

Third Quarterly Report 2015

Dafeng Port Heshun Technology Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8310



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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, 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 nine months ended 30 September 2015 (the “**Third Quarterly 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 nine months ended 30 September 2015

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	3	66,345	94,966	201,789	279,373
Cost of sales		(54,852)	(79,828)	(174,136)	(236,575)
Gross profit		11,493	15,138	27,653	42,798
Other income		1,399	893	5,650	4,381
Administrative expenses		(17,968)	(18,039)	(54,454)	(55,698)
Finance costs		(80)	(367)	(392)	(1,012)
Share of results of associates		158	(15)	(1,002)	253
Loss before taxation	4	(4,998)	(2,390)	(22,545)	(9,278)
Taxation	5	–	(281)	(201)	(789)
Loss for the period		(4,998)	(2,671)	(22,746)	(10,067)
Other comprehensive (loss) income:					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		(218)	(3)	(218)	28
Total comprehensive loss for the period		(5,216)	(2,674)	(22,964)	(10,039)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2015

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Loss attributable to:					
Equity holders of the Company		(3,030)	(2,799)	(18,871)	(10,745)
Non-controlling interests		(1,968)	128	(3,875)	678
		(4,998)	(2,671)	(22,746)	(10,067)
Total comprehensive loss attributable to:					
Equity holders of the Company		(3,248)	(2,802)	(19,089)	(10,717)
Non-controlling interests		(1,968)	128	(3,875)	678
		(5,216)	(2,674)	(22,964)	(10,039)
Loss per share attributable to equity holders of the Company					
Basic and Diluted (HK cents)	7	(0.27)	(0.26)	(1.68)	(1.16)

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 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 Third Quarterly 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 Third Quarterly Financial Statements also complies with the applicable disclosure requirements under the GEM Listing Rules.

The Third Quarterly 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.

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2015

3. 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 September		Unaudited Nine months ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from provision of integrated logistics freight services	59,841	86,034	183,299	255,422
Income from provision of fuel cards	6,203	8,221	17,866	22,994
Tractor repair and maintenance services and insurance agency services fee	301	711	624	957
	66,345	94,966	201,789	279,373

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	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	20	323	194	853
Finance charge on obligations under finance leases	60	44	198	159
	80	367	392	1,012
Other items				
Depreciation	1,504	1,988	4,714	6,102
Operating lease payments on premises	3,001	2,875	9,277	11,349

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2015

5. 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 September		Unaudited Nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current tax				
Hong Kong Profits Tax				
— Current period	–	250	120	580
PRC Enterprise Income Tax				
— Current period	–	31	–	37
— Under-provision in prior period	–	–	81	172
	–	31	81	209
Total income tax recognized in profit or loss	–	281	201	789

6. DIVIDEND

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

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2015

7. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 30 September 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 September		Unaudited Nine months ended 30 September	
	2015	2014	2015	2014
Loss attributable to equity holders of the Company (HK\$'000)	3,030	2,799	18,871	10,745
Weighted average number of ordinary shares in issue	1,120,000,000	1,092,173,913	1,120,000,000	925,421,246
Basic loss per share (HK cents)	0.27	0.26	1.68	1.16

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

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2015

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total Equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	-	-	(10,745)	(10,745)	678	(10,067)
Exchange difference arising from translation of foreign operations	-	-	-	28	-	-	-	28	-	28
Total comprehensive loss for the period	-	-	-	28	-	-	(10,745)	(10,717)	678	(10,039)
Transactions with owners										
Placing of shares	3,200	80,320	-	-	-	-	-	83,520	-	83,520
Share placement expenses	-	(2,239)	-	-	-	-	-	(2,239)	-	(2,239)
Total Transactions with owners	3,200	78,081	-	-	-	-	-	81,281	-	81,281
At 30 September 2014 (unaudited)	11,200	106,171	(7,337)	1,360	170	(6,857)	32,807	137,514	2,706	140,220

