Business. Dafeng Harbour Port had segregated the relevant financial information of the Target Business, to the extent possible, from the historical financial information of Dafeng Harbour Port for the preparation of the Historical Financial Information to be included in this report. In particular, since Dafeng Harbour Port maintained the same bank accounts for both the Target Business as well as the Non-Target Business, all cash transactions from the Target Business and the Non-Target Business are processed through the same bank accounts, which cannot be segregated. As a result, the movements and balances of net assets value attributable to, and the cash flows of, the Non-Target Business during each reporting period, together with the capital of Dafeng Harbour Port were reflected in the amount due to or from Dafeng Harbour Port as transactions with Dafeng Harbour Port. The directors of the Target Company believe that the method of segregation and allocation presents a reasonable basis of attributing an appropriate element of the overall record of Dafeng Harbour Port to the Target Business. The position shown under the "carve-out" basis may not represent what the operating results and financial position of the Target Business would have been on a stand-alone basis for the period up to the date of the Assets Transfer or may prevail after the Assets Transfer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

The HKICPA has issued a number of new/revised HKFRSs during the Track Record Periods. For the purpose of preparing the Historical Financial Information, the Target Business has consistently adopted all these new/revised HKFRSs that are relevant to its operation and are effective for the Track Record Periods.

A summary of the principal accounting policies adopted by the Target Business in the preparation of the Historical Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is historical cost.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method at the following rates per annum:

Storage facilities	2.5%
Plant and machinery	3–33%
Motor vehicles	13–20%
Computer and office equipment	16–33%
Terminal facilities	2.5%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction in progress

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

Sea use rights payments

Sea use rights payments are up-front payments to acquire fixed term interests in sea use rights that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Target Business becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Business' contractual rights to future cash flows from the financial asset expire or (ii) the Target Business transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Target Business retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Target Business neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Financial liabilities

The Target Business' financial liabilities include other payables and amount due to Dafeng Harbour Port. All financial liabilities, except for financial liabilities at fair value through profit or loss, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Target Business assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Business and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Revenue from terminal handling and berthing services is recognised when services are rendered.

Impairment of other assets

At the end of each reporting period, the Target Business reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, sea use rights payments and prepayments for construction in progress may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Business estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

Contributions to the state-managed retirement schemes in the PRC, which are calculated on certain percentages of the applicable payroll costs, are charged as expenses when employees have rendered services entitling them to the contributions.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A related party is a person or entity that is related to the Target Business.

(a) A person or a close member of that person's family is related to the Target Business if that person:

(i) has control or joint control over the Target Business;

(ii) has significant influence over the Target Business; or

(iii) is a member of the key management personnel of the Target Business or of the parent of the Target Business.

(b) An entity is related to the Target Business if any of the following conditions applies:

(i) The entity and the Target Business are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Business or an entity related to the Target Business. If the Target Business is itself such a plan, the sponsoring employers are also related to the Target Business.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Business or to the parent of the Target Business.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments are identified from the financial information provided to the Target Company's chief operating decision makers for the purpose of allocating resources to, and assessing the performance of, the Target Business' various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the Target Business' management in the preparation of the Historical Financial Information. They affect the application of the Target Business' accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(i) Useful lives and impairment of property, plant and equipment and sea use rights payments

The management reviews the useful lives and depreciation/amortisation method of property, plant and equipment and sea use rights payments at the end of each reporting period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined based on the higher of its value in use and fair value less costs of disposal. Value in use is determined using the discounted cash flow method.

(ii) Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Target Business is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of 31 December 2014, 2015 and 2016 and 30 June 2017, none of the Target Business' trade receivables were individually determined to be impaired. Consequently, no specific allowances for doubtful debts were recognised.

(iii) Deferred tax assets

During the Track Record Periods, no deferred tax asset in relation to unused tax losses has been recognised in the statements of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets in profit or loss in the period in which such a change of estimate takes place, after taking into account of the utilisation of previously unrecognised tax losses, may arise.

Future changes in HKFRSs

As at the date of this report, the HKICPA has issued the following new/revised HKFRSs that are relevant but not yet effective, which the Target Business has not early adopted.

Annual Improvements to HKFRSs	2014–2016 Cycle: HKFRS 1 and HKAS 28[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
Annual Improvements to HKFRSs	2015–2017 Cycle[2]
HKFRS 16	Leases[2]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKAS 19	Employee benefits[2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 The effective date to be determined

Except as described below, the directors of the Target Company anticipate that the application of these new standards and amendments will have no material impact on the Target Business' financial information in the future.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category.

Key requirements under HKFRS 9 are as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount of outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading or contingent consideration in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Target Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Target Business' financial assets in relation to the impairment assessment on receivables, with the potential earlier recognition of credit losses based on the expected loss model in relation to the Target Business' financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Target Company have performed a detailed review. Except for above mentioned, the directors of the Target Company do not anticipate that the adoption of HKFRS 9 in the future will have any other significant impact on amounts reported in respect of the Target Business' financial assets and financial liabilities based on an analysis of the Target Business' financial instruments at 30 June 2017.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued with the aim of establishing a single comprehensive model for entities to apply in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

(a) Identify the contract(s) with a customer

(b) Identify the performance obligations in the contract

(c) Determine the transaction price

(d) Allocate the transaction price to the performance obligations in the contract

(e) Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Target Company preliminarily considers that the performance obligations that may be identified under HKFRS 15 are similar to the current identification of revenue components under the existing revenue recognition policy of the Target Business developed under HKAS 18 and therefore, the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of HKFRS 15 in future may result in more disclosures.

3. SEGMENT INFORMATION

Reportable segments

The management of the Target Business has determined the reportable segments based on the reports that are used to make strategic decisions and are reviewed by the chief operating decision-maker. The directors of the Target Company have been identified collectively as the chief operating decision-maker. Since the Target Business was only engaged in one reportable segment (i.e. provision of terminal handling and berthing services) during the Track Record Periods, no segment information has been presented.

Geographical information

The revenue of the Target Business was generated from, based on the locations of customers, the PRC and the non-current assets were, other than the prepayments for construction in progress, based on the physical locations of the asset, in the PRC, which is the country of domicile of the Target Business during the Track Record Periods.

Information about major customers

Details of the entities individually accounting for 10% or more of revenue of the Target Business during the Track Record Periods are as follows:

Revenue from external customers	**Year ended 31 December**			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	84	—	—	—	—
Customer B	70	—	—	—	—
Customer C	30	—	—	—	—
Customer D	—	2,039	4,551	2,609	3,156
Customer E	—	1,349	2,005	347	110
Customer F	—	1,204	1,448	961	531
Customer G	—	—	5,189	2,640	1,871
Customer H *(Note)*	9	406	1,893	749	—
Customer I	—	—	—	—	1,698
	193	4,998	15,086	7,306	7,366

Note: Customer H, namely Jiangsu Zhongnanhui Petrochemical Storage Company Limited ("Zhongnanhui", English translation of 江蘇中南滙石化倉儲有限公司 for identification purpose), is an indirect wholly-owned subsidiary of the Company. As the Holding Company is a substantial shareholder of Dafeng Port Overseas Investment Holdings Limited, (English translation of 大豐港海外投資控股有限公司 for identification purpose), the controlling shareholder of the Company, Zhongnahui is therefore a connected entity of the Target Business and the revenue received from it has been disclosed in Note 15 to the Historical Financial Information.

4. REVENUE

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Terminal handling services income	203	5,502	16,162	7,605	7,507
Berthing services income	—	1	66	30	58
	203	5,503	16,228	7,635	7,565

5. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff costs					
Salaries, allowances and other short-term employee benefits	3,486	3,774	4,517	1,770	1,772
Contributions to defined contribution plan	642	694	778	400	372
	4,128	4,468	5,295	2,170	2,144
Other items					
Amortisation of sea use rights payments	61	70	70	35	35
Depreciation (charged to "cost of services" and "administrative and other operating expenses", as appropriate)	851	1,126	7,446	648	9,336
Gain arising from the Assets Transfer *(Note 10(a))*	—	—	—	—	(31,816)

6. DIRECTORS' REMUNERATION

No directors' remuneration had been paid by the Target Business for each of the reporting period.

7. FIVE HIGHEST PAID INDIVIDUALS

During the Track Record Periods, the five highest paid individuals were not directors of the Target Business. The aggregate amounts of emoluments of the highest paid non-director individuals of the Target Business are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and other benefits in kind	547	694	524	258	265
Contributions to defined contribution plan	111	126	104	43	61
	658	820	628	301	326

8. TAXATION

For the purpose of this report, the Target Business is deemed as an entity subjects to income tax.

The assessable profit of the Target Business is subject to Enterprise Income Tax in the PRC ("**PRC EIT**"). PRC EIT attributable to the Target Business is calculated at the prevailing tax rate at 25% on the basis of the taxable income of the Target Business determined in accordance with those relevant laws and regulations in the PRC. No PRC EIT has been provided as the Target Business incurred losses for taxation purpose for the years ended 31 December 2014, 2015 and 2016. PRC EIT has been provided on the Target Business' estimated assessable profit for the six months ended 30 June 2017. PRC EIT has not been provided for the six months ended 30 June 2016 (unaudited) as the Target Business' estimated assessable profit for the period was wholly absorbed by unrelieved tax losses brought forward from previous years.

Reconciliation of income tax expense

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss) Profit before taxation	(7,054)	(2,450)	(1,472)	2,656	27,004
Income tax at applicable tax rate	(1,764)	(613)	(368)	664	6,751
Utilisation of previously unrecognised tax losses	—	—	—	(664)	(4,149)
Unrecognised tax losses	1,764	613	368	—	—
Income tax expense for the year/period	—	—	—	—	2,602

Unrecognised deferred tax assets arising from

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	12,672	15,122	16,594	—

Deferred tax assets have not been recognised in respect of the tax losses because it is not probable that future taxable profit will be available against which the Target Business can utilise the benefits therefrom.

At the end of the reporting period, the tax losses attributable to the Target Business arising in the PRC that can be offset against future taxable profits for a maximum of 5 years from the year in which the tax loss was incurred:

Unrecognised deferred tax assets arising from

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year of expiry				
2018 or before	5,618	5,618	5,618	—
2019	7,054	7,054	7,054	—
2020	—	2,450	2,450	—
2021	—	—	1,472	—
Tax losses	12,672	15,122	16,594	—

9. EARNINGS PER SHARE

No information of earnings per share has been presented as the directors of the Target Company are of the opinion that such information is not applicable to the Historical Financial Information.

10. PROPERTY, PLANT AND EQUIPMENT

	Storage facilities	**Plant and machinery**	**Motor vehicles**	**Computer and office equipment**	**Terminal facilities**	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — year ended 31 December 2014							
At beginning of the year	—	4,001	251	104	—	493,598	497,954
Additions	—	575	4	200	—	5,896	6,675
Depreciation	—	(781)	(38)	(32)	—	—	(851)
At the end of the reporting period	—	3,795	217	272	—	499,494	503,778
Reconciliation of carrying amount — year ended 31 December 2015							
At beginning of the year	—	3,795	217	272	—	499,494	503,778
Additions	—	29	7	1,400	—	5,391	6,827
Depreciation	—	(870)	(38)	(218)	—	—	(1,126)
At the end of the reporting period	—	2,954	186	1,454	—	504,885	509,479

	Storage facilities *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Computer and office equipment *RMB'000*	Terminal facilities *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Reconciliation of carrying amount — year ended 31 December 2016							
At beginning of the year	—	2,954	186	1,454	—	504,885	509,479
Additions	42,208	1,008	11	70	150,049	8,569	201,915
Transfer	—	40,119	—	35	473,300	(513,454)	—
Depreciation	—	(1,427)	(42)	(339)	(5,638)	—	(7,446)
At the end of the reporting period	42,208	42,654	155	1,220	617,711	—	703,948
Reconciliation of carrying amount — six months ended 30 June 2017							
At beginning of the period	42,208	42,654	155	1,220	617,711	—	703,948
Additions	—	—	—	—	—	24,305	24,305
Disposals *(Note 10a)*	(41,707)	(41,448)	(134)	(1,044)	(610,279)	(24,305)	(718,917)
Depreciation	(501)	(1,206)	(21)	(176)	(7,432)	—	(9,336)
At the end of the reporting period	—	—	—	—	—	—	—
At 31 December 2014							
Cost	—	4,659	322	328	—	499,494	504,803
Accumulated depreciation	—	(864)	(105)	(56)	—	—	(1,025)
Net carrying amount	—	3,795	217	272	—	499,494	503,778
At 31 December 2015							
Cost	—	4,688	329	1,728	—	504,885	511,630
Accumulated depreciation	—	(1,734)	(143)	(274)	—	—	(2,151)
Net carrying amount	—	2,954	186	1,454	—	504,885	509,479
At 31 December 2016							
Cost	42,208	45,815	340	1,833	623,349	—	713,545
Accumulated depreciation	—	(3,161)	(185)	(613)	(5,638)	—	(9,597)
Net carrying amount	42,208	42,654	155	1,220	617,711	—	703,948
At 30 June 2017							
Cost	—	—	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—	—	—
Net carrying amount	—	—	—	—	—	—	—

Note:

10(a) Assets Transfer

On 27 May 2017, Dafeng Harbour Port entered into an assets transfer agreement with the Target Company, pursuant to which Dafeng Harbour Port ceased to operate the Target Business and transferred all the assets related specifically to the Target Business, which represents certain property, plant and equipment and sea use rights payments, to the Target Company at a consideration of RMB797,456,000. The Assets Transfer was completed on 30 June 2017. As at 30 June 2017, the carrying amounts of property, plant and equipment and sea use rights payments transferred in accordance with the Assets Transfer were amounted to RMB718,917,000 and RMB2,975,000, respectively, and a gain on disposal arising from the Assets Transfer of RMB31,816,000 was recognised in the six months ended 30 June 2017, after deduction of value-added tax of RMB43,748,000 arising from the transaction.

As the Target Company is a fellow subsidiary of Dafeng Harbour Port, the Assets Transfer has been disclosed as a related party transaction in Note 15 to the Historical Financial Information.

11. SEA USE RIGHTS PAYMENTS

The amount represents the cost paid for sea use rights with original lease term of 50 years in Dafeng Port, an area of sea located in Jiangsu Province, the PRC that is classified as an operating lease. The cost is amortised over the lease period.

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net carrying amount at the beginning of the year/period	2,597	3,150	3,080	3,010
Addition	614	—	—	—
Disposal *(Note 10a)*	—	—	—	(2,975)
Amortisation during the year/period	(61)	(70)	(70)	(35)
At the end of the reporting period *(Note)*	3,150	3,080	3,010	—
Amount to be amortised within next twelve months	(70)	(70)	(70)	—
Non-current portion	3,080	3,010	2,940	—

Note: Save for 30 June 2017 upon which the sea use rights payments were disposed of, the sea use rights were pledged to a bank in respect of a bank borrowing granted to the Target Company during the Track Record Periods.

12. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
From a connected entity	—	312	—	—
From third parties	—	944	809	300
	—	1,256	809	300
Other receivables				
Input value-added tax receivables	13,356	14,187	16,435	—
	13,356	15,443	17,244	300

The trade receivable from a connected entity, Zhongnanhui, is unsecured, interest-free and has no fixed terms of repayment.

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month	—	749	809	300
1 month to 2 months	—	507	—	—
	—	1,256	809	300

The Target Business allows a credit period of 15 days to its third party trade debtors. The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not past due	—	749	809	300
Past due within 2 months	—	507	—	—
	—	1,256	809	300

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Business. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Business does not hold any collateral over these balances.

13. OTHER PAYABLES

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Receipts in advance from a connected entity	*13(a)*	—	—	311	311
Accrued staff costs		763	1,015	1,252	1,281
Construction costs payables	*13(b)*	8,512	8,281	30,144	54,449
Output value-added tax payables		—	—	—	22,799
		9,275	9,296	31,707	78,840

Note:

13(a) Receipt in advance from a connected entity

The balances represent receipts in advance from Zhongnanhui, a connected entity to Dafeng Harbour Port and the Target Business.

13(b) Construction costs payables

As at 31 December 2014, 2015 and 2016 and 30 June 2017, there were construction costs payables to fellow subsidiaries of Dafeng Harbour Port, in aggregate of RMB1,840,000, RMB1,840,000, RMB21,934,000 and RMB21,934,000 respectively, which are unsecured, interest-free and have no fixed terms of repayment. The remaining construction costs payables were due to third parties, which are unsecured, interest-free and have credit period of 90 days.

14. AMOUNT DUE FROM/(TO) DAFENG HARBOUR PORT

The amount due from/(to) Dafeng Harbour Port is unsecured, interest-free and has no fixed terms of repayment.

15. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, the Target Business has the following transactions with the following connected entities/related parties during the Track Record Periods:

		Year ended 31 December			Six months ended 30 June	
Relationship	**Nature of transaction**	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Holding Company	Purchases of property, plant and equipment	—	—	182,960	—	—
	Purchase of sea use rights	614	—	—	—	—
Fellow subsidiaries	The Assets Transfer	—	—	—	—	797,456
	Costs for construction of property, plant and equipment	1,840	1,000	22,766	2,180	—
A connected entity	Terminal handling services income	9	406	1,893	749	—
	Storage charges	—	—	2,183	297	

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Business' principal financial instruments comprise trade and other receivables, current account with Dafeng Harbour Port and other payables. The main purpose of these financial instruments is to raise and maintain finance for the Target Business' operations.

The main risks arising from the Target Business' financial instruments are credit risk and liquidity risk. The directors of the Target Company co-operate closely with the key management to identify and evaluate risks and generally adopts conservative strategies on its risk management and limits the Target Business' exposure to these risks to a minimum level as follows:

Credit risk

The credit risk of the Target Business mainly arises from trade receivables. Management has a credit policy in place and the exposures to this risk are monitored on an ongoing basis. In respect of trade receivables, credit evaluations are performed on all customers requiring credit over a certain amount. The Target Business' maximum exposure to the credit risk is summarised as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	1,256	809	300

The Target Business' exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Target Business has significant exposure to individual customers. At 31 December 2015 and 2016 and 30 June 2017, the Target Business had a concentration of credit risk as approximately 52.5%, 74.5% and 100% of the total trade receivables was due from the Target Business' largest trade debtor respectively, and 100% of the total trade receivables were due from four trade debtors of the Target Business.

The Target Business reviews the recoverable amount of each individual debtor at the end of each of the reporting period during the Track Record Periods to ensure adequate impairment losses are made for irrecoverable amounts.

Liquidity risk

Liquidity risk refers to the scenario in which the Target Business is unable to meet its short-term obligations. Management of the Target Business aims at maintaining sufficient level of financial resources to finance the Target Business' operations and expected expansion. The Target Business' primary cash requirements include payments for operating expenses, additions or upgrades of property, plant and equipment and repayment of other payables and accrual. The Target Business finances its working capital requirements mainly by advance from Dafeng Harbour Port.

The Target Business manages liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Target Business to ensure that all liabilities due and known funding requirements could be met. Based on the assessment of the management, the overall liquidity risk encountered by the Target Business is manageable.

The Target Business' financial liabilities at the end of each of the reporting period during the Track Record Periods based on contractual undiscounted payments were due within one year or on demand.

17. FAIR VALUE MEASUREMENTS

At the end of each reporting period during the Track Record Periods, the Target Business did not have any assets and liabilities that were measured at fair value.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost approximate their fair values.

18. CAPITAL MANAGEMENT

The objectives of the Target Business' capital management are to safeguard the Target Business' ability to continue as a going concern and to provide returns for equity owners. The Target Business manages its capital structure and makes adjustments or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Track Record Periods.

19. EVENTS AFTER THE REPORTING PERIOD

There is no significant event taken place subsequent to the Track Record Periods.

The following is the text of a report received from the Company's reporting accountant, Mazars CPA Limited, Certified Public Accountants, for the purpose of incorporation in this circular.

MAZARS
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29 June 2018

The Board of Directors
Dafeng Port Heshun Technology Company Limited

Dear Sirs,

INTRODUCTION

We report on the historical financial information of Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited (the "**Target Company**", English translation of 江蘇海融大豐港油品化工碼頭股份有限公司 for identification purpose only) set out on pages IIB-4 to IIB-30, which comprises the statements of financial position as at 31 December 2015, 2016 and 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years then ended (the "**Track Record Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-4 to IIB-30 forms an integral part of this report, which has been prepared for inclusion in the circular of Dafeng Port Heshun Technology Company Limited (the "**Company**") dated 29 June 2018 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest in the Target Company (the "**Proposed Acquisition**").

HISTORICAL FINANCIAL INFORMATION

Directors' responsibility

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Target Company's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Company's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2015, 2016 and 2017 and of the Target Company's financial performance and cash flows for the Track Record Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information concerning the adoption of the going concern basis on which the Historical Financial Information has been prepared. The Target Company incurred a net loss of RMB17,357,000 for the year ended 31 December 2017 and, as of that date, the Target Company's current liabilities exceeded its current assets by RMB405,586,000. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Target Company's ability to continue as a going concern and the Target Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The validity of the going concern basis depends on the Target Company's future profitable operation and the continuing financial support from the ultimate holding company. The ultimate holding company has confirmed in writing its intention to provide continuing financial support to the Target Company. The Historical Financial Information does not include any adjustments that would result from a failure to obtain the necessary finance.

Our opinion is not modified in respect of this matter.

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments to the Historical Financial Statements

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements (as defined below) have been made.

Dividends

No dividends have been paid nor proposed by the Target Company in respect of the Track Record Periods.

Preparation or audit of financial statements

The financial statements of the Target Company for the Track Record Periods, on which the Historical Financial Information is based, were prepared by the directors of the Target Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards issued by the HKICPA (the "**Historical Financial Statements**") and were audited by Mazars CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

Subsequent financial statements

No audited financial statements have been prepared by the Target Company in respect of any periods subsequent to 31 December 2017 and up to date of this report.

Mazars CPA Limited
Certified Public Accountants
Hong Kong

A. THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	—	—	4,939
Cost of services		—	—	(13,138)
Gross losses		—	—	(8,199)
Other income	*5*	26,558	17,211	8,630
Administrative and other operating expenses		(862)	(16)	(4,080)
Finance costs	*6*	(25,708)	(17,211)	(13,708)
Loss before taxation	*6*	(12)	(16)	(17,357)
Taxation	*9*	—	—	—
Loss for the year		(12)	(16)	(17,357)
Other comprehensive income for the year		—	—	—
Total comprehensive loss for the year		(12)	(16)	(17,357)

STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*12*	—	—	739,569
Sea use rights payments	*13*	—	—	3,159
Other non-current receivables	*14*	—	—	37,152
		—	—	779,880
Current assets				
Trade and other receivables	*15*	—	—	2,310
Sea use rights payments	*13*	—	—	78
Amount due from the ultimate holding company	*16*	601,781	530,682	462,969
Loans to connected entities	*17*	—	—	7,029
Bank balances and cash		5,063	2,151	426
		606,844	532,833	472,812
Current liabilities				
Other payables		177	182	942
Interest-bearing borrowings	*18*	74,000	61,000	80,000
Amount due to a fellow subsidiary	*19*	—	—	797,456
		74,177	61,182	878,398
Net current assets (liabilities)		532,667	471,651	(405,586)
Total assets less current liabilities		532,667	471,651	374,294
Non-current liabilities				
Interest-bearing borrowings	*18*	291,000	230,000	150,000
NET ASSETS		241,667	241,651	224,294
Capital and reserves				
Paid-in capital	*20*	250,000	250,000	250,000
Accumulated losses		(8,333)	(8,349)	(25,706)
TOTAL EQUITY		241,667	241,651	224,294

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note 20)		
1 January 2015	250,000	(8,321)	241,679
Loss and total comprehensive loss for the year	—	(12)	(12)
At 31 December 2015 and 1 January 2016	250,000	(8,333)	241,667
Loss and total comprehensive loss for the year	—	(16)	(16)
At 31 December 2016 and 1 January 2017	250,000	(8,349)	241,651
Loss and total comprehensive loss for the year	—	(17,357)	(17,357)
At 31 December 2017	250,000	(25,706)	224,294

STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES				
Cash generated from operations	*21a*	29,643	14,204	19,105
Bank interest received		12	95	21
Net cash from operating activities		29,655	14,299	19,126
INVESTING ACTIVITIES				
Changes in loans advanced to the ultimate holding company		70,000	74,000	61,000
Loans to connected entities		—	—	(7,000)
Purchase of property, plant and equipment		—	—	(143)
Net cash from investing activities		70,000	74,000	53,857
FINANCING ACTIVITIES				
Interest paid		(25,708)	(17,211)	(13,708)
Repayment of interest-bearing borrowings		(70,000)	(74,000)	(61,000)
Net cash used in financing activities		(95,708)	(91,211)	(74,708)
Net increase (decrease) in cash and cash equivalents		3,947	(2,912)	(1,725)
Cash and cash equivalents at beginning of the year		1,116	5,063	2,151
Cash and cash equivalents at end of the year, represented by cash and bank balances		5,063	2,151	426

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on 10 June 2010. In the opinion of the directors of the Target Company, the immediate and ultimate holding company of the Target Company is Jiangsu Dafeng Harbour Holdings Limited (English translation of 江蘇大豐海港控股集團有限公司 for identification purpose only), which is incorporated in the PRC. The address of its registered office and principal place of business is 4th Floor, 1 Zhong Yang Da Dao, Dafeng Economic Development Zone, Yancheng, the PRC.

The Target Company has been inactive since the date of its incorporation until 30 June 2017, upon which Dafeng Harbour Port Limited Liability Company ("**Dafeng Harbour Port**", English translation of 大豐海港港口有限責任公司 for identification purpose only), a fellow subsidiary, has transferred all the assets related specifically to a terminal business carried out by Dafeng Harbour Port to the Target Company at an aggregate consideration of RMB797,456,000 in accordance with an assets transfer agreement dated 27 May 2017 (the "**Assets Transfer**"). After the completion of the Assets Transfer, the principal activity of the Target Company has become the provision of terminal handling services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

The HKICPA has issued a number of new/revised HKFRSs during the Track Record Periods. For the purpose of preparing the Historical Financial Information, the Target Company has consistently adopted all HKFRSs that are relevant to its operations and are effective for the Track Record Periods.

A summary of the principal accounting policies adopted by the Target Company in the preparation of the Historical Financial Information is set out below.

Going concern

The Historical Financial Information has been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. The ultimate holding company has confirmed its intention to make available adequate funds to the Target Company as and when required to maintain the Target Company as a going concern.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is historical cost.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities assumed by the Target Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that for such items as deferred tax assets or liabilities, assets or liabilities related to employee benefit arrangements, liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Target Company entered into to replace share-based payment arrangements of the acquiree.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method at the following rates per annum:

Storage facilities	$4^1/_5\%$–$7^3/_4\%$
Plant and machinery	$6^3/_4\%$–$34^1/_2\%$
Motor vehicles	$12^3/_4\%$–27%
Computer and equipment	$16^2/_3\%$–$41^2/_3\%$
Terminal facilities	$2^1/_2\%$–$3^1/_2\%$

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Sea use rights payments

Sea use rights payments are up-front payments to acquire fixed term interests in sea use rights that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Target Company becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Company's contractual rights to future cash flows from the financial asset expire or (ii) the Target Company transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Loans and receivables

Loans and receivables including trade and other receivables, amount due from the ultimate holding company, loans to connected entities and cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Financial liabilities

The Target Company's financial liabilities include other payables, amount due to a fellow subsidiary and bank borrowings. All financial liabilities, except for financial liabilities at fair value through profit or loss, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, the Target Company assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

For the purpose of the statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Revenue from terminal handling and berthing services is recognised when services are rendered.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Impairment of other assets

At the end of each reporting period, the Target Company reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and sea use rights may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

Contributions to the state-managed retirement schemes in the PRC, which are calculated on certain percentages of the applicable payroll costs, are charged as expenses when employees have rendered services entitling them to the contributions.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A related party is a person or entity that is related to the Target Company.

(a) A person or a close member of that person's family is related to the Target Company if that person:

    (i) has control or joint control over the Target Company;

    (ii) has significant influence over the Target Company; or

    (iii) is a member of the key management personnel of the Target Company or of the parent of the Target Company.

(b) An entity is related to the Target Company if any of the following conditions applies:

    (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

    (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

    (iii) Both entities are joint ventures of the same third party.

    (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

    (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to Target Company.

    (vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Target Company or to the parent of Target Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments are identified from the financial information provided to the Target Company's chief operating decision makers for the purpose of allocating resources to, and assessing the performance of, the Target Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the Target Company's management in the preparation of the Historical Financial Information. They affect the application of the Target Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(i) Useful lives and impairment of property, plant and equipment and sea use rights

The management reviews the useful lives and depreciation/amortisation method of property, plant and equipment and sea use rights payments at the end of each reporting period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined based on the higher of its value in use and fair value less costs of disposal. Value in use is determined using the discounted cash flow method.

(ii) Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Target Company is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of 31 December 2015, 2016 and 2017, none of the Target Company's trade receivables were individually determined to be impaired. Consequently, no specific allowances for doubtful debts were recognised.

(iii) Impairment of amounts due from the ultimate holding company and connected entities

The Target Company assesses at the end of each reporting period whether there is objective evidence that the amounts receivable from the ultimate holding company and connected entities are impaired. In the assessment process, the Target Company tests the receivables for impairment in accordance with its accounting policies. Management's judgement and estimates are required to determine whether a receivable is impaired and the appropriate action to recover the receivable. The Target Company closely monitors the repayment history, and actively takes follow-up actions to recover amounts overdue. If a receivable is determined to be impaired, the impairment is recognised in the statement of comprehensive income.

Future changes in HKFRSs

As at the date of this report, the HKICPA has issued the following new/revised HKFRSs that are relevant but not yet effective, which the Target Company has not early adopted.

Annual Improvements to HKFRSs	2014–2016 Cycle: HKFRS 1 and HKAS 28[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
Annual Improvements to HKFRSs	2015–2017 Cycle[2]
HKFRS 16	Leases[2]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKAS 19	Employee benefits[2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 The effective date to be determined

Except as described below, the directors of the Target Company anticipate that the application of these new standards and amendments will have no material impact on the Target Company's financial information in the future.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS

9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category.

Key requirements under HKFRS 9 are as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount of outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading or contingent consideration in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Target Company anticipate that the application of HKFRS 9 in the future may have an impact on the reported amounts of the Target Company's financial assets as the adoption of the new "expected loss model" in the course of impairment assessment on receivables measured at amortised costs may lead to potential early recognition of credit losses. Nevertheless, it is not practicable to provide a reasonable estimate of the effect before the directors of the Target Company can complete a detailed and comprehensive review on the potentially affected area. Save for the aforementioned issue, the directors of the Target Company do not anticipate that the adoption of HKFRS 9 in the future will have any other significant impact on the reported amounts of the Target Company's financial assets and financial liabilities based on an analysis of the Target Company's financial instruments at 31 December 2017.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued with the aim of establishing a single comprehensive model for entities to apply in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

(a) Identify the contract(s) with a customer

(b) Identify the performance obligations in the contract

(c) Determine the transaction price

(d) Allocate the transaction price to the performance obligations in the contract

(e) Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Target Company preliminarily considers that the performance obligations that may be identified under HKFRS 15 are similar to the current identification of revenue components under the existing revenue recognition policy of the Target Company developed under HKAS 18 and therefore, the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of HKFRS 15 in future may result in more disclosures.

3. SEGMENT INFORMATION

Reportable segments

The management of the Target Company has determined the reportable segments based on the reports that are used to make strategic decisions and are reviewed by the chief operating decision-maker. The directors of the Target Company are identified collectively as the chief operating decision-maker. Since the Target Company was only engaged in one reportable segment (i.e. provision of terminal handling and berthing services) during the Track Record Periods, no segment information has been presented.

Geographical information

All Target Company's revenue was generated, based on the locations of operations and the non-current assets were, based on physical location of asset, in the PRC during the Track Record Periods.

Information about major customers

Details of the entities individually accounting for 10% or more of revenue of the Target Company during the Track Record Periods are as follows:

Revenue from external customers	**Year ended 31 December**		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	—	—	2,678
Customer B	—	—	1,701
	—	—	4,379

4. REVENUE

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Terminal handling services income	—	—	4,896
Berthing services income	—	—	43
	—	—	4,939

5. OTHER INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Bank interest income		12	95	21
Financing services reimbursement income		850	—	—
Interest income on amount due from the ultimate holding company		25,696	17,116	7,061
Interest income on loans to connected entities		—	—	29
Refund of financing services fee	*5(a)*	—	—	1,500
Sundry income		—	—	19
		26,558	17,211	8,630

Note:

5(a) During the year ended 31 December 2017, a bank refunded RMB1,500,000 to the Target Company as an one-off refund of finance service fee charged by such bank, in respect of the interest-bearing borrowing borrowed by the Target Company as set out in Note 18(a) and 18(b) to the Historical Financial Information.

