



Dafeng Port Heshun Technology Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8310



**INTERIM
REPORT 2016**

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 2016 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2016

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	4	59,195	70,345	108,539	135,444
Cost of sales		(48,514)	(61,855)	(90,649)	(119,284)
Gross profit		10,681	8,490	17,890	16,160
Other income	5	839	884	1,762	4,251
Administrative expenses		(16,150)	(17,492)	(30,367)	(36,486)
Finance costs	6	(46)	(132)	(200)	(312)
Investment loss		(968)	-	(968)	-
Share of results of associates		134	(58)	140	(1,160)
Loss before taxation	6	(5,510)	(8,308)	(11,743)	(17,547)
Taxation	7	(76)	(161)	(16)	(201)
Loss for the period		(5,586)	(8,469)	(11,759)	(17,748)
Other comprehensive (loss) income:					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		(1,005)	-	(1,170)	-
Total comprehensive loss for the period		(6,591)	(8,469)	(12,929)	(17,748)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2016

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to:					
Equity holders of the Company		(5,578)	(7,240)	(11,741)	(15,841)
Non-controlling interests		(8)	(1,229)	(18)	(1,907)
		(5,586)	(8,469)	(11,759)	(17,748)
Total comprehensive loss attributable to:					
Equity holders of the Company		(6,583)	(7,240)	(12,911)	(15,841)
Non-controlling interests		(8)	(1,229)	(18)	(1,907)
		(6,591)	(8,469)	(12,929)	(17,748)
Loss per share attributable to equity holders of the Company					
Basic and Diluted (HK cents)	9	(0.47)	(0.65)	(1.02)	(1.41)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
Non-current assets			
Property, plant and equipment	10	15,268	13,408
Interests in associates		7,553	8,728
		22,821	22,136
Current assets			
Inventory		4,337	–
Trade and other receivables	11	67,295	61,452
Pledged bank deposits	12(a)	1,270	3,150
Bank balances and cash	12	144,762	73,579
		217,664	138,181
Current liabilities			
Trade and other payables	13	42,784	47,911
Current portion of interest-bearing borrowings	14	3,671	2,834
Taxation		1,619	2,150
		48,074	52,895
Net current assets		169,590	85,286
Total assets less current liabilities		192,411	107,422
Non-current liabilities			
Non-current portion of interest-bearing borrowings	14	3,187	2,197
Deferred tax liabilities		483	483
		3,670	2,680
NET ASSETS		188,741	104,742

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
	Note		
Capital and reserves			
Share capital	15	12,880	11,200
Reserves		175,544	93,207
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Total equity attributable to equity holders of the Company		188,424	104,407
Non-controlling interests		317	335
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TOTAL EQUITY		188,741	104,742

CONDENSED CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the six months ended 30 June 2016

	Total equity attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated profits	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'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

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated profits	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2016 (audited)	11,200	106,171	(7,337)	891	170	(6,857)	169	104,407	335	104,742
Loss for the period	-	-	-	-	-	-	(11,741)	(11,741)	(18)	(11,759)
Exchange difference arising from translation of foreign operations	-	-	-	(1,170)	-	-	-	(1,170)	-	(1,170)
Total comprehensive income for the period	-	-	-	(1,170)	-	-	(11,741)	(12,911)	(18)	(12,929)
Transaction with owners										
Placing of shares	1,680	95,760	-	-	-	-	-	97,440	-	97,440
Share placement expenses	-	(512)	-	-	-	-	-	(512)	-	(512)
Total transaction with owners	1,680	95,248	-	-	-	-	-	96,928	-	96,928
At 30 June 2016 (unaudited)	12,880	201,419	(7,337)	(279)	170	(6,857)	(11,572)	188,424	317	188,741

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Cash used in operations	(25,653)	(5,688)
Interest paid	(200)	(312)
Tax paid	218	(371)
Net cash used in operating activities	(25,635)	(6,371)
Net cash (used in) generated from investing activities	(2,108)	(1,480)
Net cash (used in) generated from financing activities	99,080	(4,041)
Net (decrease) increase in cash and cash equivalents	71,337	(11,892)
Cash and cash equivalents at beginning of the period	73,579	92,380
Effect on exchange rate changes	(155)	–
Cash and cash equivalents at end of the period	144,761	80,488

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 Companies Ordinance (Cap 622 of the Laws of Hong Kong). 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 2015.

