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Dafeng Port Heshun Technology Company Limited

大豐港和順科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8310)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF 40% EQUITY INTERESTS IN THE TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that on 30 November 2023 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement in relation to the Disposal, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the 40% equity interests in the Target Company at the Consideration of RMB98,560,000.

Upon Completion, the Group will cease to hold any equity interests in the Target Company.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Disposal is 5% or more, but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Completion of the Disposal is conditional upon the satisfaction of the Conditions Precedent. Therefore, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

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Principal terms of the Disposal are set out below.

THE DISPOSAL AGREEMENT

Date

30 November 2023

Parties

Vendor: 江蘇鹽城港港航國際貿易有限公司 (Jiangsu Yancheng Port Port Shipping International Trade Co., Limited*)

Purchaser: 鹽城市大豐區大豐港區海港開發建設有限公司 (Yancheng Dafeng District Dafeng Harbor Development and Construction Co., Ltd.*)

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are independent of and not connected with the Company and its respective connected persons.

Subject matter

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the 40% equity interests in the Target Company.

Consideration

The Consideration of RMB98,560,000 shall be payable in cash by the Purchaser to the Vendor within thirty (30) Business Days after the Conditions Precedent have been fulfilled or waived in writing.

The Consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser, after taking into account factors such as (i) the financial position, results of operation and prospects of the Target Company; and (ii) the prevailing market conditions and economic landscape.

Conditions Precedent

Completion is subject to the satisfaction of the certain conditions precedent including but not limited to:

- (a) Completion of the Disposal will not cause the Company to breach the GEM Listing Rules;
- (b) the Company having obtained the Board's approval to proceed with the Disposal in accordance with its Articles of Association and the GEM Listing Rules;
- (c) the Vendor having completed all its internal approval procedures in relation to the Disposal;
- (d) the Purchaser having completed all its internal approval procedures in relation to the Disposal; and
- (e) the Target Company having completed all its internal approval procedures in relation to the Disposal.

Completion

Completion shall take place within thirty (30) Business Days after the Conditions Precedent have been fulfilled or waived in writing (except for the conditions set out in sub-paragraphs (a) and (b) above) or any other later date as agreed in writing between the Vendor and the Purchaser. The completion date shall be the date on which the industrial and commercial administration registration of changes is completed.

Upon Completion, the Group will cease to hold any equity interests in the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC in June 2010. As at the date of this announcement, the Target Company is owned as to 60% by 江蘇鹽城港大豐港開發集團有限公司 (Jiangsu Yancheng Port Dafeng Port Development Group Co., Ltd.*), formerly known as 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*), a controlling shareholder and a connected person of the Company, and 40% by the Vendor. The Target Company is principally engaged in the provision of integrated logistics handling services business.

Set out below is a summary of certain financial information of the Target Company for the two financial years ended 31 December 2022 based on the audited accounts of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards are as follows:

	For the year ended		For the year ended	
	31 December 2021		31 December 2022	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Revenue	9,357	11,286	10,057	11,679
Net Loss before taxation	(6,249)	(7,538)	(26,088)	(30,296)
Net Loss after taxation	(6,249)	(7,538)	(26,088)	(30,296)

As at 30 October 2023, the unaudited net asset value of the Target Company was approximately RMB 98.47 million before adjusted by the Group for equity accounting purposes any differences in accounting policies and fair value adjustments.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Group will cease to hold any equity interests in the Target Company. It is estimated that, upon Completion, the Company will record an unaudited gain on disposal of approximately RMB 98,560,000, being the difference between the Consideration and the unaudited carrying amount of the 40% equity interests in the Target Company as at 30 October 2023 which was nil because the Target Company recorded unaudited net deficits after adjusted by the Group for equity accounting purpose any difference in accounting policies and fair value adjustments.. Shareholders should note that the actual amount of gain or loss and the financial effect as a result of the Disposal to be recorded will be subject to the review and final audit by the auditor of the Company.