6. LOSS BEFORE TAXATION

This is stated after charging:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Finance costs			
Interest on interest-bearing borrowings	25,708	17,211	13,708
Staff costs			
Staff costs (including directors' remuneration):			
Salaries, allowances and other short-term employee benefits	—	—	2,183
Contributions to defined contribution plan	—	—	402
	—	—	2,585
Other items			
Amortisation of sea use rights payments	—	—	45
Depreciation (charged to "cost of services" and "administrative and other operating expenses", as appropriate)	—	—	11,000

7. DIRECTORS' REMUNERATION

For the years ended 31 December 2015 and 2016, no emoluments were paid or payable to any directors of the Target Company. The aggregate amounts of emoluments paid and payable to the directors of the Target Company for the year ended 31 December 2017 are as follows:

Year ended 31 December 2017	Fee	Salaries, allowances and other benefits in kind	Contributions to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Xu Jie	—	20	2	22
Liu Hong Jie	—	—	—	—
Wang Yan	—	—	—	—
Tao Ying	—	—	—	—
Huang Jun Fu	—	—	—	—
Ji Long Tao	—	—	—	—
Han Gui Qin	—	47	6	53
Gu Yuan Peng	—	—	—	—
	—	67	8	75

There was no arrangement under which the directors of the Target Company waived or agreed to waive any emolument during the Track Record Periods. In addition, no remuneration was paid by the Target Company to any director as an inducement to join or upon joining the Target Company or as compensation for loss of office during the Track Record Periods.

8. FIVE HIGHEST PAID INDIVIDUALS

	Year ended 31 December		
	2015	**2016**	**2017**
Number of employees other than director included	—	—	4
Number of director included	—	—	1

The aggregate amounts of emoluments of the highest paid non-director individuals of the Target Company are as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and other benefits in kind	—	—	157
Contributions to defined contribution plan	—	—	18
	—	—	175

9. TAXATION

The assessable profit of the Target Company is subject to Enterprise Income Tax in the PRC ("**PRC EIT**"). PRC EIT attributable to the Target Company is calculated at the prevailing tax rate at 25% on taxable income determined in accordance with those relevant laws and regulations in the PRC. No PRC EIT has been provided as the Target Company incurred losses for taxation purpose during the Track Record Periods.

Reconciliation of income tax expense

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	(12)	(16)	(17,357)
Income tax at applicable tax rate	(3)	(4)	(4,339)
Unrecognised tax losses	3	4	4,339
Tax expense for the year	—	—	—

Unrecognised deferred tax assets arising from

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	8,333	8,349	17,396

At the end of the reporting period, the Target Company has the following tax losses arising in the PRC that can be offset against future taxable profits for a maximum of 5 years from the year in which the tax loss was incurred:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Year of expiry			
2017 or before	8,309	8,309	—
2018	—	—	—
2019	12	12	12
2020	12	12	12
2021	—	16	16
2022	—	—	17,357
	8,333	8,349	17,397

10. DIVIDENDS

No dividends were paid nor declared to the equity holders of the Target Company during the Track Record Periods.

11. LOSSES PER SHARE

Losses per share has not been presented as such information is not considered meaningful for the purpose of the Historical Financial Information.

12. PROPERTY, PLANT AND EQUIPMENT

	Storage facilities	Terminal facilities	Plant and machinery	Motor vehicles	Computer and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — years ended 31 December 2015 and 2016						
At the beginning of the reporting period and at the end of the reporting period	—	—	—	—	—	—
Reconciliation of carrying amount — year ended 31 December 2017						
At the beginning of the reporting period	—	—	—	—	—	—
Additions — business combination *(Note 22)*	15,776	700,128	33,004	193	1,325	750,426
Additions	—	—	—	—	143	143
Depreciation	(336)	(9,195)	(1,275)	(17)	(177)	(11,000)
At the end of the reporting period	15,440	690,933	31,729	176	1,291	739,569
At 31 December 2015 and 2016						
Cost	—	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—	—
Net carrying amount	—	—	—	—	—	—
At 31 December 2017						
Cost	15,776	700,128	33,004	193	1,468	750,569
Accumulated depreciation	(336)	(9,195)	(1,275)	(17)	(177)	(11,000)
Net carrying amount	15,440	690,933	31,729	176	1,291	739,569

Note: On 30 June 2017, the Target Company acquired certain property, plant and equipment of RMB750,426,000 and sea use rights payments of RMB3,282,000 from Dafeng Harbour Port via the Assets Transfer. The property, plant and equipment and sea use rights payments acquired were measured at their respective fair value at the date of completion of the Assets Transfer, with reference to a valuation performed by independent professional valuer as detailed in Note 22 to the Historical Financial Information.

13. SEA USE RIGHTS PAYMENTS

The balances represent cost paid for sea use rights (with remaining lease term of 42 years as at 31 December 2017) in Dafeng Port, Jiangsu Province, the PRC that is classified as an operating lease, which was acquired in the Assets Transfer. The cost is amortised over the lease period.

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of the carrying amount			
At the beginning of the reporting period	—	—	—
Additions — business combination *(Note 22)*	—	—	3,282
Amortisation	—	—	(45)
At the end of the reporting period	—	—	3,237
Amount to be amortised within next twelve months	—	—	(78)
Non-current portion	—	—	3,159

As advised by legal advisor of the Target Company, the legal owner of sea use rights payments acquired during the Assets Transfer remains under the name of Dafeng Harbour Port, instead of the Target Company, because the change of legal owner is still in process. Up to date of this report, the Target Company is seeking approval for the change of legal owner from relevant government authorities and management of the Target Company does not foresee any obstacles in obtaining such approval.

During the Track Record Periods, the sea use rights payments were pledged to a bank to secure a bank loan borrowed by the Target Company as set out in note 18(a) to the Historical Financial Information. Such charge on the sea use rights payments has been released by that bank in October 2017.

14. OTHER NON-CURRENT RECEIVABLES

The balance represents input value-added tax receivables of the Target Company which is expected to be utilised after 2018.

15. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from third parties	—	—	2,235
Other receivables, deposits and prepayments	—	—	75
	—	—	2,310

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 month	—	—	877
1 month to 3 months	—	—	997
Over 3 months	—	—	361
	—	—	2,235

The Target Company allows a credit period of 30 days to its trade debtors. The ageing analysis of trade receivables, by due date, that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	—	—	877
Past due:			
Less than 1 month	—	—	496
1 month to 3 months	—	—	646
Over 3 months	—	—	216
	—	—	1,358
	—	—	2,235

Receivables that were neither past due nor impaired relate to a few creditworthy customers.

Directors of the Target Company believes that no impairment allowance is necessary in respect of the receivables that were past due but not impaired as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Company does not hold any collateral over these balances.

16. AMOUNT DUE FROM THE ULTIMATE HOLDING COMPANY

As at 31 December 2015, 2016 and 2017, there were RMB365,000,000, RMB291,000,000 and RMB230,000,000 included in the amount due from the ultimate holding company, respectively, representing the aggregate outstanding principal of two loans borrowed by the ultimate holding company, which are unsecured, have no fixed repayment term and bear interest at effective interest rate ranging from 3.1% to 7.0% during the Track Record Periods. The remaining amounts due from the ultimate holding company are unsecured, interest-free and have no fixed repayment term.

17. LOANS TO CONNECTED ENTITIES

		At 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Loans to:				
Jiangsu Zhongnanhui Petrochemical Storage Company Limited ("Zhongnanhui", English translation of 江蘇中南滙石化倉儲有限公司 for identification purpose only)	*17(a)*	—	—	2,007
Zhuhai Heng Feng Heshun Petrochemical Company Limited ("Heng Feng", English translation of 珠海恒豐和順石化有限公司 for identification purpose only)	*17(b)*	—	—	5,022
	17(c)	—	—	7,029

Note:

17(a) On 8 December 2017, the Target Company entered into a loan agreement with Zhongnanhui, pursuant to which Zhongnanhui borrowed a loan with principal of RMB2,000,000 from the Target Company, which is unsecured, bears a fixed interest rate of 7% per annum and repayable 1 year after the date of grant. The loan was drawn by Zhongnanhui in December 2017.

17(b) On 8 December 2017, the Target Company entered into a loan agreement with Heng Feng, pursuant to which Heng Feng borrowed a loan with principal of RMB5,000,000 from the Target Company, which is unsecured, bears a fixed interest rate of 7% per annum and repayable 1 year after the date of grant. The loan was drawn by Heng Feng in December 2017.

17(c) Zhongnanhui and Heng Feng are both indirect wholly-owned subsidiaries of the Company. As the ultimate holding company is a substantial shareholder of Dafeng Port Overseas Investment Holdings Limited (English translation of 大豐港海外投資控股有限公司 for identification purpose only), the controlling shareholder of the Company, Zhongnanhui and Heng Feng are therefore connected entities of the Target Company and the interest income arising from the loans have been disclosed in Note 23 to the Historical Financial Information.

18. INTEREST-BEARING BORROWINGS

		At 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans, secured:				
Bank loan A	*18(a)*	280,000	230,000	180,000
Bank loan B	*18(b)*	85,000	61,000	50,000
	18(c)	365,000	291,000	230,000
Current portion		74,000	61,000	80,000
Non-current portion		291,000	230,000	150,000
		365,000	291,000	230,000

Note:

18(a) On 27 October 2010, the Target Company entered into a loan agreement with a bank, pursuant to which the bank granted a 10-year bank loan with principal amount of RMB390,000,000 (the "**Bank Loan A**"), which (i) is secured by leasehold land and building of the ultimate holding company and Dafeng Gangcheng Properties Company Limited (English translation of 大豐市港誠置業有限公司 for identification purpose only), a fellow subsidiary, sea use rights of the Target Company (as set out in Note 13 to the Historical Financial Information) and the ultimate holding company and guaranteed by a corporate guarantee provided by the ultimate holding company; (ii) bears a floating interest rate at over-5-year base lending rate published by the People's Bank of China; and (iii) is repayable according to a schedule within 10 years after the date of grant. The Bank Loan A was drawn by the Target Company in October 2010.

18(b) On 4 January 2011, the Target Company entered into a loan agreement with a bank, pursuant to which the bank granted a 8-year bank loan with principal amount of RMB130,000,000 (the "**Bank Loan B**"), which (i) is secured by leasehold land and building of the ultimate holding company and Jiangsu Heshun Property Investment Company Limited (English translation of 江蘇和順港城實業投資有限公司 for identification purpose only), a fellow subsidiary and guaranteed by a corporate guarantee provided by the ultimate holding company; (ii) bears a floating interest rate at 110% of over-5-year base lending rate published by the People's Bank of China; and (iii) is repayable according to a schedule within 8 years after the date of grant. The Bank Loan B was drawn by the Target Company in January 2011.

18(c) The ranges of effective interest rates per annum of the above interest-bearing borrowings during the Track Record Periods were as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	%	%	%
Bank loan A	5.15–6.57	4.90–5.15	4.90
Bank loan B	5.67–6.77	5.39	5.39

19. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount is unsecured, interest-free and has no fixed repayment terms. During the year ended 31 December 2017, the consideration for the Assets Transfer of approximately RMB797,456,000, including value-added tax, was not yet settled and was recorded as amount due to a fellow subsidiary.

20. PAID-IN CAPITAL

	RMB'000
Registered and fully paid	
At 1 January 2015, 31 December 2015, 2016 and 2017	250,000

21. OTHER CASH FLOW INFORMATION

21a. Cash generated from operations

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	(12)	(16)	(17,357)
Amortisation of sea use rights payments	—	—	45
Bank interest income	(12)	(95)	(21)
Depreciation	—	—	11,000
Interest on interest-bearing borrowings	25,708	17,211	13,708
Interest income on amount due from the ultimate holding company	(25,696)	(17,116)	(7,061)
Interest income on amounts due from connected entities	—	—	(29)
Changes in working capital:			
Trade and other receivables	—	—	(2,184)
Amount due from the ultimate holding company	29,650	14,215	20,244
Other payables	5	5	760
Cash generated from operations	29,643	14,204	19,105

21b. Reconciliation of liabilities arising from financing activities

Details of the changes in the Target Company's liabilities from financing activities were as follows:

	Interest -bearing borrowings
	RMB'000
For the year ended 31 December 2015	
At 1 January 2015	435,000
Interest expense	25,708
Net cash flows	(95,708)
At 31 December 2015	365,000
For the year ended 31 December 2016	
At 1 January 2016	365,000
Interest expense	17,211
Net cash flows	(91,211)
At 31 December 2016	291,000
For the year ended 31 December 2017	
At 1 January 2017	291,000
Interest expense	13,708
Net cash flows	(74,708)
At 31 December 2017	230,000

22. BUSINESS COMBINATION

Acquisition of business arising from the Assets Transfer

On 27 May 2017, the Target Company entered into an assets transfer agreement with Dafeng Harbour Port, pursuant to which Dafeng Harbour Port ceased to operate one of its terminal business (the "**Target Business**") and transferred to the Target Company certain property, plant and equipment and sea use rights payments, representing the assets related specifically to the Target Business, at an aggregate consideration of RMB797,456,000. The principal activity of the Target Business is the provision of terminal handling services. The Assets Transfer was completed on 30 June 2017.

No acquisition-related costs have been recognised as an expense in profit or loss.

The Target Company appointed an independent professional valuer to perform valuation approximates to the date of acquisition for the purpose of accounting for the acquisition of the Target Business according to HKFRS 3 (Revised). The fair value of the identifiable assets acquired and liabilities assumed has been determined based on the valuation approach as determined by the independent professional valuer.

In respect of the Assets Transfer, the fair value of the other receivables acquired amounted to RMB43,748,000. The gross contractual amount of the other receivables is RMB43,748,000, none of which is expected to be uncollectible.

The following summarised the consideration paid and the amounts of the assets acquired at the date of completion of the Assets Transfer.

	RMB'000
Consideration	
Cash consideration	797,456
Recognised amounts of identifiable assets acquired	
Property, plant and equipment	750,426
Sea use rights payments	3,282
Other non-current receivables	43,748
Total identifiable assets	797,456

The consideration for the Assets Transfer of RMB797,456,000 was not yet paid and recorded as amount due to a fellow subsidiary at the end of the Track Record Periods.

As Dafeng Harbour Port is a fellow subsidiary of the Target Company, the Assets Transfer has been disclosed as a related party transaction in Note 23 to the Historical Financial Information.

Since the date of completion of the Assets Transfer to 31 December 2017, the Target Business has contributed revenue of RMB4,939,000 and a loss of RMB10,726,000 to the Target Company. If the Assets Transfer effected during the year ended 31 December 2017 had been taken place at 1 January 2017, the revenue and loss of the Target Company for the year ended 31 December 2017 would have been RMB12,504,000 and RMB15,538,000 respectively.

23. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, the Target Company has the following transactions with the following related parties/connected entities during the Track Record Periods:

		Year ended 31 December		
Relationship	**Nature of transaction**	**2015**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*
Ultimate holding company	Interest income	25,696	17,116	7,061
	Financing services reimbursement income	850	—	—
A fellow subsidiary	The Assets Transfer	—	—	797,456
Connected entities	Terminal handling services income	—	—	13
	Interest income	—	—	29
Key management personnel	Salaries and allowances	—	—	67
	Contributions to defined contribution schemes	—	—	8
		—	—	75

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amount due from the ultimate holding company, loans to connected entities, amount due to a fellow subsidiary, interest-bearing borrowings and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Target Company's operations. The Target Company has various other financial instruments such as trade and other receivables and other payables, which arise directly from its business activities.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Target Company does not have any written risk management policies and guidelines. However, the directors of the Target Company generally adopt conservative strategies on its risk management and limit to the Target Company's exposure to these risks to a minimum level as follows:

Interest rate risk

The Target Company's exposure to market risk for changes in interest rates relates primarily to its interest-bearing financial instruments including amount due from the ultimate holding company, interest bearing borrowings and loans to connected entities with variable interest rates as well as bank balances and cash.

The table below is a summary of quantitative data about exposure to interest rates at the end of each of the reporting period during the Track Record Periods:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from the ultimate holding company	365,000	291,000	230,000
Loans to connected entities	—	—	7,000
Bank balances and cash	5,063	2,151	426
Interest-bearing borrowings	(365,000)	(291,000)	(230,000)
Net exposure	5,063	2,151	7,426

At the end of each reporting period, if interest rates had been 100 basis points lower/higher with all other variables held constant, the Target Company's loss before tax would increase/decrease by approximately RMB51,000, RMB22,000 and RMB74,000 for the years ended 31 December 2015, 2016 and 2017, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis points decrease/increase represents management's assessment of a reasonably possible change in interest rates over the corresponding period until the end of the next annual reporting period. The analysis was performed on the same basis for each of the reporting period.

