

Interim Report 2015

Dafeng Port Heshun Technology Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8310



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “**Directors**”) of Dafeng Port Heshun Technology Company Limited (the “**Company**”) 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 (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 report 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 report misleading.

The board of Directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2015 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2015

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	70,345	95,450	135,444	184,407
Cost of sales		(61,855)	(77,964)	(119,284)	(156,747)
Gross profit		8,490	17,486	16,160	27,660
Other income	5	884	1,039	4,251	3,488
Administrative expenses		(17,492)	(18,995)	(36,486)	(37,659)
Finance costs	6	(132)	(369)	(312)	(645)
Share of results of associates		(58)	690	(1,160)	268
Loss before taxation	6	(8,308)	(149)	(17,547)	(6,888)
Taxation	7	(161)	(487)	(201)	(508)
Loss for the period		(8,469)	(636)	(17,748)	(7,396)
Other comprehensive (loss) income:					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		–	(212)	–	31
Total comprehensive loss for the period		(8,469)	(848)	(17,748)	(7,365)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2015

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to:					
Equity holders of the Company		(7,240)	(925)	(15,841)	(7,946)
Non-controlling interests		(1,229)	289	(1,907)	550
		(8,469)	(636)	(17,748)	(7,396)
Total comprehensive loss attributable to:					
Equity holders of the Company		(7,240)	(1,137)	(15,841)	(7,915)
Non-controlling interests		(1,229)	289	(1,907)	550
		(8,469)	(848)	(17,748)	(7,365)
Loss per share attributable to equity holders of the Company					
Basic and Diluted (HK cents)	9	(0.65)	(0.11)	(1.41)	(0.95)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	Unaudited As at 30 June 2015 HK\$'000	Audited As at 31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment	10	15,977	17,095
Interests in associates		10,050	11,460
		26,027	28,555
Current assets			
Trade and other receivables	11	66,254	80,433
Pledged bank deposits	12(a)	2,900	155
Bank balances and cash	12	80,488	92,380
		149,642	172,968
Current liabilities			
Trade and other payables	13	53,690	57,336
Current portion of interest-bearing borrowings	14	2,679	6,909
Taxation		1,822	1,992
		58,191	66,237
Net current assets		91,451	106,731
Total assets less current liabilities		117,478	135,286
Non-current liabilities			
Non-current portion of interest-bearing borrowings	14	2,882	2,942
Deferred tax liabilities		634	634
		3,516	3,576
NET ASSETS		113,962	131,710

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		Unaudited As at 30 June 2015 HK\$'000	Audited As at 31 December 2014 HK\$'000
	Note		
Capital and reserves			
Share capital	15	11,200	11,200
Reserves		101,943	117,784
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Total equity attributable to equity holders of the Company		113,143	128,984
Non-controlling interests		819	2,726
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TOTAL EQUITY		113,962	131,710

CONDENSED CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the six months ended 30 June 2015

	Total equity attributable to equity holders of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000		
At 1 January 2014 (audited)	8,000	28,090	(7,337)	1,332	170	(6,857)	43,552	66,950	2,028	68,978
Loss for the period	-	-	-	-	-	-	(7,946)	(7,946)	550	(7,396)
Exchange difference arising from translation of foreign operations	-	-	-	31	-	-	-	31	-	31
Total comprehensive income for the period	-	-	-	31	-	-	(7,946)	(7,915)	550	(7,365)
Transaction with owners										
Placing of shares	1,600	41,920	-	-	-	-	-	43,520	-	43,520
Share placement expenses	-	(1,164)	-	-	-	-	-	(1,164)	-	(1,164)
Total transaction with owners	1,600	40,756	-	-	-	-	-	42,356	-	42,356
At 30 June 2014 (unaudited)	9,600	68,846	(7,337)	1,363	170	(6,857)	35,606	101,391	2,578	103,969

	Attributable to equity holders of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000		
At 1 January 2015 (audited)	11,200	106,171	(7,337)	1,360	170	(6,857)	24,277	128,984	2,726	131,710
Loss for the period	-	-	-	-	-	-	(15,841)	(15,841)	(1,907)	(17,748)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(15,841)	(15,841)	(1,907)	(17,748)
At 30 June 2015 (unaudited)	11,200	106,171	(7,337)	1,360	170	(6,857)	8,436	113,143	819	113,962