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2015

	Attributable to equity holders of the Company							Total HK\$'000	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			
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	-	-	-	-	-	-	(18,871)	(18,871)	(3,875)	(22,746)
Exchange difference arising from translation of foreign operations	-	-	-	(218)	-	-	-	(218)	-	(218)
Total comprehensive loss for the period	-	-	-	(218)	-	-	(18,871)	(19,089)	(3,875)	(22,964)
At 30 September 2015 (unaudited)	11,200	106,171	(7,337)	1,142	170	(6,857)	5,406	109,895	(1,149)	108,746

9. APPROVAL OF THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

The Third Quarterly Financial Statements were approved and authorised for issue by the Board on 11 November 2015.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 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 28.6% to 135,832 Twenty-foot Equivalent Units (“**TEU**”) for the Period from 190,349 TEUs for the corresponding period in 2014. The Group recorded a decrease of 22.8% of revenue in the land and ocean freight services to approximately HK\$176 million (2014: HK\$228 million).

During the Period, the Group had disposed certain redundant and old facilities and recognized a gain of approximately HK\$4.2 million (2014: HK\$3.2 million) to mitigate the negative impact on the decline in revenue.

(b) Air freight forwarding services

During the Period under review, 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 the Period (2014: HK\$26 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\$2.4 million (2014: HK\$1 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\$24 million for the nine months ended 30 September 2014 to approximately HK\$18 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 22.3%. 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 decreased by approximately 34.8% 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. In this regard, the Group intends to develop and extend into the trading of oil business, with a view to diversifying 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 27.8% to approximately HK\$202 million for the Period (2014: HK\$279 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 26.4% to approximately HK\$174 million for the Period (2014: HK\$237 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 13.7% for the Period from 15.3% for the corresponding period in 2014.

The Group's finance costs amounted to approximately HK\$392,000 for the Period (2014: HK\$1,012,000), 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\$22,746,000 (2014: approximately HK\$10,067,000). The loss attributable to the equity holders of the Company was approximately HK\$18,871,000 (2014: approximately HK\$10,745,000) and the loss per share was approximately 1.68 HK cents (2014: 1.16 HK cents).

Capital structure

As at 30 September 2015, the Group's total equity attributable to equity holders of the Company amounted to HK\$109,895,000 (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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 September 2015, the interests and short positions of each director and chief executive of the Company 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, were as follows:

Long positions in shares of the Company

Name of Director	Capacity/ Nature of interests	Number of shares held	% of the Company's issued share capital (Approximate)
Mr. Wang Zhi Qiang	Interest of spouse (Note)	60,000	0.01%

Note: These shares were registered in the name of Ms. Gu Ming Ming who is the spouse of Mr. Wang Zhi Qiang. Under the SFO, Mr. Wang Zhi Qiang was deemed to be interested in these shares held by his spouse.

Save as disclosed above, as at 30 September 2015, none of the Directors and chief executives of the Company had any other 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 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.

OTHER INFORMATION

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 September 2015 and at the date of this report.

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

As at 30 September 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%

* For identification purpose only



OTHER INFORMATION

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 September 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.

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 September 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 associates (as defined under the GEM Listing Rules) had any interest in any other companies as at 30 September 2015 which may, directly or indirectly, compete with the Group’s business.

OTHER INFORMATION

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.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 17.50(A) of the GEM Listing Rules, the change in information of the Director since the date of the interim report of the Company for the six months ended 30 June 2015 is set out below:

Name of Director	Details of change
Mr. Luk Chi Shing	resigned as an independent non-executive director of China Mobile Games and Cultural Investment Limited (stock code: 8081) with effect from 1 September 2015

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 following:

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.

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.



OTHER INFORMATION

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 Third Quarterly 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 Third Quarterly 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, 11 November 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	Dr. Bian Zhaoxiang
Mr. Wang Yijun	Mr. Yang Yue Xia	Dr. Pang Jianming
Mr. Shum Kan Kim		Mr. Luk Chi Shing
Mr. Wang Zhi Qiang		Mr. Zhang Fangmao
Mr. Lo Ka Man		