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 2016

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 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
— Trading business	— Trading business

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 2016

Operating segments

Segment information is presented below:

For the six months ended 30 June 2016

	Integrated logistics freight services HK\$'000	Provision of fuel cards HK\$'000	Tractor repair and maintenance services and insurance agency services HK\$'000	Trading business HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Revenue (from external customers)	90,502	12,263	260	5,514	-	108,539
— Inter-segment revenue	14,818	1,824	1,156	-	(17,798)	-
Total revenue	105,320	14,087	1,416	5,514	(17,798)	108,539
Results						
Segment result	(4,708)	891	(244)	14	-	(4,047)
Share of result of associates						140
Other unallocated corporate income						-
Other unallocated corporate expenses						(7,836)
Loss before taxation						(11,743)
Taxation						(16)
Loss for the period						(11,759)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 results 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 2016

4. REVENUE

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from provision of integrated logistics freight services	46,761	63,983	90,502	123,458
Income from provision of fuel cards	6,750	6,262	12,263	11,663
Tractor repair and maintenance services and insurance agency services fee	170	100	260	323
Income from trading business	5,514	–	5,514	–
	59,195	70,345	108,539	135,444

5. OTHER INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	25	5	28	234
Exchange gain	409	41	541	75
Gain on disposal of property, plant and equipment	254	488	864	3,123
Management fee income	87	87	174	174
Sundry income	64	263	155	645
	839	884	1,762	4,251

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. LOSS BEFORE TAXATION

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	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	(22)	67	40	174
Finance charge on obligations under finance leases	68	65	160	138
	46	132	200	312
Other items				
Depreciation	1,438	1,608	2,743	3,210
Operating lease payments on premises	2,979	3,132	5,825	6,276
Staff costs				
Salaries, allowance and the other short-term employee benefits including directors' emoluments	10,913	12,598	21,990	25,758
Contributions to defined contribution plans	510	966	1,053	1,952
	11,423	13,564	23,043	27,710

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 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% (2015: 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	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Hong Kong Profits Tax				
— Current period	(1)	80	(61)	120
PRC Enterprise Income Tax				
— Current period	2	–	2	–
— Under-provision in prior period	75	81	75	81
	77	81	77	81
Total income tax recognized in profit or loss	76	161	16	201

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

9. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 June 2016 and 2015 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		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	5,578	7,240	11,741	15,841
Weighted average number of ordinary shares in issue	1,179,076,923	1,120,000,000	1,149,538,462	1,120,000,000
Basic loss per share (HK cents)	0.47	0.65	1.02	1.41

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 2016 and 2015.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of plant and machinery with a cost of approximately HK\$4.2 million (2015: HK\$2.6 million). Items of plant and machinery with a net book value of approximately HK\$0 million were disposed of during the six months ended 30 June 2016 (2015: HK\$0.5 million), resulting in a gain on disposal of approximately HK\$0.86 million (2015: HK\$3.12 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

11. TRADE AND OTHER RECEIVABLES

	Note	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Trade receivables		43,424	43,994
Other receivables			
Deposits, prepayments and other debtors		23,335	16,054
Due from associates	11(a)	536	1,404
		23,871	17,458
		67,295	61,452

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

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Outstanding balances which aged:		
90 days or below	42,645	40,313
91–180 days	477	3,540
181–365 days	235	1
More than 365 days	67	140
	43,424	43,994

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 2016

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

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Neither past due nor impaired	30,475	28,077
Within 90 days	12,024	13,848
91–180 days	140	1,895
181–365 days	785	85
More than 365 days	–	89
Past due but not impaired	12,949	15,917
	43,424	43,994

Included in the Group's trade receivables balance are debtors with carrying amounts of approximately HK\$13 million as at 30 June 2016 (31 December 2015: HK\$16 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 2016 and 31 December 2015 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 2016

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 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Bank balances and cash	144,762	73,579

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

12(a) PLEDGED BANK DEPOSITS

At 30 June 2016 and 31 December 2015, 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 2016