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Cash used in operations	(5,688)	(26,796)
Interest paid	(312)	(645)
Tax paid	(371)	(1,335)
Net cash used in operating activities	(6,371)	(28,776)
Net cash (used in) generated from investing activities	(1,480)	2,711
Net cash (used in) generated from financing activities	(4,041)	47,245
Net (decrease) increase in cash and cash equivalents	(11,892)	21,180
Cash and cash equivalents at beginning of the period	92,380	36,890
Effect on exchange rate changes	-	33
Cash and cash equivalents at end of the period	80,488	58,103

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATION INFORMATION

The Company was incorporated in the Cayman Islands on 13 September 2011 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards (“**HKAS**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Interim Financial Statements also complies with the applicable disclosure requirements under the GEM Listing Rules.

The Interim Financial Statements have been prepared on a basis consistent with the accounting policies adopted in the Group’s audited financial statements for the year ended 31 December 2014.

Adoption of new/revised HKFRS

The adoption of the new/revised HKFRS that are relevant to the Group and effective from the current period, did not have any significant effect on the results and financial position of the Group for the current and prior accounting periods.

The Group has not early adopted any new/revised HKFRS that have been issued but are not yet effective for the current period. The Directors have already commenced an assessment of the impact of these new and revised HKFRS but are not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group’s results of operations and financial position.

3. SEGMENT INFORMATION

The chief operating decision maker has been identified collectively as the executive Directors. An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group’s executive directors in order to allocate resources and assess performance of the segment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

For management purposes, the Group is currently organised into the following operating segments:

Operating segments	Principal activities
— Integrated logistics freight services	— Provision of ocean freight and land transportation and container drayage services — Provision of ocean freight forwarding services — Provision of air freight forwarding services — Provision of feeder container storage facilities and hiring services of barges and vehicles
— Provision of fuel cards	— Provision of fuel cards
— Tractor repairs and maintenance services and insurance agency services	— Tractor repairs and maintenance — Provision of insurance agency services

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segments assets include all property, plant and equipment, receivables, bank deposits and cash and cash equivalents other than interests in associates and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segment liabilities other than unallocated head office and corporate liabilities which are managed on a group basis and certain other payables and accrued charges.

Revenues and expenses are allocated to the reporting segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment results is profit before taxation without allocation of share of results of associates and other unallocated corporate expenses and income. For the purpose of assessing the performance of the operating segments and allocation of resources between segments, the Group's results are further adjusted for items not specifically attributed to individual segments and other head office or corporate administration costs.

Inter-segment sales transactions are charged at prevailing market prices.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

Operating segments

Segment information is presented below:

For the six months ended 30 June 2015

	Integrated logistics freight services HK\$'000	Provision of fuel cards HK\$'000	Tractor repair and maintenance services and insurance agency services HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue (from external customers)	123,458	11,663	323	-	135,444
— Inter-segment revenue	18,833	1,312	1,344	(21,489)	-
Total revenue	142,291	12,975	1,667	(21,489)	135,444
Results					
Segment result	(11,330)	667	64	-	(10,599)
Share of result of associates					(1,160)
Other unallocated corporate income					209
Other unallocated corporate expenses					(5,997)
Loss before taxation					(17,547)
Taxation					(201)
Loss for the period					(17,748)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

For the six months ended 30 June 2014

	Integrated logistics freight services HK\$'000	Provision of fuel cards HK\$'000	Tractor repair and maintenance services and insurance agency services HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Revenue (from external customers)	169,388	14,773	246	-	184,407
— Inter-segment revenue	24,408	1,716	1,711	(27,835)	-
Total revenue	193,796	16,489	1,957	(27,835)	184,407
Results					
Segment result	(3,263)	610	(149)	-	(2,802)
Share of results of associates					268
Other unallocated corporate expenses					(4,354)
Loss before taxation					(6,888)
Taxation					(508)
Loss for the period					(7,396)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. REVENUE

Revenue, which represents income from provision of integrated logistics freight services, provision of fuel cards and tractor repair and maintenance services and insurance agency services, is analysed by category as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from provision of integrated logistics freight services	63,983	87,507	123,458	169,388
Income from provision of fuel cards	6,262	7,873	11,663	14,773
Tractor repair and maintenance services and insurance agency services fee	100	70	323	246
	70,345	95,450	135,444	184,407

