



Dafeng Port Heshun Technology Company Limited

大豐港和順科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8310

Interim Report 2017



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

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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 2017 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2017

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	784,186	59,195	1,479,462	108,539
Cost of sales		(760,041)	(48,514)	(1,441,484)	(90,649)
Gross profit		24,145	10,681	37,978	17,890
Other income	5	3,218	839	9,581	1,762
Administrative expenses		(26,673)	(16,150)	(47,840)	(30,367)
Finance costs	6	(3,282)	(46)	(4,232)	(200)
Gain (loss) on disposal of subsidiaries		12,844	(968)	12,844	(968)
Share of results of associates		(90)	134	(519)	140
Profit/(Loss) before taxation	6	10,613	(5,510)	7,812	(11,743)
Taxation	7	(1,944)	(76)	(2,318)	(16)
Profit/(loss) for the period		8,219	(5,586)	5,494	(11,759)
Other comprehensive income/(loss):					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		2,489	(1,005)	1,893	(1,170)
Total comprehensive income/(loss) for the period		10,708	(6,591)	7,387	(12,929)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2017

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to:					
Equity holders of the Company		3,679	(5,578)	1,076	(11,741)
Non-controlling interests		4,450	(8)	4,418	(18)
		8,219	(5,586)	5,494	(11,759)
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		6,258	(6,583)	2,969	(12,911)
Non-controlling interests		4,450	(8)	4,418	(18)
		10,708	(6,591)	7,387	(12,929)
Profit/(loss) per share attributable to equity holders of the Company					
Basic and diluted (HK cents)	9	0.64	(0.47)	0.43	(1.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	Unaudited As at 30 June 2017 HK\$'000	Audited As at 31 December 2016 HK\$'000
Non-current assets			
Property, plant and equipment	10	98,759	144,770
Goodwill		15,280	14,844
Prepaid lease payment		43,525	42,176
Prepayments for purchase of property, plant and equipment		8,623	8,372
Pledged deposit for finance lease arrangement		–	4,236
Interests in associates		6,005	6,744
		172,192	221,142
Current assets			
Available-for-sale financial assets		8,806	8,806
Prepaid lease payments		999	970
Inventories		2,344	43
Trade and other receivables	11	457,738	330,098
Pledged bank deposits	12(a)	311,232	1,270
Bank balances and cash	12	137,053	36,070
		918,172	377,257
Assets classified as held for sale		–	149
		918,172	377,406
Current liabilities			
Trade and other payables	13	324,167	366,975
Current portion of interest-bearing borrowings	14	469,848	18,159
Taxation		1,585	3,868
		795,600	389,002
Net current assets (liabilities)		122,572	(11,596)
Total assets less current liabilities		294,764	209,546

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	Unaudited As at 30 June 2017 HK\$'000	Audited As at 31 December 2016 HK\$'000
Non-current liabilities			
Non-current portion of interest-bearing borrowings	14	93,192	42,771
Deferred tax liabilities		3,161	3,161
		96,353	45,932
NET ASSETS			
		198,411	163,614
Capital and reserves			
Share capital	15	12,880	12,880
Reserves		148,146	150,534
Total equity attributable to equity holders of the Company		161,026	163,414
Non-controlling interests		37,385	200
TOTAL EQUITY			
		198,411	163,614

CONDENSED CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the six months ended 30 June 2017

	Total equity attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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	-	-	-	-	-	-	-	(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

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2017 (audited)	12,800	201,419	(7,337)	(3,134)	303	(6,857)	3,063	(36,923)	163,414	200	163,614
Loss for the period	-	-	-	-	-	-	-	1,076	1,076	4,418	5,494
Exchange difference arising from translation of foreign operations	-	-	-	1,893	-	-	-	-	1,858	-	1,858
Total comprehensive income for the period	-	-	-	1,893	-	-	-	1,076	2,969	4,418	7,387
Share-based payment	-	-	-	-	-	-	(3,063)	-	(3,063)	-	(3,063)
Partial disposal of interest in subsidiaries	-	-	(2,294)	-	-	-	-	-	(2,294)	21,497	19,203
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	11,270	11,270
At 30 June 2017 (unaudited)	12,800	201,419	(9,631)	(1,241)	303	(6,857)	-	(35,847)	161,026	37,385	198,411