Credit risk

The credit risk of the Target Company mainly arises from trade receivables, amount due from the ultimate holding company, loans to connected entities and bank balances and cash. Management has a credit policy in place and the exposures to these risks are monitored on an ongoing basis. The Target Company's maximum exposure to the credit risk is summarised as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from the ultimate holding company	601,781	530,682	462,969
Loans to connected entities	—	—	7,029
Trade receivables	—	—	2,235
Bank balances and cash	5,063	2,151	426
	606,844	532,833	472,659

In respect of trade receivables, credit evaluations are performed on all customers requiring credit over a certain amount.

Management limits the Target Company's exposure to credit risk by taking timely actions once there is any indication for recoverability problem for each individual debtor. Management also reviews the recoverable amount of each individual debtor, including related and third parties, at the end of each reporting period to ensure adequate allowance is made for irrecoverable amounts.

Management considers the credit risk in respect of bank balances and cash is minimal because the counter-parties are authorised financial institutions with high credit ratings.

At 31 December 2017, the Target Company had a concentration of credit risk as approximately 64% of the total trade receivables was due from the Target Company's largest trade debtor and 100% of the total trade receivables were due from three trade debtors of the Target Company.

Liquidity risk

Liquidity risk refers to the scenario in which the Target Company is unable to meet its short-term obligations. Management of the Target Company aims at maintaining sufficient level of cash and cash equivalents to finance the Target Company's operations and expected expansion. The Target Company's primary cash requirements include payments for operating expenses, additions or upgrades of property, plant and equipment and repayment of borrowings. The Target Company finances its working capital requirements mainly by the funds generated from operations, use of interest-bearing borrowings and advances from a fellow subsidiary.

The Target Company manages liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Target Company to ensure that all liabilities due and known funding requirements could be met. Based on the assessment of the management, the overall liquidity risk encountered by the Target Company is manageable.

The maturity profiles of the Target Company's financial liabilities at the end of each of the reporting period during the Track Record Periods based on contractual undiscounted payments are summarised below:

	Within 1 year or on demand	1–2 years	3–5 years	Total undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015					
Other payables	26	—	—	26	26
Interest-bearing borrowings	90,686	74,015	247,851	412,552	365,000
	90,712	74,015	247,851	412,578	365,026
At 31 December 2016					
Other payables	31	—	—	31	31
Interest-bearing borrowings	74,015	90,063	157,788	321,866	291,000
	74,046	90,063	157,788	321,897	291,031
At 31 December 2017					
Other payables	938	—	—	938	938
Interest-bearing borrowings	90,039	95,387	62,401	247,827	230,000
Amount due to a fellow subsidiary	797,456	—	—	797,456	797,456
	888,433	95,387	62,401	1,046,221	1,028,394

25. FAIR VALUE MEASUREMENTS

At the end of each reporting period during the Track Record Periods, the Target Company did not have any assets and liabilities that were measured at fair value.

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost approximate their fair values.

26. CAPITAL MANAGEMENT

The objectives of the Target Company's capital management are to safeguard its ability to continue as a going concern and to provide returns for equity holders. The Target Company actively and regularly reviews, manages and maintains its capital structure at optimal, by taking into consideration the future capital requirements of the Target Company and making adjustments, including payment of dividends to equity holders, return of capital to equity holders or call for additional capital from equity holders or sale of assets to reduce debts. No changes were made in the Target Company's objectives, policies or processes in managing capital during the Track Record Periods.

27. EVENTS AFTER THE REPORTING PERIOD

There is no significant event taken place subsequent to 31 December 2017.

MAZARS
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

29 June 2018

The Directors
Dafeng Port Heshun Technology Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Dafeng Port Heshun Technology Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2017, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017 and the related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-4 to III-17 of the circular dated 29 June 2018 issued by the Company (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-4 to III-17 in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition (the "**Proposed Acquisition**") of entire issued share capital in Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited (the "**Target Company**", English translation of 江蘇海融大豐港油品化工碼頭股份有限公司 for identification purpose only, together with the Group hereinafter referred to as the "**Enlarged Group**") on the Enlarged Group's financial position as at 31 December 2017 and the Enlarged Group's financial performance and cash flows for the year ended 31 December 2017 as if the Proposed Acquisition had taken place on 31 December 2017 and 1 January 2017 respectively. As part of this process, information about the audited consolidated financial position of the Group as at 31 December 2017 and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows for the year then ended, have been extracted by the Directors from the Group's published annual report for the year ended 31 December 2017. Information about the audited statement of financial position of the Target Company as at 31 December 2017 and the audited statement of comprehensive income and the audited statement of cash flows for the year then ended, have been extracted by the Directors from the accountants' report of the Target Company as set out in Appendix IIB to the Circular, where applicable.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Enlarged Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 31 December 2017 or 1 January 2017, respectively, would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Enlarged Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma financial information comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group (being Dafeng Port Heshun Technology Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") together with Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited (the "**Target Company**", English translation of 江蘇海融大豐港油品化工碼頭股份有限公司 for identification purpose only, together with the Group hereinafter referred to as the "**Enlarged Group**") (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition of the entire issued capital of the Target Company by the Group (the "**Proposed Acquisition**"). The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") to illustrate the effect of the Proposed Acquisition.

The Unaudited Pro Forma Financial Information, comprising the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2017, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017, is prepared as if the Proposed Acquisition had been completed on 31 December 2017 and 1 January 2017, respectively, and is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2017, as extracted by the directors of the Company (the "**Directors**") from the Group's published annual report for the year ended 31 December 2017, and the audited statement of financial position of the Target Company as at 31 December 2017 as extracted by the Directors from the accountants' report of the Target Company as set out in Appendix IIB; and (ii) the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2017, as extracted by the Directors from the Group's published annual report for the year ended 31 December 2017, and the audited statement of comprehensive income and the audited statement of cash flows of the Target Company for the year ended 31 December 2017, as extracted by the Directors from the accountants' report of the Target Company as set out in Appendix IIB, where applicable.

The Unaudited Pro Forma Financial Information is presented after making adjustments described below that are directly attributable to the Proposed Acquisition and not relating to future events or decisions, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group and the Target Company as included elsewhere in the circular dated 29 June 2018 issued by the Company (the "**Circular**") and the published annual report of the Group for the year ended 31 December 2017.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties, currently available information and are prepared for illustrative purpose only. Among other key assumptions, the Directors have assumed that the Group would be able to raise sufficient funding through internal resources and other fund raising activities to finance the Proposed Acquisition. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not purport to describe the true picture of the financial position, financial performance and cash flows of the Enlarged Group that would have been attained had the Proposed Acquisition been completed as at the specified dates. Further, the Unaudited Pro Forma Financial Information does not purport to predict the future financial position, financial performance and cash flows of the Enlarged Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 31 December 2017	The Target Company as at 31 December 2017	Pro forma Adjustments				The Enlarged Group as at 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Non-current assets							
Property, plant and equipment	123,677	888,074		18,934			1,030,685
Goodwill	16,213	—		212,802			229,015
Sea use rights payments	—	3,793		98			3,891
Prepaid lease payments	44,322	—					44,322
Interest in a subsidiary	—	—	487,405	(487,405)			—
Interests in associates	6,005	—					6,005
Prepayments in relation to property, plant and equipment	16,796	—		(9,004)			7,792
Security deposit for loan from a third party	3,602	—					3,602
Other non-current receivables	—	44,612					44,612
	210,615	936,479					1,369,924
Current assets							
Available-for-sale financial assets	8,806	—					8,806
Sea use rights payments	—	94					94
Prepaid lease payments	1,043	—					1,043
Inventories	6,716	—					6,716
Amount due from a substantial shareholder	—	555,933					555,933
Trade and other receivables	666,799	2,774					669,573
Loans to fellow subsidiaries	—	8,440			(8,440)		—
Pledged deposit	312,936	—					312,936
Cash and bank balances	61,703	512					62,215
	1,058,003	567,753					1,617,316

	The Group as at 31 December 2017	The Target Company as at 31 December 2017	Pro forma Adjustments				The Enlarged Group as at 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Current liabilities							
Trade and other payables	394,925	1,131	146,221			4,143	546,420
Amount due to a connected entity	—	957,585					957,585
Current portion of bank and other borrowings	585,475	96,064			(8,440)		673,099
Taxation	2,709	—					2,709
	983,109	1,054,780					2,179,813
Net current assets (liabilities)	74,894	(487,027)					(562,497)
Total assets less current liabilities	285,509	449,452					807,427
Non-current liabilities							
Other payable	—	—	341,184				341,184
Non-current portion of bank and other borrowings	85,429	180,120					265,549
Deferred tax liabilities	3,619	—		4,757			8,376
	89,048	180,120					615,109
Net assets	196,461	269,332					192,318
Capital and reserves							
Share capital	12,880	300,200		(300,200)			12,880
Reserves	148,247	(30,868)		30,868		(4,143)	144,104
Total equity attributable to equity holders of the Company	161,127	269,332					156,984
Non-controlling interests	35,334	—					35,334
Total Equity	196,461	269,332					192,318

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2017	The Target Company for the year ended 31 December 2017	Pro forma Adjustments			The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 7)*	*(Note 8)*	
Revenue	3,424,606	5,711	8,748			3,439,065
Cost of sales/Cost of services	(3,330,128)	(15,191)	(13,478)			(3,358,797)
Gross profit (loss)	94,478	(9,480)				80,268
Other income	15,770	9,979				25,749
Administrative and other operating expenses	(99,707)	(4,718)	(834)	(4,143)		(109,402)
Finance costs	(17,237)	(15,851)			(14,291)	(47,379)
Gain on disposal of a subsidiary	12,844	—				12,844
Share of results of associates	(519)	—				(519)
Profit (Loss) before taxation	5,629	(20,070)				(38,439)
Taxation	(4,236)	—	(3,009)			(7,245)

	The Group for the year ended 31 December 2017	The Target Company for the year ended 31 December 2017	Pro forma Adjustments			The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 7)*	*(Note 8)*	
Profit (Loss) for the year	1,393	(20,070)				(45,684)
Other comprehensive income						
Items that are reclassified or may be reclassified to profit or loss in subsequent periods:						
Exchange difference arising from translation of foreign operations	3,416	—				3,416
Release upon disposal of a subsidiary	482	—				482
	3,898	—				3,898
Total comprehensive income (loss) for the year	5,291	(20,070)				(41,786)
Profit (Loss) attributable to:						
Equity holders of the Company	175	(20,070)				(46,902)
Non-controlling interests	1,218	—				1,218
	1,393	(20,070)				(45,684)
Total comprehensive income (loss) attributable to:						
Equity holders of the Company	3,070	(20,070)				(44,007)
Non-controlling interests	2,221	—				2,221
	5,291	(20,070)				(41,786)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2017	The Target Company for the year ended 31 December 2017	Pro forma Adjustments					The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Profit (Loss) before taxation	5,629	(20,070)	(5,564)		(4,143)	(14,291)		(38,439)
Amortisation	1,004	52	41					1,097
Depreciation	20,472	12,719	10,795					43,986
Foreign exchange differences	(12,500)	—						(12,500)
Impairment of property, plant and equipment	1,416	—						1,416
Interest income	(2,807)	(8,222)						(11,029)
Interest expenses	17,237	15,851				14,291		47,379
Share of results of associates	519	—						519
Gain on disposal of property, plant and equipment, net	(5,965)	—						(5,965)
Gain on disposal of a subsidiary	(12,844)	—						(12,844)
Write-back of interest payable	(708)	—						(708)
Write-back of accrued directors' salaries	(760)	—						(760)
Cash flows before changes in working capital:	10,693	330						12,152
Amount due from a substantial shareholder	—	23,409						23,409
Inventories	22,719	—						22,719
Trade and other receivables	(352,710)	(2,525)	(23,483)					(378,718)
Trade and other payables	153,692	879	26,395		4,143			185,109
Changes in amount due to a connected entity	—	—	(8,184)					(8,184)
Cash (used in) generated from operations	(165,606)	22,093						(143,513)
Interest paid	(13,864)	(15,851)						(29,715)
Tax paid	(5,738)	—						(5,738)
Net cash (used in) generated from operating activities	(185,208)	6,242						(178,966)

	The Group for the year ended 31 December 2017	The Target Company for the year ended 31 December 2017	Pro forma Adjustments					The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
INVESTING ACTIVITIES								
Proceeds from disposals of property, plant and equipment	4,090	—						4,090
Net cash inflow (outflow) on acquisitions of subsidiaries	13,904	—					(138,316)	(124,412)
Advance to a subsidiary acquired during the year	(32,200)	—						(32,200)
Interest received	2,320	24						2,344
Increase in pledged bank deposits	(300,082)	—						(300,082)
Purchase of property, plant and equipment	(16,263)	(165)						(16,428)
Net cash inflow on disposal of a subsidiary	56,065	—						56,065
Advance to suppliers for purchase of property, plant and equipment	(7,245)	—						(7,245)
Decrease in security deposit for loan from a third party	(3,469)	—						(3,469)
Advance to a connected entity	(2,313)	—						(2,313)
Changes in loans advanced to a substantial shareholder	—	70,534						70,534
New loans advanced to fellow subsidiaries before acquisition	—	(8,094)		8,094				—
Settlement of loan receivable from a third party	10,941	—						10,941
Dividend received from an associate	220	—						220
Net cash (used in) from investing activities	(274,032)	62,299						(341,955)

	The Group for the year ended 31 December 2017	The Target Company for the year ended 31 December 2017	Pro forma Adjustments					The Enlarged Group for the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
FINANCING ACTIVITIES								
New loan from a third party	69,378	—						69,378
New loans from connected entities	220,034	—						220,034
New loans from a fellow subsidiary before acquisition	8,094	—		(8,094)				—
New bank borrowings	335,692	—						335,692
Settlement of consideration payable	(31,541)	—						(31,541)
Repayment of other loans from a third party	(37,400)	—						(37,400)
Contributions from non-controlling interests	7,640	—						7,640
Consideration for disposals of interests in subsidiaries without loss of control	4,250	—						4,250
Repayment of obligations under finance leases	(9,521)	—						(9,521)
Repayment to ex-shareholders of a subsidiary	(66,515)	—						(66,515)
Repayment of bank borrowings	(6,938)	(70,534)						(77,472)
Repayment of loan from a third party	(10,805)	—						(10,805)
Net cash from (used in) financing activities	482,368	(70,534)						403,740
Net increase (decrease) in cash and cash equivalents	23,128	(1,993)						(117,181)
Cash and cash equivalents at the beginning of the year	36,070	2,487					(2,487)	36,070
Effect on exchange rate changes	2,505	18						2,523
Cash and cash equivalents at the end of the year	61,703	512						(78,588)

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) The audited consolidated statement of financial position of the Group as at 31 December 2017 and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows for the year then ended are extracted and rounded to the nearest thousand, without further adjustment, from the Group's published annual report for the year ended 31 December 2017.

(2) For the purpose of the Unaudited Pro Forma Financial Information, the audited statement of financial position of the Target Company at 31 December 2017 and the audited statement of comprehensive income and the audited statement of cash flows for the year then ended are extracted from the accountants' report of the Target Company as set out in Appendix IIB to the Circular, where applicable, and are translated from Renminbi ("**RMB**") into HK$ at the following exchange rates and rounded to the nearest thousand:

- Statement of financial position: RMB1 = HK$1.2008; and
- Statement of comprehensive income and the statement of cash flows: RMB1 = HK$1.1563.

(3) As the terminal business conducted by the Target Company (the "**Target Business**") was acquired from Dafeng Harbour Port Limited Liability Company ("**Dafeng Harbour Port**", English translation of 大豐海港港口有限責任公司 for identification purpose only) on 30 June 2017 (the "**Assets Transfer**"), for the purpose of preparing the Unaudited Pro Forma Financial Information, the adjustment represents the inclusion of financial performance and result of cash flows of the Target Business for the period from 1 January 2017 to 30 June 2017 as conducted by Dafeng Harbour Port prior to the Assets Transfer, excluding the gain arising from the Assets Transfer. The audited statement of comprehensive income and the audited statement of cash flows of the Target Business for the period from 1 January 2017 to 30 June 2017 are extracted from the accountants' report of the Target Business as set out in Appendix II to the Circular, where applicable, and are translated from RMB into HK$ at the following exchange rate and rounded to the nearest thousand:

- Statement of comprehensive income and the statement of cash flows: RMB1 = HK$1.1563.

(4) In accordance with the Framework Equity Purchase Agreement (as defined in the Circular), the consideration payable by the Group for the Proposed Acquisition was amounted to RMB405,900,000 (equivalent to approximately HK$487,405,000) (the "**Consideration**"), in which (i) RMB121,770,000 (equivalent to approximately HK$146,221,000), representing 30% of the Consideration, shall be paid within 5 days from the date of entering the Property Rights Transfer Contract (as defined in the Circular) (the "**First Consideration**") and (ii) RMB284,130,000 (equivalent to

approximately HK$341,184,000), representing remaining 70% of the Consideration, shall be paid within 1 year from the date of entering the Property Rights Transfer Contract (as defined in the Circular) (the "**Second Consideration**").