13. TRADE AND OTHER PAYABLES

	Note	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Trade payables		22,186	26,348
Other payables			
Accrued charges and other creditors		12,754	13,557
Due to associates	13(a)	7,844	8,006
		20,598	21,563
		42,784	47,911

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
90 days or below	20,800	22,664
91–180 days	1,291	3,684
181–365 days	95	–
	22,186	26,348

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 2016

14. INTEREST-BEARING BORROWINGS

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Loan from a third party	1,000	1,000
Obligations under finance leases	5,858	4,031
	6,858	5,031
Current portion		
Portion of interest-bearing borrowings due for repayment within one year		
— Obligations under finance leases	2,671	1,834
— Loan from a third party	1,000	1,000
	3,671	2,834
Non-current portion		
— Obligations under finance leases	3,187	2,197
Total interest-bearing borrowings	6,858	5,031
	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Analysed as follows:		
Secured	5,858	4,031
Unsecured	1,000	1,000
	6,858	5,031

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

15. SHARE CAPITAL

	30 June 2016		31 December 2015	
	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 2016/2015	10,000,000,000	100,000	10,000,000,000	100,000
At 30 June 2016/31 December 2015	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At 1 January 2016/2015	1,120,000,000	11,200	1,120,000,000	11,200
Placing of new shares (note)	168,000,000	1,680	–	–
At 30 June 2016/31 December 2015	1,288,000,000	12,880	1,120,000,000	11,200

Note: On 30 May 2016, 168,000,000 ordinary shares of HK\$0.01 each were issued by way of placing at HK\$0.58 per share for cash consideration of HK\$97,440,000. The excess of placing price over the par value of the share issued, net of placing expenses of HK\$512,000, was credited to the share premium account.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2016, 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 2016 HK\$'000	Unaudited 30 June 2015 HK\$'000
Ocean freight income received from: Echo Chain Shipping Limited	3,044	3,854
Ocean freight charge paid to: Echo Chain Shipping Limited	173	34
Management fee income received from: Full & Fame Oil Product Agency Limited	174	174
Equipment rental received from: Vanco Logistics Limited	54	62
Echo Chain Shipping Limited	201	381
Fuel and oil fee received from: Vanco Logistics Limited	152	156
Fuel and oil fee paid to: Full & Fame Oil Product Agency Limited	16	1,301
Administrative expenses paid to: Earnward Warehouse Limited	—	21
Insurance income from: Echo Chain Shipping Limited	110	—
Repairing & Maintenance income received from: Vanco Logistics Limited	26	—
Management fee paid to: Echo Chain Shipping Limited	398	—

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 2016

(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	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries allowance and the other short-term employee benefits	1,149	977	2,237	1,608
Contribution to defined contribution plans	9	5	18	9
	1,158	982	2,255	1,617

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 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Total banking facilities granted to the Group	10,000	12,000
Total utilized banking facilities	1,270	3,150

As the end of the reporting period, the Group had obtained several banking facilities amount of HK\$10,000,000 (31 December 2015: HK\$12,000,000).

- pledged bank deposits as shown in the note 12(a) to the Interim Financial Statements;
- HK\$10,000,000 facilities are cross-guaranteed among certain subsidiaries of the Group as at 30 June 2016 (31 December 2015: HK\$10,000,000).

18. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 12 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2016 (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 the supporting services, and has developed trading business.

1. Integrated logistics freight services

Integrated logistics 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 approximately 25.4% to 66,780 Twenty-foot Equivalent Units (“TEU”) for the Period from 89,556 TEUs for the corresponding period in 2015 and the air freight forwarding services were adversely affected by weak air cargo demand. The Group’s revenue in integrated logistics freight services recorded a decrease of approximately 26.7% to approximately HK\$90.5 million (2015: HK\$123.5 million).

2. Supporting services

The Group’s revenue from supporting services comprising of the provision of fuel cards and tractor repair and maintenance services and insurance agency services. The relevant revenue kept stable for the six months ended 30 June 2016 which was approximately HK\$12.5 million (2015: HK\$12.0 million).