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Cash used in operations	(53,688)	(25,653)
Interest paid	(3,819)	(200)
Tax paid	(4,373)	218
Net cash used in operating activities	(61,880)	(25,635)
Net cash (used in) generated from investing activities	17,685	(2,108)
Net cash (used in) generated from financing activities	144,901	99,080
Net (decrease) increase in cash and cash equivalents	100,706	71,337
Cash and cash equivalents at beginning of the period	36,070	73,579
Effect on exchange rate changes	277	(155)
Cash and cash equivalents at end of the period	137,053	144,761

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2016.

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 2017

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

Operating segments	Principal activities
— Trading business	— Trading of textile, wood logs, scrap metal, electronic, petrochemical products etc. — Provision of supply chain management services
— Integrated logistics freight services	— Provision of ocean freight and land transportation and container drayage services — Provision of ocean freight forwarding services — Provision of air freight forwarding services — Provision of feeder container storage facilities and hiring services of barges and vehicles
— Provision of fuel cards	— Provision of fuel cards
— Tractor repairs and maintenance services and insurance agency services	— Tractor repair and maintenance — Provision of insurance agency services
— Petrochemical products storage business	— Provision of storage services for petrochemical products

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

Segments assets include all assets except for 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/loss 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 2017

Operating segments

Segment information is presented below:

For the six months ended 30 June 2017

	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	Petrochemical Products storage business HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue (from external customers)	139,882	15,007	150	1,313,098	11,325	-	1,479,462
— Inter-segment revenue	11,190	2,063	740	-	-	(13,993)	-
Total revenue	151,072	17,070	890	1,313,098	11,325	(13,993)	1,479,462
Results							
Segment result	(1,902)	933	(358)	8,252	(2,267)	-	4,656
Share of result of associates							(519)
Other unallocated corporate income							12,844
Other unallocated corporate expenses							(9,169)
Profit before taxation							7,812
Taxation							(2,318)
Profit for the period							5,494

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 results 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 2017

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, trading business and petrochemical products storage business is analysed by category as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from provision of integrated logistics freight services	73,128	46,761	139,882	90,502
Income from provision of fuel cards	7,979	6,750	15,007	12,263
Tractor repair and maintenance services and insurance agency services fee	29	170	150	260
Income from trading business	697,541	5,514	1,313,098	5,514
Income from provision of petrochemical products storage business	5,509	–	11,325	–
	784,186	59,195	1,479,462	108,539

5. OTHER INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	50	25	99	28
Exchange gain	2,336	409	779	541
Gain on disposal of property, plant and equipment	498	254	4,903	864
Management fee income	150	87	300	174
Sundry income	184	64	3,500	155
	3,218	839	9,581	1,762

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. PROFIT/(LOSS) BEFORE TAXATION

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	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	2,264	(22)	2,947	40
Finance charge on obligations under finance leases	1,018	68	1,285	160
	3,282	46	4,232	200
Other items				
Cost of inventories	682,722	–	1,292,377	–
Depreciation	10,168	1,438	15,931	2,743
Operating lease payments on premises	4,173	2,979	4,777	5,825
Staff costs				
Salaries, allowance and the other short-term employee benefits including Directors' emoluments	23,892	10,913	42,375	21,990
Contributions to defined contribution plans	2,450	510	3,862	1,053
	26,342	11,423	46,237	23,043

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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% (2016: 25%) on taxable income determined in accordance with the relevant laws and regulations in the PRC before any preferential treatment.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
Hong Kong Profits Tax				
— Current period	-	(1)	-	(61)
PRC Enterprise Income Tax				
— Current period	1,532	2	1,906	2
— Under-provision in prior period	412	75	412	75
	1,944	77	2,318	77
Total income tax recognized in profit or loss	1,944	76	2,318	16

8. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share for the three months and six months ended 30 June 2017 and 2016 are calculated by dividing the profit/(loss) attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders of the Company	8,219	(5,578)	5,494	(11,741)
Weighted average number of ordinary shares in issue	1,288,000,000	1,179,076,923	1,288,000,000	1,149,538,462
Basic profit/(loss) per share (HK cents)	0.64	(0.47)	0.43	(1.02)

Basic and diluted earnings/(loss) per share are the same as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2017 and 2016.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of plant and machinery with a cost of approximately HK\$6.1 million (2016: HK\$4.2 million). Items of plant and machinery with a net book value of approximately HK\$0.86 million were disposed of during the six months ended 30 June 2017 (2016: Nil), resulting in a gain on disposal of approximately HK\$4.9 million (2016: HK\$0.86 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Note		
Trade and bills receivables	343,218	224,946
Other receivables		
Deposits, prepayments and other debtors	19,321	28,576
VAT refundable for export sales	92,900	30,269
Advanced payment to suppliers	1,008	19,535
Refundable prepayment	–	14,949
Loan receivable from a third party	–	10,941
Due from associates	11(a) 1,291	882
	114,520	105,152
	457,738	330,098

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

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Outstanding balances which aged:		
90 days or below	340,106	204,088
91–180 days	1,799	19,987
181–365 days	1,154	57
More than 365 days	159	814
	343,218	224,946

The Group allows a credit period of 0 to 90 days to its trade debtors.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Neither past due nor impaired	334,361	166,600
Within 90 days	8,037	39,236
91–180 days	584	18,085
181–365 days	236	244
More than 365 days	–	781
Past due but not impaired	8,857	58,346
	343,218	224,946

Included in the Group's trade receivables balance are debtors with carrying amounts of approximately HK\$88 million as at 30 June 2017 (31 December 2016: HK\$58.3 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 2017 and 31 December 2016 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 2017

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 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Bank balances and cash	137,053	36,070

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

12(a) PLEDGED BANK DEPOSITS

At 30 June 2017 and 31 December 2016, 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 2017

13. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Note		
Trade payables	270,125	156,784
Other payables		
Accrued charges and other creditors	15,630	23,213
Advanced receipts from customers	–	13,377
Construction costs payable	–	8,628
Salaries and bonus payable	5,399	10,301
Deposits received in respect of asset held for sale	–	2,600
Amounts due to ex-shareholders of Zhongnanhui	971	65,163
Amounts due to an ex-director of Zhongnanhui	14,929	11,155
Other loans from a third party	11,500	37,400
Due to associates	5,613	6,813
13(a)		
Consideration payable in respect of acquisition of Dafeng Logistics	–	31,541
	54,042	210,191
	324,167	366,975

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
90 days or below	253,912	148,406
91–180 days	11,382	8,378
181–365 days	4,831	–
	270,125	156,784

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

13(a) DUE TO ASSOCIATES

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

14. INTEREST-BEARING BORROWINGS

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Loan from third parties	39,248	–
Loan from related parties	92,955	–
Bank loan	364,572	20,095
Obligations under finance leases	66,265	40,835
	563,040	60,930
Current portion		
Portion of interest-bearing borrowings due for repayment within one year		
— Obligations under finance leases	24,396	13,694
— Loan from related parties	92,955	–
— Bank loan	319,722	4,465
— Loan from third parties	32,775	–
Total current portion of interest-bearing borrowings	469,848	18,159
Non-current portion		
— Loan from third parties	6,473	–
— Bank loan	44,850	15,630
— Obligations under finance leases	41,869	27,141
Total non-current portion of interest-bearing borrowings	93,192	42,771
Total interest-bearing borrowings	563,040	60,930
	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Analysed as follows:		
Secured	437,310	60,930
Unsecured	125,730	–
	563,040	60,930

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. SHARE CAPITAL

	30 June 2017		31 December 2016	
	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 2017/2016	10,000,000,000	100,000	10,000,000,000	100,000
At 30 June 2017/31 December 2016	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At 1 January 2017/2016	1,288,000,000	12,880	1,120,000,000	11,200
Placing of new shares (note)	-	-	168,000,000	1,680
At 30 June 2017/31 December 2016	1,288,000,000	12,880	1,288,000,000	12,880