The adjustment represents recognition of the First Consideration and Second Consideration as described above as if the Proposed Acquisition had been completed on 31 December 2017.

(5) The adjustments represent allocation of purchase price paid by the Group into the fair value of the identifiable assets and liabilities of the Target Company and recognition of goodwill at 31 December 2017. For this purpose, the Directors have determined the fair values of the identifiable assets and liabilities of the Target Company, in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 3 (Revised) "*Business Combination*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The Directors assessed that the fair values of the identifiable assets and liabilities of the Target Company approximate to their carrying amounts as at 31 December 2017, except that certain property, plant and equipment and sea use rights payments are stated at fair values assessed under Note 5(b).

Accordingly, the goodwill arising from the Proposed Acquisition is calculated as follows:

	HK$'000
Consideration at fair value	
— Prepayments regarding Dafeng Harbour Port's properties *(note 5(a))*	9,004
— The Consideration for the Proposed Acquisition *(note 4)*	487,405
	496,409
Carrying amount of identifiable assets and liabilities of the Target Company as at 31 December 2017	269,332
Fair value adjustments on property, plant and equipment and sea use rights payments *(note 5(b))*	19,032
Deferred tax liabilities recognised in respect of fair value adjustment *(note 5(c))*	(4,757)
Fair value of identifiable assets acquired and liabilities assumed of the Target Company	283,607
Goodwill arising from the Proposed Acquisition *(note 5(d))*	212,802

(a) In November 2013, Jiangsu Zhongnanhui entered into an agreement with Dafeng Harbour Port, pursuant to which Jiangsu Zhongnanhui agreed to undertake the remaining construction works (the "**Construction Works**") on the five storage tanks and other facilities including the On-shore Properties (the "**Dafeng Harbour Properties**"). Following completion of the Construction Works, the Dafeng Harbour Properties have been used by Jiangsu Zhongnanhui without consideration. The costs of the Construction Works paid by Jiangsu Zhongnanhui, which were recognised as prepayment for purchase of property, plant and equipment accordingly, amounted to RMB7,499,000 (equivalent to approximately HK$9,004,000) as at 31 December 2017 (the "**Prepayment**").

Since the Dafeng Harbour Properties has formed part of the property, plant and equipment of the Target Company after the completion of the Assets Transfer, the Directors assume the Group has obtained the right to use the properties related to the Construction Works upon completion of the Proposed Acquisition and therefore, the Prepayment was deemed as part of the consideration for the Proposed Acquisition. The Directors consider the carrying amount of the Prepayment approximates to its fair value at the date of the Proposed Acquisition.

(b) The estimated fair value adjustment on certain property, plant and equipment and sea use rights payments are determined by reference to the valuation report prepared by Cushman & Wakefield Limited dated 29 June 2018 as set out in Appendix V of the Circular and the total estimated fair value of the property, plant and equipment and sea use rights payments was RMB725,000,000 (equivalent to approximately HK$870,580,000) as at 31 December 2017. Comparing with the corresponding carrying amounts of the property, plant and equipment and sea use rights payments of HK$847,661,000 and HK$3,887,000 respectively, fair value adjustment of HK$18,934,000 and HK$98,000 was made accordingly.

(c) Deferred tax liabilities of HK$4,757,000 is provided on the fair value adjustments on certain property, plant and equipment and sea use rights payments as set out in note 5(b) in aggregate of HK$19,032,000 at the Target Company's statutory tax rate of 25%.

(d) Upon the completion of the Proposed Acquisition, the Target Company will be classified as a subsidiary of the Group in accordance with HKFRS 10 "*Consolidated Financial Statements*" issued by the HKICPA under acquisition method of accounting, which the identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values.

Goodwill arising from the Proposed Acquisition, being the excess of total consideration paid/payable over the fair value of the identifiable net assets of the Target Company, is attributable to revenue growth, future market development and the assembled workforce from the Target Company. None of the goodwill recognised is expected to be deductible for income tax purpose. In addition, the Directors are of the view that the goodwill would not have any future impact on the cash flow of the Enlarged Group.

The fair values of the identifiable assets and liabilities of the Target Company used in the preparation of the Unaudited Pro Forma Financial Information are subject to changes upon the completion of the Proposed Acquisition, when the fair values shall be re-assessed. Consequently, the actual allocation of the consideration and the resulting goodwill to be recognised in connection with the Proposed Acquisition at the acquisition date could be materially different from the estimated amounts stated herein and will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the management has assessed whether goodwill may be impaired on a pro forma basis in accordance with Hong Kong Accounting Standard ("**HKAS**") 36 "*Impairment of Assets*" issued by the HKICPA. The Target Company is identified as a distinct cash generating unit (the "**CGU**") for which goodwill is allocated to. The recoverable amount of the CGU has been determined based on a value in use calculation of the Target Company and making reference to the Target Company's historical financial performance.

Based on the result of impairment test of goodwill, the management assessed that the pro forma recoverable amount of the CGU is determined to be higher than the pro forma carrying amount of the CGU, including goodwill, and hence there is no pro forma impairment loss identified in respect of goodwill. The Directors confirm that they will apply consistent accounting policies and principal assumptions for the annual assessment of impairment of goodwill in the preparation of the consolidated financial statements of the Group after the completion of the Proposed Acquisition as required under HKAS 36.

The reporting accountants concurred with the Directors' assessment of the goodwill of the CGU in the Unaudited Pro Forma Financial Information.

(6) The adjustment represents pro forma intercompany elimination of two loans granted from the Target Company to the Group with an aggregate amount of RMB7,000,000, equivalent to (i) approximately HK$8,440,000 in the unaudited pro forma consolidated statement of financial position as at 31 December 2017 and (ii) approximately HK$8,094,000 in the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2017, respectively.

(7) The adjustment represents the estimated acquisition-related costs of approximately HK$4,143,000, including accountancy, legal, valuation and other professional services related to the Proposed Acquisition, which would be recognised in profit or loss. The adjustment has no continuing effect on the consolidated assets and liabilities of the Enlarged Group in subsequent years.

(8) The adjustment represents the interest expense of RMB12,360,000 (equivalent to approximately HK$14,291,000) on the Second Consideration for the period from 1 January 2017 to 31 December 2017, as if the Proposed Acquisition had been completed with the First Consideration paid on 1 January 2017. Details of the interest expense were described in the paragraph headed "Consideration and Payment Conditions for the Framework Equity Purchase Agreement" in the Circular.

(9) The adjustment represents pro forma cash flow items to reflect the net cash paid for the Proposed Acquisition amounting to approximately HK$138,316,000, as represented by the cash and cash equivalents of the Target Company at the end of its preceding accounting period amounted to RMB2,151,000 (equivalent to approximately HK$2,487,000) to be consolidated into the Enlarged Group on the acquisition date on 1 January 2017, net off with the First Consideration of RMB121,770,000 (as detailed in note 4 above and equivalent to approximately HK$140,803,000) assumed as paid during the year ended 31 December 2017. The net cash paid for the Proposed Acquisition is expected to be financed by fund raising activities of the Group as set out in note 10 to the Unaudited Pro Forma Financial Information.

(10) The Group had completed the following fund raising activities subsequent to 31 December 2017, which no adjustment has been made to the unaudited pro forma consolidated statement of cash flow:

In March 2018, the Group issued, via placing, unlisted secured bonds in the aggregate principal amount of up to US$50,000,000 (equivalent to approximately HK$390,000,000). The Group raised net proceeds, after deducting the related expenses, of approximately HK$8,582,000 to finance the Group's future settlement of the consideration for the Proposed Acquisition or otherwise as general working capital of the Group.

(11) Apart from the above, no other adjustments have been made to the unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 31 December 2017, where applicable.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group extracted from the annual reports of the Company for each of the three years ended 31 December 2015, 2016 and 2017 ("**FY2015**", "**FY2016**", and "**FY2017**" respectively) of the Company. Terms used below shall have the same meanings as defined in the aforesaid reports.

I. FOR THE YEAR ENDED 31 DECEMBER 2015

Financial Performance

The Group's revenue declined by approximately 29.2% to approximately HK$260.4 million for FY2015 (2014: approximately HK$367.6 million). The decrease in revenue was mainly attributable to the decline of the Group's business in integrated logistics freight services.

The Group's cost of sales decreased by 29.1% to approximately HK$222.3 million for FY2015 (2014: approximately HK$313.6 million), mainly driven by the decline in revenue from integrated logistics freight services.

With the combined effects of revenue and cost of sales, the Group's gross profit margin slightly decreased to approximately 14.6% for FY2015 from approximately 14.7% for the previous year.

The Group's finance costs amounted to approximately HK$469,000 for FY2015 (2014: approximately HK$1.3 million), the finance costs consist of interests on other borrowings as well as the finance charge on obligation under finance lease.

The Group recorded the loss for FY2015 of approximately HK$31.3 million (2014: approximately HK$18.6 million). The loss attributable to the equity holders of the Company was approximately HK$24.1 million (2014: approximately HK$19.3 million) and the loss per share was approximately HK2.15 cents (2014: approximately HK1.98 cents).

Gearing Ratio

As at 31 December 2015, the Group's gearing ratio (defined as the ratio of total debts to total equity) was approximately 4.8% (2014: approximately 7.5%).

Capital Structure

As at 31 December 2015, the Group's total equity attributable to equity holders of the Company amounted to approximately HK$104,407,000 (2014: approximately HK$128,984,000). The capital of the Company mainly comprises ordinary shares and capital reserves.

Employee Information

As at 31 December 2015, the Group employed a total of 257 employees (2014: 321 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK$61.1 million (2014: approximately HK$63.5 million).

The Group reviewed the emoluments of its Directors and staff based on the qualification, experience, performance and the market rates so as to maintain the remunerations of its Directors and staff at a competitive level.

Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities (2014: Nil).

Foreign Exchange Exposure

The Directors considered the Group's foreign exchange risk to be insignificant. During FY2015, the Group did not use any financial instruments for hedging purposes.

Dividend

The Board did not declare the payment of a dividend in respect of FY2015 (2014: Nil).

Significant Investments

Save as disclosed in the annual report of the Company for the year ended 31 December 2015, the Group did not have any significant investment as at 31 December 2015.

Material Acquisitions and Disposals

Save as disclosed in the annual report of the Company for the year ended 31 December 2015, the Group has no material acquisitions and disposals of subsidiaries and associated companies during FY2015.

Pledge of Assets

The Group used other borrowings to finance its expansion of its business. Secured borrowings were secured by the Group's property, plant and equipment, having carrying amounts of approximately HK$4.0 million as at 31 December 2015 (2014: approximately HK$4.0 million), and pledged bank deposits of approximately HK$3.2 million as at 31 December 2015 (2014: approximately HK$0.2 million).

Liquidity and Financial Resources

The Group continued to adopt a prudent financial management policy and had a healthy financial position.

As at 31 December 2015, the Group had net current assets of approximately HK$85.3 million (2014: approximately HK$106.7 million) including bank balances and cash equivalents of approximately HK$73.6 million (2014: approximately HK$92.4 million).

The Group's equity capital and other borrowings had been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 December 2015 was 2.61 (2014: 2.61).

Business Review

For FY2015, the Group was principally engaged in the provision of integrated logistics freight services with a primary focus on logistics services between Hong Kong and the Pearl River Delta ("**PRD**") region and has the following major business activities during FY2015.

1. Integrated Logistics Freight Services

(a) Land and ocean freight services

The land and ocean freight services composed as the core business of the Group. During FY2015, the Group's containers throughput (to and from Hong Kong and PRD region) decreased by approximately 28.6% to approximately 175,000 Twenty-foot Equivalent Units ("**TEU**") for the FY2015 from approximately 245,000 TEUs in the previous year. The Group recorded a decrease of approximately 24.1% of revenue in the land and ocean freight services to approximately HK$226.8 million (2014: approximately HK$298.9 million).

During FY2015, the Group had disposed certain redundant and old facilities and recognized a gain of approximately HK$4.7 million (2014: approximately HK$4.3 million) to mitigate the negative impact on the decline in revenue.

(b) Air freight forwarding services

During FY2015, the Group engaged in air freight forwarding services within the East Asia region. The air freight forwarding services income decreased to approximately HK$4.8 million for FY2015 (2014: approximately HK$35.8 million). The air freight forwarding services were adversely affected by weak air cargo demand.

(c) Operation equipment rental services

During FY2015, the Group recorded an income from operation equipment rental services of approximately HK$4.1 million (2014: approximately HK$1.9 million).

2. Supporting Services

The Group's income from supporting services comprising of provision of fuel cards and tractor repair and maintenance services and insurance agency services. The relevant income decreased from approximately HK$31.0 million for the year ended 31 December 2014 to approximately HK$24.6 million for FY2015.

(a) Provision of fuel cards

During FY2015, the decrease in the Group's supporting services income was mainly driven by the decrease in income from provision of fuel cards of approximately 19.6%.

(b) Tractor repair and maintenance services and insurance agency services

Tractor repair and maintenance services and insurance agency services, albeit their contribution to our Group's revenue being relatively insignificant, served as major types of value-added-services to our land and ocean freight clients during FY2015. The relevant revenue decreased by approximately 45.4% during the FY2015 as compared with the previous year.

II. FOR THE YEAR ENDED 31 DECEMBER 2016

Financial Performance

The Group's revenue increased by approximately 116.5% to approximately HK$563.7 million for FY2016 (2015: approximately HK$260.4 million). The increase in revenue was mainly attributable to the increase in revenue of the Group's trading business.

The Group's cost of sales increased by approximately 136.0% to approximately HK$524.6 million for FY2016 (2015: approximately HK$222.3 million), which was mainly driven by the increase in cost of the trading business, the new business developed by the Group during FY2016.

With the combined effects of revenue and cost of sales, the Group's gross profit margin decreased to approximately 6.9% for FY2016 from approximately 14.6% for FY2015 due to the low profit margin of the Group's trading business.

The Group's finance costs amounted to approximately HK$2.2 million for FY2016 (2015: approximately HK$469,000), the finance costs consist of interests on bank loans, overdrafts and other borrowings as well as the finance charge on obligations under finance leases.

The Group recorded the loss for FY2016 of approximately HK$37.1 million (2015: approximately HK$31.3 million). For FY2016, the loss attributable to the equity holders of the Company was approximately HK$37.0 million (2015: approximately HK$24.1 million) and the loss per Share was approximately HK3.03 cents (2015: approximately HK2.15 cents).

Gearing Ratio

As at 31 December 2016, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately 37.2% (2015: approximately 4.8%).

Capital Structure

As at 31 December 2016, the Group's total equity attributable to equity holders of the Company amounted to approximately HK$163.4 million (2015: approximately HK$104.4 million). The capital of the Company mainly comprised ordinary share capital, share premium and capital reserves.

Employee Information

As at 31 December 2016, the Group employed a total of 270 employees (2015: 257 employees) based in Hong Kong and the PRC. During FY2016, the total staff costs, including Directors' emoluments, amounted to approximately HK$83.8 million (2015: approximately HK$61.1 million).

The Group reviewed the emoluments of its Directors and staff based on their respective qualification, experience, performance and the market rates so as to maintain the remunerations of its Directors and staff at a competitive level.

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities (2015: Nil).

Foreign Exchange Exposure

The Directors considered the Group's foreign exchange risk to be insignificant. During FY2016, the Group did not use any financial instruments for hedging purposes.

Dividend

The Board did not recommend the payment of any final dividend in respect of the Year (2015: Nil).

Significant Investment and Material Acquisitions and Disposals

Save as the establishment of Qianhai Mingtian and the acquisitions of Dafeng Logistics and Jiangsu Zhongnanhui, the Group had no significant investment and material acquisitions and disposals of subsidiaries and associated companies during FY2016.

Pledge of Assets

The Group used bank and other borrowings to finance the expansion of its business. Secured borrowings were secured by the Group's property, plant and equipment, having carrying amounts of approximately HK$44.3 million as at 31 December 2016 (2015: approximately HK$4.0 million), prepaid lease payments of approximately HK$43.1 million (2015: Nil) and pledged bank deposits of approximately HK$1.3 million as at 31 December 2016 (2015: approximately HK$3.2 million).

Liquidity and Financial Resources

As at 31 December 2016, the Group had net current liabilities of approximately HK$11.6 million (2015: net current assets of approximately HK$85.3 million) including bank balances and cash equivalents of approximately HK$36.1 million (2015: HK$73.6 million).

The Group's equity capital and bank and other borrowings had been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 December 2016 was approximately 0.97 (2015: 2.61).

Business Review

During FY2016, the Group was principally engaged in the provision of integrated logistics freight services and the relevant supporting services in Hong Kong, the PRD region and the Yangtze River Delta region and was also engaged in trading business and petrochemical products storage business.