5. OTHER INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	5	4	234	9
Exchange gain	41	–	75	56
Gain on disposal of property, plant and equipment	488	489	3,123	2,572
Management fee income	87	102	174	204
Sundry income	263	444	645	647
	884	1,039	4,251	3,488

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

6. LOSS BEFORE TAXATION

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
This is stated after charging:				
Finance costs				
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	67	314	174	530
Finance charge on obligations under finance leases	65	55	138	115
	132	369	312	645
Other items				
Depreciation	1,608	2,017	3,210	4,114
Operating lease payments on premises	3,132	4,019	6,276	8,474
Staff costs				
Salaries, allowance and the other short-term employee benefits including directors' emoluments	12,598	12,443	25,758	25,256
Contributions to defined contribution plans	966	958	1,952	1,960
	13,564	13,401	27,710	27,216

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) of the estimated assessable profits for the period. The People's Republic of China (the "PRC") Enterprise Income Tax is calculated at the prevailing tax rate at 25% (2014: 25%) on taxable income determined in accordance with the relevant laws and regulations in the PRC.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Hong Kong Profits Tax				
— Current period	80	330	120	330
PRC Enterprise Income Tax				
— Current period	—	6	—	6
— Under-provision in prior period	81	151	81	172
	81	157	81	178
Total income tax recognized in profit or loss	161	487	201	508

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 June 2015 and 2014 are calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	7,240	925	15,841	7,946
Weighted average number of ordinary shares in issue	1,120,000,000	880,879,120	1,120,000,000	840,662,983
Basic loss per share (HK cents)	0.65	0.11	1.41	0.95

Basic and diluted loss per share are the same as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2015 and 2014.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of plant and machinery with a cost of approximately HK\$2.6 million (2014: HK\$0.88 million). Items of plant and machinery with a net book value of approximately HK\$0.5 million were disposed of during the six months ended 30 June 2015 (2014: HK\$1.16 million), resulting in a gain on disposal of approximately HK\$3.12 million (2014: HK\$2.57 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Trade receivables	49,556	59,400
Other receivables		
Deposits, prepayments and other debtors	15,278	19,007
Due from associates	11(a) 1,420	2,026
	16,698	21,033
	66,254	80,433

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

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Outstanding balances which aged:		
90 days or below	47,603	54,783
91–180 days	1,463	4,191
181–365 days	490	282
More than 365 days	–	144
	49,556	59,400

The Group allows a credit period of 60 to 90 days to its trade debtors.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Neither past due nor impaired	33,907	39,834
Within 90 days	14,821	16,508
91–180 days	534	2,873
181–365 days	294	166
More than 365 days	–	19
Past due but not impaired	15,649	19,566
	49,556	59,400

Included in the Group's trade receivables balance are debtors with carrying amounts of approximately HK\$16 million as at 30 June 2015 (31 December 2014: HK\$20 million) which are past due at the end of the reporting period but which the Group has not impaired as there have not been any significant changes in credit quality and the Directors believe that the amounts are fully recoverable. The management had reviewed the subsequent settlement status and repayment history of these customers and no provision for doubtful debt is considered necessary. The Group does not hold any collateral over these balances.

Receivables that were neither past due nor impaired as at 30 June 2015 and 31 December 2014 relate to a wide range of customers for whom there was no history of default.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

11(a) DUE FROM ASSOCIATES

The amounts due are unsecured, interest-free and have no fixed term of repayment.

12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Bank balances and cash	80,488	92,380

Cash at bank earns interest at floating rates based on daily bank deposit rates.

12(a) PLEDGED BANK DEPOSITS

At 30 June 2015 and 31 December 2014, pledged bank deposits of the Group mainly represent bank deposits pledged to a bank against the general banking facilities as mentioned in note 17 to the unaudited Interim Financial Statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. TRADE AND OTHER PAYABLES

	Note	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Trade payables		32,249	34,412
Other payables			
Accrued charges and other creditors		12,852	13,777
Due to associates	13(a)	8,589	9,147
		21,441	22,924
		53,690	57,336

The ageing analysis of trade payables is as follows:

		Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
90 days or below		29,346	32,300
91–180 days		2,903	1,958
181–365 days		–	154
		32,249	34,412