(a) Provision of fuel cards

During the Period, the revenue from provision of fuel cards remained relatively stable and increased by approximately 5.1% to approximately HK\$12.3 million (2015: 11.7 million). 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 19.5% to HK\$260,000 during the Period (2015: HK\$323,000).

3. Trading business

During the Period under review, the Group has developed the business of trading of steel and scrap steel in the PRC, and recorded revenue of approximately HK\$5.5 million (2015: nil). To expand the scope of its trading business, the Group will also, venture into the trading, import and export of electronic products.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue declined by approximately 19.9% to approximately HK\$108.5 million for the Period (2015: HK\$135.4 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 approximately 24.0% to approximately HK\$90.6 million for the Period (2015: HK\$119.3 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 increased to approximately 16.5% for the Period from approximately 11.9% for the corresponding period in 2015.

The Group's finance costs decreased by approximately 35.9% to approximately HK\$200,000 for the Period (2015: HK\$312,000), the finance costs consist of interests on bank loans, overdrafts and other borrowings as well as the finance charge on the obligation under finance lease.

The Group recorded the loss for the Period of approximately HK\$11.8 million (2015: HK\$17.7 million). The loss attributable to the equity holders of the Company was approximately HK\$11.7 million (2015: HK\$15.8 million) and the loss per share was approximately 1.02 HK cents (2015: 1.41 HK cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

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

As at 30 June 2016, the Group had net current assets of approximately HK\$169.6 million (31 December 2015: HK\$85.3 million) including bank balances and cash equivalents of approximately HK\$144.8 million (31 December 2015: HK\$73.6 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 2016 was approximately 4.5 (31 December 2015: 2.6).

As at 30 June 2016, the Group's gearing ratio (defined as the ratio of total debts to total equity) was approximately 3.6% (31 December 2015: 4.9%).

Capital structure

As at 30 June 2016, the Group's total equity attributable to equity holders of the Company amounted to approximately HK\$188.4 million (31 December 2015: HK\$104.4 million). 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 (2015: Nil).

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\$6 million as at 30 June 2016 (31 December 2015: HK\$4 million), and pledged bank deposits of approximately HK\$1.3 million as at 30 June 2016 (31 December 2015: HK\$3.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT

On 19 May 2016, the Company established 前海明天供應鏈(深圳)有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) ("**Qianhai Mingtian**"), in Shenzhen, the PRC. The registered capital of Qianhai Mingtian is US\$2 million. The Company indirectly holds 100% equity interest of Qianhai Mingtian and its business operations include the sourcing of electronic products directly from suppliers in the PRC or Southeast Asia according to the specifications and needs of its customers which are located in the PRC, Southeast Asia or the Middle East, and the selling of such electronic products to the customers under its own name.

For details of the establishment of Qianhai Mingtian, please refer to the announcements of the Company dated 19 June 2016 and 20 June 2016.

On 8 July 2016, 鹽城大豐和順國際貿易有限公司(Yancheng Dafeng Heshun International Trading Company Limited*), a subsidiary of the Company, as the buyer and 大豐海港港口有限公司 (Dafeng Harbour Port Limited Liability Company*), a subsidiary of the controlling shareholder, 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("**Jiangsu Dafeng**"), as the seller entered into an equity transfer agreement (the "**Equity Transfer Agreement**") to acquire the entire equity interest in 大豐海港港口物流有限公司 (Dafeng Harbour Port Logistics Company Limited*) (the "**Target Company**"). The Target Company is principally engaged in, amongst others, providing land freight services for the customers in Dafeng port, Jiangsu Province, the PRC. The Target Company's business and financials have benefited from the development of Dafeng port, its wharfs and other facilities, which have significantly increased the cargo-handling capacity and container throughput of Dafeng port in the recent years.

All terms and conditions under the Equity Transfer Agreement were completed and fulfilled on 13 July 2016 and the transfer of the equity interest in the Target Company has been successfully registered with the industry and commerce administration authority in the PRC on 13 July 2016. Following the completion of the equity transfer, the Target Company became an indirect wholly-owned subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

For details of the equity transfer, please refer to the announcements of the Company dated 13 November 2015, 28 December 2015, 22 February 2016, 17 June 2016, 8 July 2016 and 15 July 2016 and the circulars of the Company dated 8 December 2015 and 22 March 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the Period.