INFORMATION ON THE COMPANY

The Company is an investment holding company incorporated in the Cayman Islands. As at the date of this announcement, the Group is principally engaged in trading business and the provision of petrochemical products storage business.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability which is directly wholly owned by Yancheng Dafeng District People's Government. The Purchaser is principally engaged in port infrastructure construction, construction materials, and housing rental.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As mentioned in the Group's annual report 2022, the Group's carrying amount of the investment in the Target Company was nil as at 31 December 2022. The Group has not recognised further losses as the Group's share of losses of the Target Company exceeds the carrying amount of its interest in the Target Company. The unrecognised share of loss of the Target Company for the Year and cumulative up to the end of the Year amounted to approximately HK\$7.7 million and approximately HK\$24.6 million, respectively, as compared with approximately HK\$5.0 million and approximately HK\$16.9 million, respectively, for the year ended 31 December 2021.

The unsatisfactory performance of the Target Company was mainly due to the operation activities of such business was significantly affected by the challenging external operating environment. Taking into account the current financial performance of each of the Group and the Target Company and challenging operating environment, the Board considers that the Disposal allows the Group to realise its investment in the Target Company and generate a one-off effect to improve the Group's financial position. The Disposal also enables the Group to allocate resources to develop and strengthen the other existing businesses of the Group.

Having taken into account the above factors, the Directors are of the view that the Disposal is carried out on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Disposal is 5% or more, but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Completion of the Disposal is conditional upon the satisfaction of the Conditions Precedent. Therefore, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board” the board of Directors;

“Business Days” a day on which licensed banks in the PRC are open for general commercial business, other than a Saturday, Sunday or public holiday in the PRC;

“Company”	Dafeng Port Heshun Technology Company Limited 大豐港和順科技股份有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 8310);
“Completion”	completion of the Disposal Agreement;
“Conditions Precedent”	has the meaning ascribed to it under the section “Conditions Precedent” in this announcement;
“connected person(s)”	has the meaning as ascribed in the GEM Listing Rules;
“Consideration”	RMB98,560,000, being the consideration of the Disposal;
“Directors”	the directors of the Company;
“Disposal”	the proposed disposal of the 40% equity interests in the Target Company pursuant to the Disposal Agreement;
“Disposal Agreement”	the equity interest transfer agreement entered into between the Purchaser and the Vendor in relation to the Disposal on 30 November 2023;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Target Company”	江蘇鹽城港海融石化碼頭有限公司 (Jiangsu Yancheng Port Hairong Petrochemical Terminal Co. Ltd*), formerly known as 江蘇海融大豐港油品化工碼頭有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited*), a company established in the PRC and owned as to 40% by the Vendor as at the date of this announcement;
“PRC”	The People’s Republic of China, which for the purpose of this announcement only excludes Hong Kong, the Macau Special Administrative Region and Taiwan;

“Purchaser”	鹽城市大豐區大豐港區海港開發建設有限公司 (Yancheng Dafeng District Dafeng Harbor Development and Construction Co., Ltd.*), a company incorporated in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholders”	holders of the Shares from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Year”	the year ended 31 December 2022;
“Vendor”	江蘇鹽城港港航國際貿易有限公司 (Jiangsu Yancheng Port Port Shipping International Trade Co., Limited*), formerly known as 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 with limited liability and an indirectly wholly owned subsidiary of the Company; and
%	per cent.

By order of the Board
Dafeng Port Heshun Technology Company Limited
Zhao Liang
Chairman

Hong Kong, 30 November 2023

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

<i>Executive Director</i>	<i>Non-executive Directors</i>	<i>Independent Non-executive Directors</i>
Mr. Zhao Liang (<i>Chairman</i>)	Mr. Ji Longtao Mr. Yang Yue Xia Mr. Zhang Shukai	Dr. Bian Zhaoxiang Mr. Lau Hon Kee Mr. Yu Xugang

* *For the purpose of this announcement and unless otherwise specified, the English translation of the name of the companies incorporated in the PRC are used for identification purpose only*

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

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its publication and on the Company’s website at www.dfport.com.hk.