13(a) DUE TO ASSOCIATES

The amounts due are unsecured, interest-free and have no fixed repayment term.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

14. INTEREST-BEARING BORROWINGS

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Loan from a third party	1,000	5,500
Obligations under finance leases	4,561	4,351
	5,561	9,851
Current portion		
Portion of interest-bearing borrowings due for repayment within one year		
— Obligations under finance leases	1,679	1,409
— Loan from a third party	1,000	5,500
	2,679	6,909
Non-current portion		
— Obligations under finance leases	2,882	2,942
Total interest-bearing borrowings	5,561	9,851
	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Analysed as follows:		
Secured	4,561	4,351
Unsecured	1,000	5,500
	5,561	9,851

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. SHARE CAPITAL

	30 June 2015		31 December 2014	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised				
At 1 January 2015/2014	10,000,000,000	100,000	10,000,000,000	100,000
At 30 June 2015/31 December 2014	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At 1 January 2015/2014	1,120,000,000	11,200	800,000,000	8,000
Placing of new shares (note)	-	-	320,000,000	3,200
At 30 June 2015/31 December 2014	1,120,000,000	11,200	1,120,000,000	11,200

Note: On 16 May 2014, 160,000,000 ordinary shares of HK\$0.01 each were issued by way of placing at HK\$0.272 per share for cash consideration of HK\$43,520,000. The excess of placing price over the par value of the share issued, net of placing expenses of HK\$1,164,000, was credited to the share premium account.

On 17 July 2014, 160,000,000 ordinary shares of HK\$0.01 each were issued by way of placing at HK\$0.25 per share for cash consideration of HK\$40,000,000. The excess of placing price over the par value of the share issued, net of placing expenses of HK\$1,075,000, was credited to the share premium account.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

16. RELATED PARTY TRANSACTIONS

During the period, save as disclosed elsewhere in the Interim Financial Statements, the Group had the following transactions with related parties:

(a) Significant related party transactions

	Unaudited 30 June 2015 HK\$'000	Unaudited 30 June 2014 HK\$'000
Ocean freight income received from:		
Echo Chain Shipping Limited	3,854	4,449
Ocean freight charge paid to:		
Echo Chain Shipping Limited	34	252
Vanco Logistics Limited	–	13
Management fee income received from:		
Full & Fame Oil Product Agency Limited	174	174
Equipment rental received from:		
Earnward Warehouse Limited	–	554
Vanco Logistics Limited	62	78
Echo Chain Shipping Limited	381	381
Fuel and oil fee received from:		
Vanco Logistics Limited	156	420
Fuel and oil fee paid to:		
Full & Fame Oil Product Agency Limited	1,301	2,144
Administrative expenses paid to:		
Earnward Warehouse Limited	21	70

Note:

- Echo Chain Shipping Limited, Vanco Logistics Limited, Full & Fame Oil Product Agency Limited and Earnward Warehouse Limited are associates of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(b) Key management personnel remuneration

The remuneration of Directors, who are also identified as key management personnel of the Group, during the period is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries allowance and the other short-term employee benefits	977	396	1,608	1,029
Contribution to defined contribution plans	5	4	9	12
	982	400	1,617	1,041

17. PLEDGE OF ASSETS/BANKING FACILITIES

The details of pledge of assets and the banking facilities granted to the Group are summarized as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Total banking facilities granted to the Group	16,600	26,100
Total utilized banking facilities	2,900	7,491

As the end of the reporting period, the Group had obtained several banking facilities amount of HK\$16,600,000 (31 December 2014: HK\$26,100,000).

- (a) pledged bank deposits as shown in the note 12(a) to the Interim Financial Statements;
- (b) HK\$16,600,000 facilities are cross guaranteed among certain subsidiaries of the Group as at 30 June 2015 (31 December 2014: HK\$26,100,000 of which HK\$16,100,000 facilities were guaranteed by the Company).

18. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 12 August 2015.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2015 (the “**Period**”), the Group is 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 the Period under review.

Our integrated logistics freight services can be divided into below categories during the Period under review:

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 the Period under review, the Group’s containers throughput (to and from Hong Kong and PRD region) decreased by 28.4% to 89,556 Twenty-foot Equivalent Units (“**TEU**”) for the Period from 125,017 TEUs for the corresponding period in 2014. The Group recorded a decrease of 23% of revenue in the land and ocean freight services to approximately HK\$117 million (2014: HK\$152 million).