OUTLOOKS

Looking forward, the Group will continue to engage in the integrated logistics freight service and expand trading and import and export business. 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.

FOREIGN CURRENCY EXPOSURE

The income and expenditure of the Group are mainly carried in Hong Kong Dollars and Renminbi and the assets and liabilities of the Group were mainly denominated in Hong Kong Dollars and Renminbi. The Group does not expect significant exposure to foreign exchange fluctuations, therefore, currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2016, the Group employed a total of 247 employees (31 December 2015: 257 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK\$23.0 million (2015: HK\$27.7 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 2016, the Group had no material contingent liabilities (31 December 2015: Nil).

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 2016, 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) (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.

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 2016 and on 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 2016, 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)
大豐港海外投資控股有限公司 (Dafeng Port Overseas Investment Holdings Limited) (" Dafeng Port ") (Note 2)	Beneficial owner	740,040,000 (L)	57.46%
Jiangsu Dafeng (Note 3)	Interest of controlled corporation	740,040,000 (L)	57.46%
大豐區人民政府 (the People's Government of Dafeng City*) (" PGDC ") (Note 3)	Interest of controlled corporation	740,040,000 (L)	57.46%

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 2016, 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.

Competing Interests

Jiangsu Dafeng, a controlling shareholder of the Company, has two 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**") and 鹽城市港城商業管理有限公司 (Yancheng City Gangcheng Commercial Management Co., Ltd*) ("**Yancheng Commercial**"), 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, through its indirect wholly-owned subsidiaries, namely 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*) and Qianhai Mingtian, has also developed the business of trading of steel, scrap steel and electronic products. Accordingly, the businesses of Jiangsu Dafeng and its subsidiaries (the "**Jiangsu Dafeng Group**") may be construed as businesses competing with or are likely to compete with one of the core principal activities of the Group.

The Board considered that the businesses of the Jiangsu Dafeng Group do not pose material competitive threat to the Group due to the following reasons:

1. apart from the trading of steel and scrap steel, the Group and Jiangsu Dafeng Group have different focuses on the type of products offered which target different customers in the market; and
2. given the well-established international metal market, information about production, consumption, stocks, trades as well as prices of raw metal materials, such as steel, are generally available to the public, and the trading of steel is considered as fairly transparent and direct in the market.

OTHER INFORMATION

Other than Mr. Ni Xiangrong and Mr. Wang Yijun who are the directors of Jiangsu Dafeng, 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 resolution 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 to 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, none of the Directors and the controlling shareholders had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group for the Period.

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; pursuant to Rule 5.05(2) of the GEM Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; pursuant to Rule 5.28 of the GEM Listing Rules, every issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of 3 members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules. The majority of the audit committee members must be independent non-executive directors of the issuer. The audit committee must be chaired by an independent non-executive director. As disclosed in the Company's announcement dated 4 March 2016, Mr. Luk Chi Shing resigned as an independent non-executive Director with effect from 7 March 2016. Following the resignation of Mr. Luk, the Company was not in compliance with Rules 5.05(2), 5.05A and 5.28 of the GEM Listing Rules. Mr. Lau Hon Kee was appointed as an independent non-executive Director on 31 May 2016. Following his appointment, the Company is in compliance with the requirements under Rules 5.05(2), 5.05A and 5.28 of the GEM Listing Rules.

Pursuant to Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings. However, certain non-executive Directors were unable to attend the general meeting of the Company due to 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. On 30 June 2016, the members of the Audit Committee comprise Mr. Lau Hon Kee, Dr. Bian Zhaoxiang and Mr. Zhang Fangmao, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Lau Hon Kee. 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.

OTHER INFORMATION

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 2016

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 (Chairman)	Mr. Ji Longtao Mr. Yang Yue Xia	Dr. Bian Zhaoxiang Mr. Lau Hon Kee Mr. Zhang Fangmao Mr. Yu Xugang
Mr. Wang Yijun Mr. Shum Kan Kim Mr. Lo Ka Man Mr. Yu Xingmin		

* For identification purposes only