Note: On 30 May 2016, 168,000,000 ordinary shares of HK\$0.01 each were issued by way of placing at a price of 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 2017

16. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2017, save as disclosed elsewhere in the Interim Financial Statements, the Group had the following transactions with related parties:

(a) Related party transactions

	Note	Unaudited 30 June 2017 HK\$'000	Unaudited 30 June 2016 HK\$'000
Ocean freight income received from:			
Echo Chain Shipping Limited	(a)	3,167	3,044
Ocean freight charge paid to:			
Echo Chain Shipping Limited	(a)	31	173
Management fee income received from:			
Full & Fame Oil Product Agency Limited	(a)	300	174
Equipment rental received from:			
Vanco Logistics Limited	(a)	125	54
Echo Chain Shipping Limited	(a)	201	201
Fuel and oil fee received from:			
Vanco Logistics Limited	(a)	205	152
Fuel and oil fee paid to:			
Full & Fame Oil Product Agency Limited	(a)	–	16
Insurance income from:			
Echo Chain Shipping Limited	(a)	133	110
Repairing & maintenance income received from:			
Vanco Logistics Limited	(a)	–	26
Management fee paid to			
Echo Chain Shipping Limited	(a)	–	398
Vehicle Rental Services fee paid to:			
Defeng Supply Chain	(b), (c)	1,872	–
Logistics Service fee received from:			
Dafeng Harbour Port	(b), (c)	21,490	–
Repair Service paid to:			
Dafeng Harbour Port	(b), (c)	3,778	–
Fuel cost paid to:			
Yancheng Dafeng Oil	(b), (c)	6,728	–
Interest fee paid to:			
Haijing Factoring	(b)	2,947	–

Notes:

- Echo Chain Shipping Limited, Vanco Logistics Limited, Full & Fame Oil Product Agency Limited and Earnward Warehouse Limited are associates of the Group.
- Defeng Supply Chain (大豐海港港口供應鏈管理有限公司), Dafeng Harbour Port (大豐海港港口有限責任公司) and Yancheng Dafeng Oil (鹽城市大豐港成品油有限公司) and Haijing Factoring (海晶商業保理有限公司) are controlled by a substantial shareholder.
- These related party transactions also constitute continuing connected transactions under the GEM Listing Rules.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Salaries allowance and the other short-term employee benefits	1,095	1,149	2,400	2,237
Contribution to defined contribution plans	3	9	6	18
	1,098	1,158	2,406	2,255

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 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Total banking facilities granted to the Group	379,172	65,820
Total utilised banking facilities	364,942	21,365

As the end of the reporting period, the Group had obtained several banking facilities amount of HK\$379.2 million (31 December 2016: HK\$65.8 million).

- (a) pledged bank deposits as shown in the note 12(a) to the Interim Financial Statements;
- (b) HK\$10,000,000 facilities are cross-guaranteed among certain subsidiaries of the Group as at 30 June 2017 (31 December 2016: 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 10 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2017 (the “Period”), the Group was principally engaged in trading business, the provision of integrated logistics freight services and the relevant supporting services and petrochemical products storage business.

Our major business activities can be divided into below categories during the Period:

1. Trading business

The Group engages in the business of trading, importing and exporting of electronic products, petrochemical products and various other products. During the Period, the Group’s trading business recorded revenue of approximately HK\$1,313.1 million (2016: Nil).

2. Integrated logistics freight services

During the Period, the Group’s revenue in integrated logistics freight services recorded an increase of approximately 54.6% to approximately HK\$139.9 million (2016: HK\$90.5 million).

3. Supporting services

The Group’s revenue from supporting services which comprised provision of fuel cards and tractor repair and maintenance services and insurance agency services, increased from approximately HK\$12.5 million for the six months ended 30 June 2016 to approximately HK\$15.2 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. The relevant revenue increased by approximately 22.4% to approximately HK\$15 million (2016: HK\$12.3 million). The Group will continue to increase its 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 42.3% to approximately HK\$150,000 during the Period (2016: HK\$260,000).