During the Period, the Group had disposed certain redundant and old facilities and recognized a gain of approximately HK\$3.1 million (2014: HK\$2.6 million) to mitigate the negative impact on the decline in revenue.

(b) Air freight forwarding services

During the Period under review, the Group continued to focus on its air freight forwarding services within the East Asia region. The air freight forwarding services income decreased to approximately HK\$4.6 million for the Period (2014: HK\$17 million). The air freight forwarding services were adversely affected by weak air cargo demand, the Group will continue to keep track of the economic environment and review the future allocation of resources as and when required.

(c) Operation equipment rental services

During the Period under review, the Group recorded an income from operation equipment rental services of approximately HK\$1.6 million (2014: HK\$0.3 million). The Group will continue lease out the unutilized equipment to increase source of income.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$15 million for the six months ended 30 June 2014 to approximately HK\$12 million for the Period.

(a) Provision of fuel cards

During the Period, the decrease in the Group's supporting services income was mainly driven by the decrease in income from provision of fuel cards of approximately 21.1%. The Group will continue to increase marketing efforts for the promotion discount offered to our clients.

(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 the Period. The relevant revenue increased by approximately 31.3% during the Period as compared with the corresponding period in 2014.

OUTLOOKS

Looking forward, the Group will continue to engage in the integrated logistics freight service. The Group will also continue to enhance the core business in land and ocean freight services and explore other business and investment opportunities to diversify the revenue stream and business portfolios to enhance the interest of the shareholders of the Company.

FINANCIAL REVIEW

The Group's revenue declined by approximately 26.6% to approximately HK\$135 million for the Period (2014: HK\$184 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 23.9% to approximately HK\$119 million for the Period (2014: HK\$157 million), mainly driven by the decline in revenue from integrated logistics freight services.

With the combined effects of revenue and cost of sales, the Company's gross profit margin decreased to 11.9% for the Period from 15% for the corresponding period in 2014.

The Group's finance costs amounted to approximately HK\$312,000 for the Period (2014: HK\$645,000), the finance costs consist of interests on bank loans, overdrafts and other borrowings as well as the finance charge on obligation under finance lease.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded the loss for the Period of approximately HK\$17,748,000 (2014: approximately HK\$7,396,000). The loss attributable to the equity holders of the Company was approximately HK\$15,841,000 (2014: approximately HK\$7,946,000) and the loss per share was approximately 1.41 HK cents (2014: 0.95 HK cents).

Liquidity and financial resources

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

As at 30 June 2015, the Group had net current assets of approximately HK\$91.5 million (31 December 2014: approximately HK\$106.7 million) including bank balances and cash equivalents of approximately HK\$80.5 million (31 December 2014: approximately HK\$92.4 million).

The Group's equity capital and bank borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 30 June 2015 was 2.57 (31 December 2014: 2.61).

As at 30 June 2015, the Group's gearing ratio (defined as the ratio of total debts to total equity) was 4.9% (31 December 2014: 7.5%).

Capital structure

As at 30 June 2015, the Group's total equity attributable to equity holders of the Company amounted to HK\$113,143,000 (31 December 2014: HK\$128,984,000). The capital of the Company mainly comprises ordinary shares and capital reserves.

Dividend

The Board does not recommend the payment of an interim dividend in respect of the Period (2014: Nil).

Change of company name

On 15 May 2015, the English name of the Company was changed to "Dafeng Port Heshun Technology Company Limited" and "大豐港和順科技股份有限公司" was adopted as the dual foreign name in Chinese of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Change of controlling shareholder and mandatory conditional cash offer

On 22 January 2015, Dafeng Port Overseas Investment Holdings Limited (“**Dafeng Port**” or the “**Offeror**”) and Golden Fame International Investments Group Limited entered into a sale and purchase agreement (the “**SP Agreement**”) in respect of the acquisition by the Offeror of the 520,000,000 shares of the Company (the “**Sale Shares**”) for a consideration of HK\$197,600,000 (being HK\$0.38 per Sale Share). The Sale Shares represented approximately 46.43% of the entire issued share capital of the Company. Completion of the SP Agreement took place on 23 January 2015. Immediately after the completion of the SP Agreement, the Offeror was interested in 520,000,000 Sale Shares, representing approximately 46.43% of the existing issued share capital of the Company.