The Group's major business activities could be divided into below categories during FY2016:

1. Integrated logistics freight services

Integrated logistics freight services was the core business of the Group. During FY2016, the Group's revenue in integrated logistics freight services recorded a decrease of approximately 1.6% to approximately HK$231.9 million (2015: approximately HK$235.7 million).

During FY2016, the Group completed the acquisition of the entire equity interest in 大豐海港港口物流有限公司 (Dafeng Harbour Port Logistics Company Limited*) ("**Dafeng Logistics**"). Dafeng Logistics was principally engaged in providing land freight services in Dafeng Port for its customers, which enabled the Group to effectively expand its integrated logistics freight services to the Yangtze River Delta region.

2. *Supporting services*

The Group's income from supporting services, which comprised provision of fuel cards, tractor repair and maintenance services and insurance agency services, increased from approximately HK$24.6 million for FY2015 to approximately HK$27.1 million for FY2016.

(a) Provision of fuel cards

During FY2016, the increase in the Group's supporting services income was mainly driven by the increase in income from provision of fuel cards of approximately 9.9%.

(b) Tractor repair and maintenance services and insurance agency services

Tractor repair and maintenance services and insurance agency services, albeit their contribution to our Group's revenue being relatively insignificant, served as major types of value-added-services to our land and ocean freight clients during FY2016. The relevant revenue increased by approximately 6.8% during FY2016 as compared to FY2015.

3. *Trading business*

On 19 May 2016, the Company established Qianhai Mingtian in Shenzhen, the PRC, which principally engaged in the business of trading, importing and exporting of electronic products.

During FY2016, the Group's trading business recorded revenue of approximately HK$303.8 million (2015: Nil).

4. *Petrochemical products storage business*

On 22 November 2016, the Company completed the acquisition of the entire equity interest in Jiangsu Zhongnanhui, which was principally engaged in, among others, providing warehouse storage services for petrochemical products in Dafeng Port to its customers.

During FY2016, the Group's petrochemical products storage business recorded revenue of approximately HK$936,000 (2015: Nil).

III. FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Performance

The Group's revenue increased by approximately 507.5% to approximately HK$3,424.6 million for FY2017 (2016: approximately HK$563.7 million). The increase in revenue was mainly attributable to the increase in revenue of the Group's trading business.

The Group's cost of sales increased by approximately 534.8% to approximately HK$3,330.1 million for FY2017 (2016: approximately HK$524.6 million), which was mainly driven by the increase in cost of the trading business.

With the combined effects of revenue and cost of sales, the Company's gross profit margin decrease to approximately 2.8% for FY2017 (2016: approximately 6.9%), which was mainly attributable to the low profit margin of the Group's trading business.

The Group's finance costs amounted to approximately HK$17.2 million for FY2017 (2016: approximately HK$2.2 million), including interests on bank loans, overdrafts and other borrowings and interest on amounts due to connected companies as well as the finance charge on obligations under finance leases.

The Group recorded the profit for 2017 of approximately HK$1.4 million (2016: loss of approximately HK37.1 million). The profit attributable to the equity holders of the Company was approximately HK$0.2 million (2016: loss of approximately HK$37.0 million) and the earnings per Share was HK0.01 cent (2016: loss of HK3.03 cents).

Gearing Ratio

As at 31 December 2017, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately 182.3% (2016: approximately 37.2%).

Capital Structure

As at 31 December 2017, the Group's total equity attributable to equity holders of the Company amounted to approximately HK$161.1 million (2016: approximately HK$163.4 million). The capital of the Company mainly comprised ordinary share capital, share premium and capital reserves.

Employee Compensation

As at 31 December 2017, the Group employed a total of 294 employees (2016: 270 employees) based in Hong Kong and the PRC. During FY2017, the total staff costs, including Directors' emoluments, amounted to approximately HK$81.8 million (2016: approximately HK$83.8 million).

The decrease in the total staff costs was mainly attributable to Ni Xiangrong, Wang Yijun (resigned on 15 March 2018) and Pan Jian, the executive Directors of the Group, signed an agreement to waive their Directors' emoluments as of 31 December 2017. Yu Xingmin resigned on 10 November 2017 and agreed to waive all unpaid remuneration. The total emoluments waived by these four Directors were approximately HK$3.6 million.

The Group reviewed the emoluments of its Directors and staff based on their respective qualification, experience, performance and the market rates so as to maintain the remunerations of its Directors and staff at a competitive level.

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities (2016: Nil).

Foreign Exchange Exposure

The Directors considered the Group's foreign exchange risk to be insignificant. During FY2017, the Group did not use any financial instruments for hedging purposes.

Dividend

The Board did not recommend the payment of any final dividend in respect of FY2017 (2016: Nil).

Significant Investment and Material Acquisitions and Disposals

On 11 January 2017, Jiangsu Zhongnanhui entered into a construction agreement with China Nuclear Industry Fifth Construction Company Limited (中國核工業第五建設有限公司) ("**China Nuclear**") for the construction of four groups of petrochemical storage tanks of total 80,000M^3 for a total consideration of approximately RMB43.20 million. During FY2017, the Company did not carry out other material investment save for the above.

Save and except for the completion of the Qianhai Mingtian Disposal (as defined below), the Gamma Disposal (as defined below) and the Dafeng Logistics Disposal (as defined below) and the acquisition of 51% equity interest in Tianjin Lian Qi Cheng, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the FY2017.

Pledge of Assets

The Group used bank and other borrowings to finance the expansion of its business. Secured borrowings were secured by the Group's property, plant and equipment, having carrying amounts of approximately HK$75.4 million as at 31 December 2017 (31 December 2016: approximately HK$44.3 million), prepaid lease payments of approximately HK$45.4 million (31 December 2016: approximately HK$43.1 million), security deposit for loan from a third party of approximately HK$3.6 million (31 December 2016: Nil) and pledged bank deposits of approximately HK$312.9 million as at 31 December 2017 (31 December 2016: approximately HK$1.3 million).

Liquidity and Financial Resources

As at 31 December 2017, the Group had net current assets of approximately HK$74.9 million (2016: net current liabilities of approximately HK$11.6 million), including bank balances and cash equivalents of approximately HK$61.7 million (2016: approximately HK$36.1 million).

The Group's equity capital and bank and other borrowings had been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 December 2017 was approximately 1.08 (2016: 0.97).

Business Review

1. Trading business

The Group was engaged in the trading and import and export businesses of electronic products, petrochemical products and other products during FY2017. During FY2017, the Group's trading business recorded revenue of approximately HK$3,147.9 million (2016: approximately HK$303.8 million). The increase in revenue was mainly attributable to the acquisition of Tianjin Lian Qi Cheng and Zhuhai Heng Feng, and the trading business of subsidiaries maintained a growth rate exceeding that of the corresponding period of previous year.

On 6 March 2017, Dafeng Port Heshun International Investment Limited (大豐港和順國際投資有限公司*) ("**Heshun International**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**2017 Equity Transfer Agreement**") with 深圳市正億企業管理有限公司 (Shenzhen Zhengyi Enterprise Management Company Limited*) ("**Zhengyi Enterprise**"). Pursuant to the 2017 Equity Transfer Agreement, Zhengyi Enterprise agreed to purchase and Heshun International agreed to sell 49% of the equity interest in Qianhai Mingtian (the "**Qianhai Mingtian Disposal**") in consideration of Mr. Wu Heng (吳衡) ("**Mr. Wu**") entering into a deed of termination (the "**Deed of Termination**"), pursuant to which, among other things, the Company was released from its obligations to allot new shares of the Company to Mr. Wu under a subscription agreement dated 19 June 2016 (the "**2016 Subscription Agreement**") upon completion of the Qianhai Mingtian Disposal. The Qianhai Mingtian Disposal was completed on 16 May 2017. Upon completion, Qianhai Mingtian became an indirect non-wholly owned subsidiary of the Company.

On 22 May 2017, Yancheng Dafeng, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement for acquisition of 51% of the equity interest in Tianjin Lian Qi Cheng with Mr. Shang Dezhao and Mr. Shang Deli by injecting RMB10,200,000. Tianjin Lian Qi Cheng is principally engaged in (among others) selling petrol, kerosene, diesel, coal tar, liquefied petroleum gas without storage operations, petrochemical products and raw materials, and lubricants, etc. As at the Latest Practicable Date, Yancheng Dafeng and Mr. Shang Dezhao beneficially owned 51% and 49% equity interest in Tianjin Lian Qi Cheng, respectively. Tianjin Lian Qi Cheng is still a subsidiary of the Company.

2. Integrated logistics freight services

During FY2017, the Group's revenue from integrated logistics freight services recorded a decrease of approximately 1.03% to approximately HK$229.5 million (2016: approximately HK$231.9 million).

In view of the substantial losses incurred by the integrated logistics freight services over the years, the Group intended to shift its focus from integrated logistics freight services to the expanding trade business and petrochemical products storage business.

On 13 March 2017, the Company and Wharf Limited entered into an agreement (the "**Gamma Disposal Agreement**") for disposal (the "**Gamma Disposal**") of 49% of the issued share capital of Gamma Logistics (B.V.I.) Corporation ("**Gamma Logistics**"), pursuant to which the Company conditionally agreed to sell, and Wharf Limited conditionally agreed to purchase, 49% of the issued share capital of Gamma Logistics at a consideration of HK$8.5 million. The Gamma Disposal was completed on 11 April 2017. Upon completion of the Gamma Disposal, Gamma Logistics became a direct non wholly-owned subsidiary of the Company.

On 13 June 2017, Yancheng Dafeng, an indirect wholly-owned subsidiary of the Company, and 大豐市新潤通物流有限公司 (Dafeng City Xin Run Tong Logistics Company Limited*) ("**Dafeng City Xin Run Tong**"), among others, entered into an agreement for the disposal of the entire equity interest of Dafeng Logistics (the "**Dafeng Logistics Disposal**"), pursuant to which Yancheng Dafeng conditionally agreed to sell, and Dafeng City Xin Run Tong conditionally agreed to purchase, the entire equity interest in Dafeng Logistics at a consideration of RMB52 million plus interest. The Dafeng Logistics Disposal was completed on 30 June 2017. Upon completion of the Dafeng Logistics Disposal, Dafeng Logistics ceased to be a subsidiary of the Company. A gain on disposal of approximately HK$12,844,000 was recorded in profit or loss during FY2017.

3. *Supporting services*

The Group's income from supporting services, which comprised provision of fuel cards, tractor repair and maintenance services and insurance agency services, increased from approximately HK$27.1 million for FY2016 to approximately HK$34 million for FY2017.

(a) Provision of fuel cards

During FY2017, the increase in the Group's supporting services income was mainly driven by the increase in income from provision of fuel cards of approximately 27.2% to approximately HK$33.7 million (2016: approximately HK$26.5 million).

(b) Tractor repair and maintenance services and insurance agency services

Tractor repair and maintenance services and insurance agency services, albeit their contribution to the Group's revenue being relatively insignificant, served as major types of value-added-services to our land and ocean freight clients during FY2017. The relevant revenue decreased by approximately 54.0% to approximately HK$267,000 (2016: approximately HK$581,000) during FY2017 as compared to FY2016.

4. *Petrochemical products storage business*

The Group was engaged in petrochemical products storage business through Jiangsu Zhongnanhui. During FY2017, the Group's petrochemical products storage business recorded revenue of approximately HK$13.2 million (2016: approximately HK$936,000).

B. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE TARGET BUSINESS

Set out below is the management discussion and analysis of the results of the Target Business for the three years ended 31 December 2016 and the six months ended 30 June 2017.

Business Review

The Target Business represents the terminal business operated by Dafeng Harbour Port in an integrated petrochemical terminal complex in Dafeng port, harbour port, Jiangsu Province, the PRC. The principal activity of the Target Company is the provision of harbour port terminal handling services (the "**Target Business**"). Please refer to the Accountants' Report on the Target Business set out in Appendix IIA to this circular for more information on the Target Business.

On 27 May 2017, the Target Company and Dafeng Harbour Port entered into an assets transfer agreement, pursuant to which Dafeng Harbour Port ceased to operate the Target Business and transferred all the assets related specifically to the Target Business, which represents certain property, plant and equipment and sea use right payments, to the Target Company at a consideration of RMB797,456,000. The Assets Transfer was completed on 30 June 2017.

Results of operations

Revenue

Revenue of the Target Business comprises (i) terminal handling services income; and (ii) berthing services income. The following table sets out the breakdown of revenue for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Terminal handling services income	203	5,502	16,162	7,605	7,507
Berthing services income	—	1	66	30	58
	203	5,503	16,228	7,635	7,565

Revenue increased substantially from approximately RMB203,000 in 2014 to approximately RMB5,503,000 in 2015, and further by 194.9% to approximately RMB16,228,000 in 2016. For the six months ended 30 June 2017, revenue remained stable at approximately RMB7,565,000 compared to approximately RMB7,635,000 for the corresponding period in 2016.

The significant increases in revenue were primarily due to the Target Business still in trial operation in 2014 before it gradually expanded its business scale in 2015 upon obtaining certain relevant permits and licenses for port operation, and commenced full operation in 2016 upon completing the construction of its terminal facilities.

Segmental analysis

As the Target Business was only engaged in one reportable segment (i.e. provision of terminal handling and berthing services), the revenue was not classified by business segments. All revenue of the Target Business was solely generated in the PRC for the three years ended 31 December 2016 and the six months ended 30 June 2017.

Cost of services

The cost of services comprises mainly staff costs and depreciation expenses associated with terminal facilities. The cost of services increased by 17.0% from approximately RMB5,316,000 in 2014 to approximately RMB6,219,000 in 2015, mainly attributable to the increase in consumables expenses and staff costs. The cost of services increased substantially by 150.9% to approximately RMB15,605,000 in 2016, and further by 212.7% to approximately RMB11,656,000 for the six months ended 30 June 2017 as compared to approximately RMB3,727,000 for the corresponding period in 2016, primarily due to the increase in depreciation expenses having regard that construction of the terminal facilities completed in the second half of 2016.

Gain arising from the Assets Transfer

The Target Business recorded a gain of approximately RMB31,816,000 in the six months ended 30 June 2017 arising from the Assets Transfer, which represents (i) the difference between the consideration of RMB797,456,000 and the aggregate carrying amounts of the related property, plant and equipment and sea use right payments of RMB721,892,000; and (ii) value-added tax of RMB43,748,000 arising from the transaction.

Profit or loss for the year/period

As a result of the foregoing, the Target Business recorded losses of approximately RMB7,054,000, RMB2,450,000 and RMB1,472,000 in 2014, 2015 and 2016. As a result of the gain arising from the Assets Transfer of RMB31,816,000, the Target Business recorded a profit of approximately RMB24,402,000 for the six months ended 30 June 2017.

Liquidity and financial resources

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the Target Business had total liabilities of approximately RMB538,901,000, RMB568,588,000, RMB743,612,000 and RMB81,442,000, respectively, which mainly comprised (i) amount due to Dafeng Harbour Port; and (ii) other payables.

The Target Business finances its working capital requirements mainly by advance from Dafeng Harbour Port.

Gearing ratio

The Target Business' gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 102.4%, 102.7%, 102.3% and 91.3% as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, respectively.

Significant investment, material acquisitions and disposals

Save for the Assets Transfer, the Target Business did not have any other significant investments, had not entered into any material acquisitions and/or disposals of any of its subsidiaries and associated companies during the review period, and had no future plans for material investments or capital assets.

Pledge of assets

Save for 30 June 2017 upon which the sea use right payments were disposed, the sea use right was pledged to a bank in respect of a bank borrowing granted to the Target Company during the review period.

Remuneration policies and employee information

As at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017, the Target Business had 52, 52, 53 and 60 employees, respectively. Total staff costs for the three years ended 31 December 2016 and for the six months ended 30 June 2017 were approximately RMB4,128,000, RMB4,468,000, RMB5,295,000 and RMB2,144,000, respectively.

The Target Business' employee benefits and remuneration policy are in line with prevailing market practice, as salary increments are assessed based on the performance of individual staff member.

Foreign exchange exposure

The assets, liabilities and business transactions of the Target Business, are all denominated in RMB. The Target Business has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the review period. No financial arrangement has been entered into by the Target Business for hedging purposes during the review period.

Contingent liabilities

The Target Business had no material contingent liabilities as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017.

C. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE TARGET COMPANY

Set out below is the management discussion and analysis of the results of the Target Company for the three years ended 31 December 2017.

Business Review

The Target Company has been inactive since the date of its incorporation until 30 June 2017. After the completion of the Assets Transfer, the principal activity of the Target Company has become the provision of terminal handling services, i.e. the Target Business. Please refer to the Accountants' Report on the Target Company set out in Appendix IIB to this circular for more information on the Target Company.