MANAGEMENT DISCUSSION AND ANALYSIS

4. Petrochemical Products Storage Business

The Group engages in petrochemical products storage business through 江蘇中南滙石化倉儲有限公司 (Jiangsu Zhongnanhui Petrochemical Storage Company Limited*). During the Period, the Group's petrochemical products storage business recorded revenue of approximately HK\$11.3 million (2016: Nil).

FINANCIAL REVIEW

The Group's revenue increased by approximately 1,263.1% to approximately HK\$1,479.5 million for the Period (2016: HK\$108.5 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 1,490.2% to approximately HK\$1,441.5 million for the Period (2016: HK\$90.6 million), which was mainly driven by the increase in cost of the trading business, the new business developed by the Group during last year.

With the combined effects of revenue and cost of sales, the Group's gross profit margin decreased to approximately 2.6% for the Period (2016: 16.5%), which was mainly due to the low profit margin of the Group's trading business.

The Group's finance costs amounted to approximately HK\$4.2 million for the Period (2016: HK\$200,000), the finance costs consist of interests on bank loans, overdrafts and other borrowings, as well as the finance charge on the obligations under finance leases.

The Group recorded the profit for the Period of approximately HK\$5.5 million (2016: loss of approximately HK\$11.8 million). The profit attributable to the equity holders of the Company was approximately HK\$1.1 million (2016: loss of approximately HK\$11.7 million) and the earnings per share was approximately 0.43 HK cents (2016: loss per share was approximately 1.02 HK cents).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources aggressive

The Group adopted financial management policy and has a healthy financial position.

As at 30 June 2017, the Group had net current assets of approximately HK\$122.6 million (31 December 2016: net current liabilities of HK\$11.6 million) including bank balances and cash equivalents of approximately HK\$137.1 million (31 December 2016: HK\$36.1 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 2017 was approximately 1.15 (31 December 2016: 0.97).

As at 30 June 2017, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately 283.8% (31 December 2016: 37.2%).

Capital structure

As at 30 June 2017, the Group's total equity attributable to equity holders of the Company amounted to approximately HK\$161 million (31 December 2016: HK\$163.4 million). The capital of the Company mainly comprised ordinary shares, share premium and capital reserves.

Dividend

The Board did not recommend the payment of an interim dividend in respect of the Period (2016: Nil).

Pledge of assets

The Group used facilities from its bank and other borrowings to finance expansion of its business. Secured borrowings are secured by the Group's property, plant and equipment, having carrying amounts of approximately HK\$80.1 million as at 30 June 2017 (31 December 2016: HK\$44.3 million), prepaid lease payments of approximately HK\$44.5 million as at 30 June 2017 (31 December 2016: HK\$43.1 million) and pledged bank deposits of approximately HK\$311.2 million as at 30 June 2017 (31 December 2016: HK\$1.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES

Disposal of 49% equity interest in Qianhai Mingtian and termination of the Subscription Agreement

On 6 March 2017, 大豐港和順國際投資有限公司 (Dafeng Port Heshun International Investment Limited*) ("**Heshun International**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with 深圳市正億企業管理有限公司 (Shenzhen Zhengyi Enterprise Management Company Limited*) ("**Zhengyi Enterprise**"). According to the Equity Transfer Agreement, Zhengyi Enterprise agreed to purchase, and Heshun International agreed to sell 49% of the equity interest in 前海明天供應鏈 (深圳) 有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) ("**Qianhai Mingtian**") (the "**Disposal**") in consideration of Mr. Wu Heng ("**Mr. Wu**") entering into a deed of termination (the "**Deed of Termination**"), pursuant to which, among other things, the Company is released from its obligations to allot new shares of the Company to Mr. Wu under a subscription agreement (the "**Subscription Agreement**") dated 19 June 2016 upon completion of the Disposal.

All terms and conditions under the Equity Transfer Agreement were fulfilled on 16 May 2017. Following the completion of the Disposal, Qianhai Mingtian became an indirect non-wholly owned subsidiary of the Company.