On 30 January 2015, Somerley Capital Limited and Kingston Securities Limited, on behalf of Dafeng Port, made mandatory conditional cash offer (the “**Share Offer**”) to acquire all the outstanding issued shares of the Company (the “**Offer Shares**”) (other than those shares already owned by Dafeng Port and parties acting in concert with it) in accordance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”).

On 25 March 2015 being the final closing date, the Offeror had received valid acceptances of 220,040,000 Offer Shares, representing approximately 19.65% of the existing issued share capital of the Company. Valid acceptances of the Share Offer together with 520,000,000 shares already held by the Offeror and the parties acting in concert with it, they are interested in an aggregate of 740,040,000 shares, representing approximately 66.08% of the issued share capital of the Company.

For details of the SP Agreement and the Share Offer, please refer to the joint announcements of Dafeng Port and the Company dated 30 January 2015, 18 February 2015, 27 February 2015, 11 March 2015 and 25 March 2015 and the composite offer and response document dated 18 February 2015 jointly issued by the Offeror and the Company.

Significant investment

Save as disclosed in this report, the Group did not have any significant investment as at 30 June 2015.

Future plans for material investments or capital assets

Save as disclosed in this report, there was no specific plan for material investments or capital assets as at 30 June 2015.



MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposals of subsidiaries and associated companies

The Group has no material acquisitions and disposals of subsidiaries and associated companies during the Period.

Pledge of assets

The Group used facilities from its bank and other borrowings to finance its expansion of its business. Secured borrowings are secured by the Group's property, plant and equipment, having carrying amounts of approximately HK\$4 million as at 30 June 2015 (31 December 2014: HK\$4 million), and pledged bank deposits of HK\$2.9 million as at 30 June 2015 (31 December 2014: HK\$0.2 million).

Foreign currency exposure

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

Employees and emolument policy

As at 30 June 2015, the Group employed a total of 294 employees (31 December 2014: 321 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK\$28 million (2014: HK\$27 million).

The Group reviews 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 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison between future plans and prospects and actual business progress

An analysis comparing the future plans and prospects as contained in the prospectus of the Company dated 14 August 2013 (“**Prospectus**”) with the Group’s actual business progress from 7 August 2013, being the latest practicable date as defined in the Prospectus, to 30 June 2015 (the “**Relevant Period**”) is set out below:

	Future plans and prospects	Actual business progress during the Relevant Period
1. Expanding core business	Explore new route in the PRD region	The Group is exploring new route in the PRD region
2. Value-added logistics services	Research and development of Vendor Inventory System (the “ VIM System ”)	The Group is selecting VIM Systems that are available in the market for customization
3. Expanding air-freight forwarding services	Explore business opportunities	The Group’s managements has been exploring suitable opportunities with the new Airline General Sales & Services Agency (the “ GSSA ”) partnerships
4. Trade centre development	Identify potential land and build trade centre	The Group is assessing the presented proposals land for trade centre in the area of PRC
5. Repayment of loans	Repayment of loans	The loan has been duly repaid as planned
6. Acquiring the remaining interest of Win Top Shipping Company Limited (“ Win Top ”), a subsidiary company of the Group	Complete acquisition of Win Top	The acquisition has been completed

MANAGEMENT DISCUSSION AND ANALYSIS

Use of proceeds

The net proceeds from the listing by way of placing (the “**IPO Placing**”) were approximately HK\$40 million, being the same amount as disclosed in the Prospectus. During the Relevant Period, the net proceeds from the IPO Placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus during the Relevant Period HK\$ million	Actual use of proceeds during the Relevant Period HK\$ million (Approximate)
Expanding the market share of our Group’s core business	2.50	2.50
Developing high value-added logistics service and distribution service for international brands in Hong Kong	9.00	0
Expanding air-freight forwarding business	7.40	0.50
Developing an area as a centre for the clients to store, inspect and check the quality of clients’ goods with other value-added services	2.00	0
Repaying some existing loans	2.60	2.60
Acquiring the remaining interests of Win Top	13.00	13.00
	36.50	18.60

Notes:

