



Dafeng Port Heshun Technology Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8310



Third Quarterly 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, 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 nine months ended 30 September 2016 (the “**Third Quarterly 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 nine months ended 30 September 2016

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	98,009	66,345	206,548	201,789
Cost of sales		(89,170)	(54,852)	(179,819)	(174,136)
Gross profit		8,839	11,493	26,729	27,653
Other income		5,693	1,399	7,455	5,650
Administrative expenses		(16,174)	(17,968)	(46,541)	(54,454)
Finance costs		(739)	(80)	(939)	(392)
Investment loss		–	–	(968)	–
Share of results of associates		276	158	416	(1,002)
Loss before taxation	4	(2,105)	(4,998)	(13,848)	(22,545)
Taxation	5	211	–	195	(201)
Loss for the period		(1,894)	(4,998)	(13,653)	(22,746)
Other comprehensive (loss) income:					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		(168)	(218)	(1,338)	(218)
Total comprehensive loss for the period		(2,062)	(5,216)	(14,991)	(22,964)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2016

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Loss attributable to:					
Equity holders of the Company		(1,886)	(3,030)	(13,627)	(18,871)
Non-controlling interests		(8)	(1,968)	(26)	(3,875)
		(1,894)	(4,998)	(13,653)	(22,746)
Total comprehensive loss attributable to:					
Equity holders of the Company		(2,054)	(3,248)	(14,965)	(19,089)
Non-controlling interests		(8)	(1,968)	(26)	(3,875)
		(2,062)	(5,216)	(14,991)	(22,964)
Loss per share attributable to equity holders of the Company					
Basic and Diluted (HK cents)	7	(0.15)	(0.27)	(1.14)	(1.68)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For nine months ended 30 September 2016

	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		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)
Total transaction with owners										
At 30 September 2015 (unaudited)	11,200	106,171	(7,337)	1,142	170	(6,857)	5,406	109,895	(1,149)	108,746

	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		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'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	-	-	-	-	-	-	(13,627)	(13,627)	(26)	(13,653)
Exchange difference arising from translation of foreign operations	-	-	-	(1,338)	-	-	-	(1,338)	-	(1,338)
Total comprehensive loss for the period	-	-	-	(1,338)	-	-	(13,627)	(14,965)	(26)	(14,991)
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	-	-	-	-	-	-	-	-
At 30 September 2016 (unaudited)	12,880	201,419	(7,337)	(447)	170	(6,857)	(13,458)	186,370	309	186,679

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 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 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 (Cap 622 of the Laws of Hong Kong). 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 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.

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

3. 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 September 2016		Unaudited Nine months ended 30 September 2016	
	HK\$'000	2015 HK\$'000	HK\$'000	2015 HK\$'000
Income from provision of integrated logistics freight services	77,126	59,841	167,628	183,299
Income from provision of fuel cards	7,086	6,203	19,349	17,866
Tractor repair and maintenance services and insurance agency services fee	213	301	473	624
Income from trading business	13,584	–	19,098	–
	98,009	66,345	206,548	201,789

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 30 September 2016		Unaudited Nine months ended 30 September 2016	
	HK\$'000	2015 HK\$'000	HK\$'000	2015 HK\$'000
This is stated after charging:				
Finance costs				
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	20	20	60	194
Finance charge on obligations under finance leases	719	60	879	198
	739	80	939	392
Other items				
Depreciation	4,563	1,504	7,306	4,714
Operating lease payments on premises	1,629	3,001	7,454	9,277

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

5. 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 September 2016		Unaudited Nine months ended 30 September 2016	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Current tax				
Hong Kong Profits Tax				
— Current period	(20)	—	(81)	120
PRC Enterprise Income Tax				
— Current period	—	—	2	81
— Under-provision in prior period	—	—	75	81
— Over-provision in prior period	(191)	—	(191)	—
	(191)	—	(114)	201
Total income tax recognized in profit or loss	(211)	—	(195)	120

6. DIVIDEND

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

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

7. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 30 September 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 Three months ended 30 September		Unaudited Nine months ended 30 September	
	2016	2015	2016	2015
Loss attributable to equity holders of the Company (HK\$'000)	1,886	3,030	13,627	18,871
Weighted average number of ordinary shares in issue	1,288,000,000	1,120,000,000	1,192,408,759	1,120,000,000
Basic loss per share (HK cents)	0.15	0.27	1.14	1.68

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.

The diluted loss per share attributable to the shareholders of the Company for the three months and nine months ended 30 September 2016 is the same as the basic loss per share because potential allotment and issue a certain number of new shares to Mr. Wu, reference is made to the announcements of the company dated on 19 June 2016 and 20 June 2016, only decreases the loss per share and, therefore, is anti-dilutive.

8. APPROVAL OF THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

The Third Quarterly Financial Statements were approved and authorised for issue by the Board on 9 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2016 (the “**Period**”), the Group is principally engaged in the provision of integrated logistics freight services and the relevant supporting services in Hong Kong, the Pearl River Delta region and the Yangtze River Delta region, and is also engaged in trading business.

1. **Integrated Logistics Freight Services**

Integrated logistics freight services composed as the core business of the Group. During the Period, the Group’s revenue in integrated logistics freight services recorded a decrease of approximately 8.55% to approximately HK\$167.6 million (2015: approximately HK\$183.3 million).

2. **Supporting Services**

The Group’s revenue from supporting services comprise provision of fuel cards, tractor repair and maintenance services and insurance agency services. The relevant revenue increased by approximately 7.2% from approximately HK\$18.5 million for the nine months ended 30 September 2015 to approximately HK\$19.8 million for the Period.