Results of operations

Revenue

For the two years ended 31 December 2015 and 2016, the Target Company has been inactive and did not recognize any revenue.

Upon completion of the Assets Transfer, the Target Company recorded revenue of approximately RMB4,939,000 in 2017, which comprises terminal handling services income of approximately RMB4,896,000 and berthing services income of approximately RMB43,000.

Segmental analysis

As the Target Company was only engaged in one reportable segment (i.e. provision of terminal handling and berthing services), the revenue was not classified by business segments. All revenue of the Target Company was solely generated in the PRC for the three years ended 31 December 2017.

Cost of services

For the two years ended 31 December 2015 and 2016, the Target Company has been inactive and did not incur any cost of services.

Upon completion of the Assets Transfer, the Target Company incurred cost of services of approximately RMB13,138,000 in 2017, which comprises mainly staff costs and depreciation expenses associated with terminal facilities.

Other income

Other income of the Target Company consisted of mainly interest income on amount due from the ultimate holding company. Other income decreased from approximately RMB26,558,000 in 2015 to approximately RMB17,211,000 in 2016, and further to RMB8,630,000 in 2017, which were mainly attributable to the decrease in the amount due from the ultimate holding company.

Finance costs

Finance costs of the Target Company consisted of mainly interest expenses on interest-bearing borrowings. Finance costs decreased from approximately RMB25,708,000 in 2015 to approximately RMB17,211,000 in 2016, and further to RMB13,708,000 in 2017. These decreases were mainly attributable to the decrease in the total interest-bearing borrowings, which were RMB365,000,000, RMB291,000,000 and RMB230,000,000 as at 31 December 2015, 2016 and 2017, respectively.

Loss for the year

As a result of the foregoing, the Target Company recorded losses of approximately RMB12,000, RMB16,000 and RMB17,357,000 in 2015, 2016 and 2017. The loss for the year increased substantially in 2017 primarily due to loss from the operation of the Target Business and increase in depreciation expenses following the Assets Transfer.

Liquidity and financial resources

As at 31 December 2015, 31 December 2016 and 31 December 2017, the Target Company had total liabilities of approximately RMB365,177,000, RMB291,182,000 and RMB1,028,398,000, respectively, which mainly comprised (i) interest-bearing borrowings of approximately RMB365,000,000, RMB291,000,000 and RMB230,000,000, respectively; and (ii) amount due to a fellow subsidiary of RMB797,456,000 as at 31 December 2017, representing the consideration for the Assets Transfer.

As at 31 December 2017, the Target Company's current liabilities exceeded its current assets by RMB405,586,000, primarily attributable to the amount due to a fellow subsidiary of approximately RMB797,456,000 which is offset by the amount due from the ultimate holding company of approximately RMB462,969,000. The Target Company's ultimate holding company, Jiangsu Dafeng, has confirmed in writing its intention to provide continuing financial support to the Target Company. Please refer to the Accountants' Report on the Target Company set out in Appendix IIB to this circular for more information on the Target Company's material uncertainty related to going concern.

As at 31 December 2015, 31 December 2016 and 31 December 2017, the Target Company had paid-in capital of RMB250,000,000. The Target Company finances its working capital requirements mainly by the funds generated from operations, use of interest-bearing borrowings and advances from a fellow subsidiary.

The interest-bearing loans comprise (i) a 10-year bank loan with principal amount of RMB390,000,000 (the "**Bank Loan A**") drawn by the Target Company in October 2010, which bears a floating interest rate at over-5-year base lending rate published by the People's Bank of China and is repayable according to a schedule within 10 years after the date of grant; and (ii) a 8-year bank loan with principal amount of RMB130,000,000 (the "**Bank Loan B**") drawn by the Target Company in January 2011, which bears a floating interest rate at 110% of over-5-year base lending rate published by the People's Bank of China and is repayable according to a schedule within 8 years after the date of grant. The amount due to a fellow subsidiary is unsecured, interest-free and has no fixed repayment terms.

Gearing ratio

The Target Company's gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 60.2%, 54.6% and 82.1% as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively. The significant increase in the Target Company's gearing ratio as at 31 December 2017 as compared to 31 December 2016 was mainly attributable to the increase in amount due to a fellow subsidiary offset by the increase in property, plant and equipment, both of which are results of the Assets Transfer.

Significant investment, material acquisitions and disposals

Save for the Assets Transfer, the Target Company did not have any other significant investments, had not entered into any material acquisitions and/or disposals of any of its subsidiaries and associated companies during the review period, and had no future plans for material investments or capital assets.

Pledge of assets

Bank Loan A is secured by leasehold land and building of the ultimate holding company and Dafeng Gangcheng Properties Company Limited (English translation of 大豐市港誠置業有限公司 for identification purpose only), a fellow subsidiary of the Target Company, and the sea use rights of the Target Company and the ultimate holding company, and guaranteed by a corporate guarantee provided by the ultimate holding company. Such charge on the sea use rights has been released by the bank in October 2017.

Bank Loan B is secured by leasehold land and building of the ultimate holding company and Jiangsu Heshun Property Investment Company Limited (English translation of 江蘇和順港城實業投資有限公司 for identification purpose only), a fellow subsidiary of the Target Company, and guaranteed by a corporate guarantee provided by the ultimate holding company.

Remuneration policies and employee information

The Target Company had no employees as at 31 December 2015 and 31 December 2016, and had 60 employees as at 31 December 2017. Total staff costs for the three years ended 31 December 2017 were approximately RMBNil, RMBNil and RMB2,585,000, respectively.

The Target Company's employee benefits and remuneration policy are in line with prevailing market practice, as salary increments are assessed based on the performance of individual staff member. The Group intends to employ all of the Target Company's employees and retain their current positions after the Completion.

Foreign exchange exposure

The assets, liabilities and business transactions of the Target Company, are all denominated in RMB. The Target Company has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the review period. No financial arrangement has been entered into by the Target Company for hedging purposes during the review period.

Contingent liabilities

The Target Company had no material contingent liabilities as at 31 December 2015, 31 December 2016 and 31 December 2017.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield, an independent property valuer, in connection with its opinion of market value of the Property held by the Target Company in the PRC as at 30 April 2018.

CUSHMAN & WAKEFIELD
戴德梁行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

29 June 2018

The Board of Directors
Dafeng Port Heshun Technology Company Limited
Unit 1009, Exchange Tower
33 Wang Chiu Road
Kowloon Bay
Kowloon
Hong Kong

Dear Sirs,

Re: Petrochemical Wharf Project, Registration Nos. 320000-20170204 & 320000-20170205 situated at the north side of Nangang Road and the west side of the power distribution district, Dafeng District, Yangcheng City, Jiangsu Province, the People's Republic of China
中華人民共和國江蘇省鹽城市大豐區南港路北側及配電區西側登記編號320000-20170204 & 320000-20170205石化碼頭項目
(the "Property")

Instructions, Purpose and Valuation Date

In accordance with the instructions for us to carry out valuation of the market value of the Property held by 江蘇海融大豐港油品化工碼頭股份有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited) (the "Target Company") in the People's Republic of China (the "PRC"). We confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value in its existing state of the Property as at 30 April 2018 (the "valuation date").

Definition of Market Value

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors ("HKIS") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Property held by the Target Company in the PRC, we have valued on the basis that transferable land use rights with respect to the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion of the Company's legal adviser, JunHe 北京市君合(深圳)律師事務所, regarding the titles to and the interest in the Property. In valuing the Property, we have valued on the basis that the owner has enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Property nor any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature that could affect its value.

Method of Valuation

In valuing the Property, which is held by the Target Company for owner-occupation in the PRC, in the absence of relevant market data to arrive at the market value of the Property by means of market-based evidence, we have valued the Property by Depreciated Replacement Cost Approach which requires a valuation of the market value of the Property in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The reported market values by Depreciated Replacement Cost Approach only apply to the whole of the Property as a unique interest, and no piecemeal transaction of the Property is assumed. The market value is subject to adequate potential profitability of the business from the use of the Property as a whole.

In valuing the Property, we have complied with the requirements set out in Chapter 8 of the GEM Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2017 published by HKIS.

Source of Information

We have relied to a very considerable extent on the information given by the Target Company and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Property, completion date of building, particulars of occupancy, construction cost, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters, and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Target Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only, and all dimensions, measurements and areas are approximate.

Site Inspection

Our Shanghai valuer, Rainy Yu (China Real Estate Appraiser with 10 years of valuation experience), had inspected the exterior and, wherever possible, the interior of the Property in January 2018. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No test was carried out to any of the services.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property. We have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi ("RMB"), which is the official currency of the PRC.

We attach herewith the valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: *Philip C Y Tsang is a Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in the PRC.*

VALUATION REPORT

Property held by the Target Company for owner-occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2018
Petrochemical Wharf Project, Registration Nos. 320000-20170204 & 320000-20170205 situated at the north side of Nangang Road and the west side of the power distribution district, Dafeng District, Yangcheng City, Jiangsu Province, the PRC	Petrochemical Wharf Project comprises a wharf with the fixtures, a sewage treatment station, a complex building, a switching room and 5 storage tanks. The wharf, with designed annual throughput of 6,600,000 tonnes, includes a liquid chemical berth of 50,000 tonnes, a liquid chemical berth of 5,000 tonnes, a vegetable oil berth of 50,000 tonnes and the ancillary facilities of which an oil berth pipe gallery, an oil berth edible oil pipeline and a petrochemical pipeline connect the berths with the storage tanks. The wharf is erected in the sea with total sea area of 58.9149 hectares. The land occupied by the sewage treatment station, the complex building, the switching room and 5 storage tanks is owned by the Group's subsidiary, 江蘇中南滙石化倉儲有限公司 (Jiangsu Zhongnanhui Petrochemical Storage Company Limited*), thus we have not taken this land into account in the course of valuation. The storage tanks and buildings with details as below:	As at the valuation date, the Property was owner occupied.	No commercial value

Uses	**Gross Floor Area** *(sq m)*
Complex building	1,869.60 sq m
Switching room	514.80 sq m
Sub-total	**2,384.40 sq m**
	Scales
Storage tanks	Four 5,000M^3
Storage tank	One 50,000M^3
Sub-total	**70,000M^3**

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2018
Continued	The sea area use rights of the Property have been granted for a term due to expire on 30 August 2059.	Continued	Continued

Notes:

(1) The Target Company has not acquired the Certificate of Real Estate Ownership in respect of the On-shore Properties, and has not registered with the relevant departments in respect of the Sea Properties as at the valuation date, thus we consider that the Property has no commercial value. If based on good title basis, we considered that the market value of the Property was RMB725,000,000 (Renminbi Seven Hundred Twenty Five Million) as at the valuation date.

As instructed by the Company, the respective market values of On-shore Properties (including the complex building and the switching room) and Sea Properties (a wharf with the fixtures) are set out as follows for reference purpose:

Sea Properties	**Market Value** *(RMB)*	**On-shore Properties**	**Market Value** *(RMB)*
(1) Petrochemical terminal	720,100,000	(1) complex building,	4,900,000
(2) Petrochemical terminal dike		(2) the switching room	
(3) Southern harbour sewage treatment station			
(4) Oil product pipes			
(5) Edible oil pipeline			
(6) Petrochemical pipeline			
(7) Dike platform			
(8) 5 storage tanks			

(2) According to Sea Area Use Certificate No.2018B32090400091, issued by Jiangsu People's Government on 30 October 2017, the particulars are summarized as follows:

Owner of the Sea Area Use Right	:	Dafeng Harbour Port Limited 大豐海港港口有限責任公司	
Address	:	the north side of Nangang Road and the west side of the power distribution district, Dafeng District, Yancheng City,	
Types of Sea Area Use	:	I-Class Type	Transportation
		II-Class Type	Port
Area of Sea Plot	:	7.6483 Hectare	
Grade of Sea Area		Five	
Sea Use Pattern	:	Non-permeable structures	7.6483 Hectare
Expiration Date	:	30 August 2059	
Registration No.	:	320000–20170204	

According to Sea Area Use Certificate No.2017B32090406655, issued by Jiangsu People's Government on 30 October 2017, the particulars are summarized as follows:

Owner of the Sea Area Use Right	:	Dafeng Harbour Port Limited 大豐海港港口有限責任公司	
Address	:	the north side of Nangang Road and the west side of the power distribution district, Dafeng District, Yancheng City,	
Types of Sea Area Use	:	I-Class Type	Transportation
		II-Class Type	Port
Area of Sea Plot	:	51.2666 Hectare	
Grade of Sea Area		Five	
Sea Use Pattern	:	Permeable structures	10.0094 Hectare
		Port basin, impoundment	41.2572 Hectare
Expiration Date	:	30 August 2059	
Registration No.	:	320000–20170205	

According to the PRC legal opinion, the owner of the sea area use right will be changed to the Target Company before the Company or its subsidiaries and associates fulfill the first payment in relation to the acquisition.

(3) According to the Port Operation Permit (SY) GJZ (0002) issued on 5 June 2017 and expiring on 4 June 2020, the operating region of the Target Company are berths 5#, 6# and 7# at the petrochemical wharf of south operation area, Dafeng Port District, Yancheng, and the permitted scope of business are providing wharf facilities service for ships as well as loading and unloading of goods in port.

(4) According to Planning Permit for Construction Works, the construction works comply with the town planning requirements and the details are summarized as follows:

Certificate No.	**Project Name**	**Scales**
(2011) 116	Switching room, an ancillary office building, pump house and 4 storage tanks	2,540.56 sq m Four ø20m tanks
(2011) 116–1		Two ø43.5m tanks

(5) According to two Permits for Commencement of Construction Works dated 31 August 2011, construction works for the Property are permitted to be constructed. The details of are summarized as follows:

Certificate No.	**Project Name**	**Scales**
3209822011083100007A	Switching room, an ancillary office building, pump house and 4 storage tanks	2,540.56 sq m

(6) According to the Port Engineering Completion Acceptance Certificate YGYZZ(2016) No.1 issued on 20 June 2016, the construction of Yancheng Port Dafeng Port District South Operation Area Petrochemical Wharf had passed the acceptance. The details of are summarized as follows:

Berthing grade, type and quantity of berth	:	a liquid chemical berth of 50,000 tonnes, a liquid chemical berth of 5,000 tonnes, a vegetable oil berth of 50,000 tonnes and the ancillary facilities
Length of berth	:	722m
Through capacity	:	designed annual throughput of 6,600,000 tonnes
Berth frontier elevation	:	The berth of 50,000 tonnes —13.9m (theoretical lowest tide surface, the same below) The berth of 5,000 tonnes —7.8m

(7) According to Business License Credit Code No.913209005570959248 issued by Yancheng Industrial and Commercial Administration Bureau on 29 October 2015, the Target Company was established with a registered capital of RMB250,000,000.

(8) According to the PRC legal opinion:

(i) The Target Company has no right to transfer the sea area use rights before completing registration of the change of the ownership. Upon the transfer of the ownership of the sea area use rights, the Target Company would legally own the see area use rights.

(ii) If the Target Company completed the registration and obtained the Sea Properties ownerships certificate, the Target Company would own the Sea Properties' ownerships. Prior to the registration, the Target Company can continue to enjoy the use rights of the Sea Properties but has no right to transfer the Sea Properties.

(iii) If the Target Company completed the registration and obtained the On-shore land Properties ownerships certificate, the Target Company would own the On-shore Properties' ownerships. The Target Company has no right to transfer the On-shore Properties' ownerships before completing registration.

(9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal:

Sea Area Use Certificate	Yes
Certificate for the Use of State-owned Land	No
Certificate of Real Estate Ownership	No
Port Operation License	Yes
Planning Permit for Construction Works	Yes (On-shore Properties)/No (Sea Properties)
Permits for Commencement of Construction Works	Yes (On-shore Properties)/No (Sea Properties)
Business License	Yes

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares

Name of shareholders	Capacity/ Nature of interests	Number of Shares held *(Note 1)*	% of the Company's issued share capital (approximate)
Dafeng Port Overseas *(Note 2)*	Beneficial owner	740,040,000 (L)/(S)	57.46%
Jiangsu Dafeng *(Note 3)*	Interest of controlled corporation	740,040,000 (L)/(S)	57.46%
大豐區人民政府 (the People's Government of Dafeng District*) ("**PGDD**") *(Note 3)*	Interest of controlled corporation	740,040,000 (L)/(S)	57.46%

Notes:

1. The letter "L" denotes a long position in the interest in the issued share capital of the Company. The letter "S" denotes a short position in the interest in the issued share capital of the Company.

2. Dafeng Port Overseas is a company incorporated in Hong Kong with limited liability, and is owned as to 40% by Jiangsu Dafeng, which in turn is wholly owned by PGDD.