- a. Save as above, HK\$3.5 million had been applied as general working capital of the Group.
- b. The future plans and prospects as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The uses of proceeds were applied in accordance with the actual development of the markets:
 1. The Group is selecting VIM Systems that are available in the market for customization, however, no actual capital has been invested in the development of VIM Systems.
 2. The Group’s managements has, up through the track record periods, not yet explored any suitable opportunities with new airline companies for new GSSA partnerships to expand its GSSA network, and, no actual capital has been invested in the process.
 3. The loan of HK\$2.60 million has been repaid as planned during the Relevant Period.
 4. The transaction has been completed during the Relevant Period and the Group’s interest in Win Top and its wholly-owned subsidiary have been increased to 100%.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2015, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and to recognize and acknowledge the contributions that eligible persons had made or may make to the Group. The Scheme has been adopted pursuant to the written resolutions of the sole shareholder of the Company passed on 3 August 2013. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options were granted, exercised or cancelled by the Company under the Scheme during the Period and there were no outstanding share options under the Scheme as at 30 June 2015 and at the date of this report.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, 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:

Name of shareholders	Capacity/ Nature of interests	Number of shares held (Note 1)	% of the Company's issued share capital (Approximate)
Dafeng Port (Note 2)	Beneficial owner	740,040,000 (L)	66.08%
江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbor Holdings Limited*) (" Jiangsu Dafeng ") (Note 3)	Interest of controlled corporation	740,040,000 (L)	66.08%
大豐市人民政府 (the People's Government of Dafeng City*) (" PGDC ") (Note 3)	Interest of controlled corporation	740,040,000 (L)	66.08%

Notes:

1. The letter "L" denotes a long position in the interest in the issued share capital of the Company.
2. Dafeng Port, 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 PGDC.
3. Jiangsu Dafeng and PGDC are deemed to be interested in the shares held by Dafeng Port under the SFO.

Save as disclosed above, as at 30 June 2015, 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.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Asian Capital (Corporate Finance) Limited ("**Asian Capital**"), the compliance adviser of the Company, neither Asian Capital nor its directors or employees or associates had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 30 June 2015, except as disclosed in the Prospectus.

Asian Capital received and will receive fees for acting as the compliance adviser of the Company.

COMPETING INTERESTS

None of the Directors and controlling shareholders of the Company nor their respective close associates (as defined under the GEM Listing Rules) had any interest in any other companies as at 30 June 2015 which may, directly or indirectly, compete with the Group's business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the Period.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied all the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules for the Period except the followings:

Pursuant to Code Provision I(f) and Rule 5.05A of the GEM Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board. Reference is made to the announcement dated 18 February 2015, jointly issued by Dafeng Port and the Company in respect of the appointments of Mr. Ni Xiangrong, Mr. Wang Yijun, Mr. Shum Kan Kim and Mr. Ji Longtao, the number of independent non-executive Directors fell below one-third of the Board members. Following the resignations of Mr. Lo Wong Fung, Mr. Jiang Tan Shan and Mr. Ho Chi Ho on 12 March 2015, the Company had been in compliance with the requirement under Rule 5.05A of the GEM Listing Rules with independent non-executive Directors representing one-third of the Board.



OTHER INFORMATION

Pursuant to Code Provision A.6.7, independent non-executive directors should attend general meetings. Mr. Wang Zongbo (retired as an independent non-executive Director on 15 May 2015) was unable to attend an annual general meeting of the Company due to his other prior engagements.

AUDIT COMMITTEE

An audit committee of the Company (the “**Audit Committee**”) has been established on 3 August 2013 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. The members of the Audit Committee comprise Mr. Luk Chi Shing, Dr. Bian Zhaoxiang and Mr. Zhang Fangmao, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Luk Chi Shing. The primary duties of the Audit Committee are mainly to make recommendations to our 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 our Group.

The Interim Financial Statements have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the Interim Financial Statements complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

APPRECIATION

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, the continuing support of our business partners, customers and the Company’s shareholders.

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

Hong Kong, 12 August 2015

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

<i>Executive Directors</i>	<i>Non-executive Directors</i>	<i>Independent Non-executive Directors</i>
Mr. Ni Xiangrong <i>(Chairman)</i>	Mr. Ji Longtao Mr. Yang Yue Xia	Dr. Bian Zhaoxiang Dr. Pang Jianming Mr. Luk Chi Shing Mr. Zhang Fangmao
Mr. Wang Yijun Mr. Shum Kan Kim Mr. Lo Ka Man		