(a) **Provision of fuel cards**

During the Period, the increase in the Group’s supporting services revenue was mainly driven by the increase in revenue from provision of fuel cards, which increased by approximately 8.3% to approximately HK\$19.3 million (2015: approximately 17.9 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 24.2% to approximately HK\$473,000 during the Period (2015: approximately HK\$624,000).

3. **Trading Business**

During the Period, the Group’s trading business comprises trading of electronic products and trading of steel and scrap steel, which recorded revenue of approximately HK\$19.1 million (2015: nil). To expand the scope of the Group’s trading business, the Group will also venture into the oil trading business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue increased by approximately 2.4% to approximately HK\$206.5 million for the Period (2015: approximately HK\$201.8 million). The increase in revenue was mainly attributable to the increase in revenue of the Group's trading business.

The Group's cost of sales increased by approximately 3.3% to approximately HK\$179.8 million for the Period (2015: approximately HK\$174.1 million), which was mainly driven by the increase in cost of the trading business, the new business developed by the Group during the Period.

With the combined effects of revenue and cost of sales, the Company's gross profit margin decreased to approximately 12.9% for the Period from approximately 13.7% for the corresponding period in 2015.

The Group's finance costs increased by approximately 139.5% to approximately HK\$939,000 for the Period (2015: approximately HK\$392,000), the finance costs consist of interests on bank loans, overdrafts and other borrowings as well as the finance charge on obligations under finance leases.

The Group recorded the loss for the Period of approximately HK\$13.7 million (2015: approximately HK\$22.7 million). The loss attributable to the equity holders of the Company was approximately HK\$13.6 million (2015: approximately HK\$18.9 million) and the loss per share was approximately 1.14 HK cents (2015: approximately 1.68 HK cents).

Capital Structure

As at 30 September 2016, the Group's total equity attributable to equity holders of the Company amounted to approximately HK\$186.4 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 for the Period (2015: Nil).

Pledge of Assets

The Group used facilities from its bank and other borrowings to finance the expansion of its business. Secured borrowings are secured by the Group's property, plant and equipment, having carrying amounts of approximately HK\$6.4 million as at 30 September 2016 (31 December 2015: approximately HK\$4.0 million), and pledged bank deposits of approximately HK\$1.27 million as at 30 September 2016 (31 December 2015: approximately HK\$3.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION

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 大豐海港港口有限責任公司 (Dafeng Harbour Port Limited Liability Company*), a subsidiary of the controlling shareholder of the Company, 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 "**Logistics Company**"). The Logistics Company is principally engaged in, among others, providing land freight services for the customers in Dafeng port, Jiangsu Province, the PRC.

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 Logistics 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 Logistics Company became an indirect wholly-owned subsidiary of the Company.

On 11 October 2016, 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*), being a subsidiary of the Company, as the buyer, and 珠海華信成投資策劃有限公司 (Zhuhai Huaxincheng Investment Planning Company Limited*), 珠海恒逸商務有限公司 (Zhuhai Hengyi Commercial Company Limited*) and 珠海富誠投資有限公司 (Zhuhai Fucheng Investment Company Limited*), being independent third parties, as the sellers, entered into an equity purchase and debt settlement agreement to acquire the entire equity interest (the "**Acquisition**") in 江蘇中南滙石化倉儲有限公司 (Jiangsu Zhongnanhui Petrochemical Storage Company Limited*) ("**Zhongnanhui**"). Zhongnanhui is principally engaged in, among others, providing warehouse storage services for petrochemical products to the customers in Dafeng port, Jiangsu Province, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

For details of the Acquisition, please refer to the announcement of the Company dated 12 October 2016 and the circular of the Company dated 31 October 2016.

Save as disclosed, the Group had no significant investment and material acquisition 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 expanding the trading business. In this regard, the Group intends to develop and extend into the oil trading business and the petrochemical products storage business, with a view to diversifying the revenue stream and business portfolios of the Group, and to enhance the interest of the shareholders of the Company.

CONTINGENT LIABILITIES

As at 30 September 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 September 2016, none of the Directors or the 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 September 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 September 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 Overseas") (Note 2)	Beneficial owner	740,040,000 (L)	57.46%
江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("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 District*) ("PGDD") (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 Overseas, a company incorporated in Hong Kong with limited liability, is owned as to 40% by Jiangsu Dafeng, which in turn is wholly owned by PGDD.
3. Jiangsu Dafeng and PGDD are deemed to be interested in the shares held by Dafeng Port Overseas under the SFO.

* For identification purpose only

OTHER INFORMATION

Save as disclosed above, as at 30 September 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 at 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, Mr. Wang Yijun and Mr. Pan Jian 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, as at 30 September 2016, none of the Directors, controlling shareholders of the Company or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

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 2016 is set out below:

Name of Director	Details of change
Mr. Lau Hon Kee	On 23 June 2016, Mr. Lau has been appointed as an independent non-executive director of Astrum Financial Holdings Limited (stock code: 8333), a company listed on GEM of the Stock Exchange on 14 July 2016

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; 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, the relevant non-executive Directors were unable to attend the general meetings of the Company due to their 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. 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 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, 9 November 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 (<i>Chairman</i>)	Mr. Ji Longtao Mr. Yang Yue Xia	Dr. Bian Zhaoxiang Mr. Lau Hon Kee Mr. Yu Xugang Mr. Zhang Fangmao
Mr. Wang Yijun Mr. Shum Kan Kim Mr. Yu Xingmin Mr. Pan Jian		

* For identification purpose only