3. Jiangsu Dafeng and PGDD are deemed to be interested in the Shares of the Company held by Dafeng Port Overseas under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

Save as the transactions set out in the table below, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, nor has any Director or their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Related parties	Relationship	Transactions	Consideration or annual caps
大豐海港港口有限責任公司 (Dafeng Harbour Port Limited Liability Company*) ("**Dafeng Harbour Port**"), a wholly-owned subsidiary of Jiangsu Dafeng, the Controlling Shareholder	Mr. Ni Xiangrong, Mr. Wang Yijun and Mr. Pan Jian are the directors of Jiangsu Dafeng, and Mr. Yu Xingmin is the vice president of Jiangsu Dafeng and a supervisor of Dafeng Harbour Port *(note)*	Purchase of vehicle repair services from Dafeng Harbour Port and/or its subsidiaries and provision of logistics services to Dafeng Harbour Port and/or its subsidiaries	RMB36.33 million

Note: Mr. Yu Xingmin resigned as a Director on 10 November 2017 and Mr. Wang Yijun resigned as a Director on 15 March 2018.

4. COMPETING INTERESTS

Jiangsu Dafeng, a Controlling Shareholder, has three indirect wholly-owned subsidiaries, namely 大豐海融國際貿易有限公司 (Dafeng Hairong International Trade Co., Ltd*) ("**Dafeng Hairong**"), 鹽城市港城商業管理有限公司 (Yancheng City Gangcheng Commercial Management Co., Ltd*) ("**Yancheng Commercial**") and 鹽城大豐碧港貿易有限公司 (Yancheng Dafeng Bi Port Trading Limited) ("**Dafeng Bi Port**"), which are engaged in trading of various goods including coals, metal ores, non-metallic ores, non-ferrous metal, chemical products, non-metal construction materials, scrap steel and wood. Whereas the Group is engaged in trading of electronic products, petrochemical products and various other products through Yancheng Dafeng, an indirect wholly-owned subsidiary of the Company, and Qianhai Mingtian and their subsidiaries. Accordingly, the businesses of Jiangsu Dafeng and its subsidiaries (the "**Jiangsu Dafeng Group**") may be construed as businesses which compete with or are likely to compete with one of the core principal activities of the Group. However, although the Jiangsu Dafeng Group is engaged in the trading business, it focuses on the trading of different types of products from the Group. Further, the customers of the trading business of the Jiangsu Dafeng Group are mainly timber processing companies nearby Dafeng Port, steel companies in Yancheng City, and power plants in Zhejiang Province and Shandong Province whereas the customers of the Group's trading business are mainly PRC and foreign trading companies and refineries. Given the differences in the types of products and the customer types of the Jiangsu Dafeng Group, the Board considered that the businesses of the Jiangsu Dafeng Group do not pose material competitive threat to the Group.

Other than Mr. Ni Xiangrong and Mr. Pan Jian who are both the directors of Jiangsu Dafeng and the Company, there is no overlap in the directorships among the Company, Jiangsu Dafeng, Dafeng Hairong and Yancheng Commercial. The Directors consider that the Board can operate independently from Jiangsu Dafeng, because (i) pursuant to the articles of association of the Company, a Director shall not vote on any board resolutions approving any contract or arrangement or any other proposal in which such Director or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting; and (ii) the Directors are fully aware of their fiduciary duties owing to the shareholders of the respective companies and their duty to avoid conflicts with the shareholders of the respective companies and their duty to avoid conflicts of interests in carrying out their respective duties as directors of the relevant companies.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Controlling Shareholders or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. EXPERTS AND CONSENTS

The followings are the qualification of the experts who have given opinions or advice contained in this circular:

Name	**Qualification**
Mazars CPA Limited	Certified public accountants
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Cushman & Wakefield Limited	Independent property valuer

As at the Latest Practicable Date, the above experts did not have any shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group. As at the Latest Practicable Date, the above experts did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

The above experts had given and had not withdrawn their written consent to the issue of this circular, with the inclusion therein of their letters dated the date of this circular and the references to their names in the form and context in which they appear.

8. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this circular and are or may be material:

1. the Framework Equity Purchase Agreement;

2. the trust deed dated 29 March 2018 entered into, among others, by the Company and the Bank of New York Mellon, London Branch (the "**Trustee**"), pursuant to which the Trustee agreed to act as trustee of the unlisted secured bonds (the "**Bonds**");

3 the agency agreement dated 29 March 2018 entered into by the Company, Jiangsu Dafeng, the Trustee as principal paying agent and trustee, and The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar and as transfer agent in relation to the Bonds;

4. the placing agreement dated 27 March 2018 entered into among the Company, Jiangsu Dafeng, and Industrial Bank Co., Ltd. Hong Kong Branch (the "**Placing Agent**"), pursuant to which the Company agreed to appoint the Placing Agent as a placing agent and the Placing Agent agreed to act as the placing agent for the purpose of procuring, and to use its best efforts, the subscription of the Bonds of up to an aggregate principal amount of US$50,000,000;

5. the construction agreement dated 1 February 2018 entered into between Jiangsu Zhongnanhui and China Nuclear, pursuant to which, Jiangsu Zhongnanhui appointed China Nuclear as the contractor for the construction and repair of one group of petrochemical storage tanks of total 80,000 M^3 and various fire services upgrade for a total consideration of approximately RMB64.87 million (approximately HK$80.72 million);

6. the memorandum of understanding dated 16 June 2017 entered into between Yancheng Dafeng and each of two companies as vendors, which were shareholders of Dafeng Port Overseas, in relation to the proposed acquisition of a PRC corporation;

7. the disposal agreement dated 13 June 2017 entered into, among others, Yancheng Dafeng and Dafeng City Xin Run Tong in respect of the Dafeng Logistics Disposal at an aggregate consideration of RMB52 million plus interests;

8. the equity transfer agreement dated 7 June 2017 entered into between Yancheng Dafeng, Tianjin Lian Qi Cheng, Mr. Shang Dezhao and Mr. Shang Deli in respect of the acquisition of 51% of the equity interest in Tianjin Lian Qi Cheng by Yancheng Dafeng from Mr. Shang Dezhao and Mr. Shang Deli at a consideration of RMB0;

9. the Gamma Disposal Agreement dated 13 March 2017 entered into between the Company and Wharf Limited in respect of the Gamma Disposal by the Company to Wharf Limited at the consideration of HK$ 8.5 million;

10. the Equity Transfer Agreement dated 6 March 2017 entered into among the Heshun International, Zhengyi Enterprise and Qianhai Mingtian in respect of the Qianhui Mingtian Disposal by Heshun International to the Shenzhen Zhengyi;

11. the equity transfer agreement dated 20 February 2017 entered into between two independent persons as the seller and Yancheng Dafeng as the purchaser in relation to the acquisition of entire equity interest in Zhuhai Heng Feng for a consideration of RMB800,000 (equivalent to approximately HK$904,000);

12. the framework agreement dated 25 January 2017 entered into between Yancheng Dafeng and Dafeng Harbour Port in respect of the provision of vehicle repair services for Dafeng Logistics' transportation vehicles by Dafeng Harbour Port, the provision of rental services of small vehicles (e.g. automatic dump trucks, vans) and large vehicles (e.g. tractor units, semi-trailer trucks) to Dafeng Logistics by 大豐海港港口供應鏈管理有限公司 (Dafeng Harbour Port Supply Chain Management Company Limited*), the provision of port services which mainly comprise the provision of vessel docking services, stevedoring services and infrastructure facilities in Dafeng Port by Dafeng Harbour Port to Dafeng Logistics and Jiangsu Zhongnanhui and the provision of logistics services for the transport of goods and/or cargoes by Dafeng Logistics to Dafeng Harbour Port within Dafeng Port;

13. the construction agreement dated 11 January 2017 entered into between Jiangsu Zhongnanhui and China Nuclear, pursuant to which, Jiangsu Zhongnanhui has appointed China Nuclear as the contractor for the construction of four groups of petrochemical storage tanks of total 80,000 M^3 for a total consideration of approximately RMB43.20 million (approximately HK$48.41 million);

14. the conditional equity purchase and debt settlement agreement dated 11 October 2016 entered into among Jiangsu Zhongnanhui, Yancheng Dafeng and the sellers of Jiangsu Zhongnanhui, 珠海恒逸投資有限公司 (Zhuhai Hengyi Investment Company Limited*) ("**Zhuhai Hengyi Investment**") and He Han (何含) in relation to, among others, the acquisition of the entire equity interest in Jiangsu Zhongnanhui, and the debt settlement;

15. the guarantee agreement dated 11 October 2016 entered into among the Company and its wholly-owned subsidiary, 大豐港和順科技(中國)有限公司 (Dafeng Port Heshun Technology (China) Company Limited*) as the guarantors; 珠海華信成投資策劃有限公司 (Zhuhai Huaxincheng Investment Planning Company Limited*) ("**Zhuhai Huaxincheng**") 珠海恒逸商務有限公司 (Zhuhai Hengyi Commercial Company Limited*) ("**Zhuhai Hengyi Commercial**"), 珠海富誠投資有限公司 (Zhuhai Fucheng Investment Company Limited*) ("**Zhuhai Fucheng**") and He Han as the creditors; and Yancheng Dafeng and Jiangsu Zhongnanhui as the debtors;

16. the equity transfer agreement dated 8 July 2016 entered into between Dafeng Harbour Port as the seller and Yancheng Dafeng as the purchaser in relation to the acquisition of entire equity interest in Dafeng Logistics for a consideration of RMB52 million;

17. the subscription agreement dated 19 June 2016 entered into among the Company, Mr. Wu and other relevant parties in connection with the allotment and issuance of the Shares by the Company to Mr. Wu in consideration of the provision of services by Mr. Wu which was appointed as the business general manager of Qianhai Mingtian;

18. a letter of guarantee dated 17 June 2016 signed by the Company pursuant to which the Company guaranteed in favour of Dafeng Harbour Port for the payment obligation of Yancheng Dafeng in association with the acquisition of entire equity interest in Dafeng Logistics; or

19. the conditional placing agreement dated 12 May 2016 entered into between the Company and KGI Asia Limited as placing agent for the placing of up to 168,000,000 new Shares at HK$0.58 per Share.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong from 9:00 a.m. to 6:00 p.m. on any Business Day from the date of this circular up to and including the closing date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the three financial years ended 31 December 2017;

(iii) the accountants' report of the Target Business set out in Appendix IIA to this circular;

(iv) the accountants' report of the Target Company set out in Appendix IIB to this circular;

(v) the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular;

(vi) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 43 to 63 of this circular;

(vii) the letter from the Independent Board Committee, the text of which is set out on pages 41 to 42 of this circular;

(viii) the letters of consent referred to under the paragraph headed "EXPERTS AND CONSENTS" of this Appendix;

(ix) the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" of this Appendix;

(x) this circular;

(xi) the Framework Equity Purchase Agreement; and

(xii) the property valuation report of the property interests held by the Target Company, the text of which is set out in Appendix V to this circular.

10. AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provision C.3.3 of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules. The audit committee (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Lau Hon Kee, Dr. Bian Zhaoxiang and Mr. Zhang Fangmao. Mr. Lau Hon Kee is the chairman of the Audit Committee. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures of the Group. The Audit Committee is also responsible for reviewing the internal control procedures of the Group, including financial, operational and compliance controls and risk management functions as well as compliance matters and the findings reports from the legal compliance committee of the Company. The biography details of the members of the Audit Committee are set out below:

(i) Mr. Lau Hon Kee ("**Mr. Lau**") has been appointed as an independent non-executive Director since 31 May 2016. He was the financial controller and company secretary of 山東羅欣藥業集團股份有限公司 (Shandong Luoxin Pharmaceutical Group Stock

Co. Ltd*) (a company listed on the Stock Exchange with stock code: 8058) until 31 December 2017 and a joint company secretary of Zhejiang Tengy Environmental Technology Co., Ltd (a company listed on the Stock Exchange with stock code: 1527) until 31 January 2018. Mr. Lau has been an independent non-executive director of Astrum Financial Holdings Limited (a company listed on the Stock Exchange with stock code: 8333) since 23 June 2016. Mr. Lau was an independent non-executive director of Strong Petrochemical Holdings Limited (a company listed on the Stock Exchange with stock code: 852) from November 2008 to January 2012. Mr. Lau obtained a bachelor's degree in commerce from the Australian National University in April 1994 and a master's degree in professional accounting from the Hong Kong Polytechnic University in October 2009. Mr. Lau is a CPA of CPA (Aust.) and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since 1999. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants since 2006.

(ii) Dr. Bian Zhaoxiang ("**Dr. Bian**") has been appointed as an independent non-executive Director since 15 May 2015. He had been educated in 南京中醫藥大學 (Nanjing University of Traditional Chinese Medicine*), 北京中醫藥大學 (Beijing University of Traditional Chinese Medicine and Pharmacology*) and 廣州中醫藥大學 (Guangzhou University of Traditional Chinese Medicine*) and was conferred the Ph.D. degree in Integrated Chinese and Western Medicine. Currently, Dr. Bian serves as a director of the clinical division of the School of Chinese Medicine, and an associate vice president of the Hong Kong Baptist University. He has engaged in clinical and basic research in digestive diseases and involved in publication of many experimental and clinical researches. He has been awarded a second prize of National Science and Technology Award of China in 1999.

(iii) Mr. Zhang Fangmao ("**Mr. Zhang**") has been appointed as an independent non-executive Director since 1 June 2014. He has over 15 years of experience in import and export businesses in the PRC. Mr. Zhang served as a manager of the business department in 中國深圳經濟特區對外貿易(集團)公司 (China Shenzhen Economic Special Zone Foreign Trade (Group) Corporation*), a state-owned enterprise. He is a director of 深圳市澳德投資顧問有限公司 (Shenzhen AUDE Investment Consulting Co., Ltd.*). Mr. Zhang obtained a bachelor's degree in finance from the Shenzhen University.

11. MISCELLANEOUS

(i) The registered office of the Company is situated at Cricket Square, Hutchins Drive P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal office of the Company is situated at Unit 1009, Exchange Tower 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

(ii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(iii) The company secretary of the Company is Ms. Xu Jing. Ms. Xu is a fellow member of Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She is also a member of the Chinese Institute of Certified Public Accountants.

(iv) The compliance officer of the Company is Mr. Shum Kan Kim.

(v) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

* *For identification purpose only*

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Dafeng Port Heshun Technology Company Limited (the "**Company**") will be held at 5/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong on Tuesday, 17 July 2018 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

1. (a) the framework equity purchase agreement dated 29 May 2018 and together with any supplemental agreement thereto (the "**Framework Equity Purchase Agreement**"), a copy of which has been produced at the meeting marked "A" and initialed by the Chairman of the meeting for the purpose of identification, entered into between 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trade Company Limited*) (the "**Purchaser**"), as purchaser, and (i) 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) and (ii) 江蘇華海投資有限公司 (Jiangsu Huahai investment Company Limited*) (the "**Sellers**"), as vendors, under which the Purchaser agreed to purchase and the Sellers agreed to sell 60% and 40% of their respective equity interests in 江蘇海融大豐港油品化工碼頭股份有限公司 (Jiangsu Hairong Dafeng Port Oil Products and Chemical Harbour Company Limited*) at the aggregate consideration of RMB405.9 million in cash, on the terms and subject to the conditions therein as disclosed in the circular of the Company dated 29 June 2018 and the transactions contemplated under the Framework Equity Purchase Agreement be and are hereby approved, confirmed and ratified; and

   (b) any one or more of the director(s) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents (including under seal) which he/she/they consider necessary or expedient to give effect to the Framework Equity Purchase Agreement and the transactions contemplated thereunder."

By order of the Board
Dafeng Port Heshun Technology Company Limited
Ni Xiangrong
Chairman

Hong Kong, 29 June 2018

Registered office:
Cricket Square,
Hutchins Drive
P. O. Box 2681,
Grand Cayman
KY1-1111,
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 1009, Exchange Tower
33 Wang Chiu Road
Kowloon Bay
Kowloon, Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. Shareholders whose names appear on the register of members of the Company at 4:30 p.m. on Wednesday, 11 July 2018 shall be entitled to attend and vote at the EGM. In order to be entitled to attend and vote at the EGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Wednesday, 11 July 2018.

As at the date of this notice, the Board comprises four executive Directors: Mr. Ni Xiangrong, Mr. Shum Kan Kim, Mr. Sun Lin and Mr. Pan Jian; three non-executive Directors: Mr. Ji Longtao, Mr. Yang Yue Xia and Mr. Miao Zhibin; and four independent non-executive Directors: Dr. Bian Zhaoxiang, Mr. Lau Hon Kee, Mr. Yu Xugang and Mr. Zhang Fangmao.