For further details, please refer to (1) the announcements of the Company dated 19 June 2016 and 20 June 2016 in relation to the establishment of Qianhai Mingtian and the Subscription Agreement; and (2) the announcements of the Company dated 6 March 2017 and 16 May 2017 and the circular of the Company dated 27 March 2017 in relation to the Disposal and the Deed of Termination.

Disposal of 49% of the issued share capital in Gamma Logistics (B.V.I.) Corporation ("Gamma Logistics**")**

On 13 March 2017, the Company and Wharf Limited entered into a disposal agreement (the "**Gamma Disposal Agreement**"), pursuant to which, the Company conditionally agreed to sell, and Wharf Limited conditionally agreed to purchase 49% of the issued share capital of Gamma Logistics at a consideration of HK\$8.5 million (the "**Gamma Disposal**").

All terms and conditions under the Gamma Disposal Agreement were fulfilled on 11 April 2017. Following the completion of the Gamma Disposal, Gamma Logistics became a direct non-wholly owned subsidiary of the Company.

For further details, please refer to (1) the announcements of the Company dated 13 March 2017 and 11 April 2017, and (2) the circular of the Company dated 31 March 2017 in relation to the Gamma Disposal.

MANAGEMENT DISCUSSION AND ANALYSIS

Disposal of the entire equity interest in Dafeng Logistics

On 13 June 2017, 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*) ("**Yancheng Dafeng**"), an indirect wholly-owned subsidiary of the Company, and 大豐市新潤通物流有限公司 (Dafeng City Xin Run Tong Logistics Company Limited*) ("**Dafeng Xin Run Tong**") entered into a disposal agreement (the "**Logistics Disposal Agreement**"), pursuant to which, Yancheng Dafeng conditionally agreed to sell, and Dafeng Xin Run Tong conditionally agreed to purchase the entire equity interest in 大豐海港港口物流有限公司 (Dafeng Harbour Port Logistics Company Limited*) ("**Dafeng Logistics**") at a consideration of RMB52 million plus interest (the "**Dafeng Logistics Disposal**").

All terms and conditions under the Logistics Disposal Agreement were fulfilled on 30 June 2017. Following the completion of the Dafeng Logistics Disposal, Dafeng Logistics ceased to be a subsidiary of the Company.

For further details, please refer to the announcements of the Company dated 13 June 2017 and 30 June 2017.

POTENTIAL ACQUISITION OF A PRC CORPORATION

On 16 June 2017, Yancheng Dafeng, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding with each of two companies in relation to the proposed acquisition of a PRC corporation, a company engages in the business of the development and construction of the petrochemical wharf, industrial investment and port operation in the PRC (the "**Potential Acquisition**").

For further details, please refer to the announcement of the Company dated 16 June 2017 in relation to the Potential Acquisition.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOKS

Having regard that the integrated logistics freight services have caused substantial losses to the Group in the past few years. The Group intends to focus less on the integrated logistics freight services.

Looking forward, the Group will focus on expanding its trading business and petrochemical products storage business. In this regard, the Group has ventured into the petrochemical products trading business and has begun the construction of new petrochemical storage tanks, with a view to diversifying the revenue stream and business portfolio of the Group.

The Group will also review and assess potential projects or investments according to reliable principles, in order to improve its business performance and 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 exchange rate hedging arrangement when necessary.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2017, the Group employed a total of 306 employees (31 December 2016: 270 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK\$46.2 million (2016: HK\$23.0 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 2017, the Group had no material contingent liabilities (31 December 2016: Nil).

OTHER INFORMATION

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

As at 30 June 2017, 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 recognise 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 2017 and on 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 June 2017, 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:

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

OTHER INFORMATION

Save as disclosed above, as at 30 June 2017, 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 Trading Limited*) ("**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 subsidiary, namely Yancheng Dafeng and its indirect non-wholly owned subsidiary, Qianhai Mingtian, has also developed the business of trading of electronic products and various other 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 because the Group and Jiangsu Dafeng Group have different focuses on the type of products offered which target at different customers in the market.

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.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2017, 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 first quarterly report of the Company for the three months ended 31 March 2017 is set out below:

Name of Director	Details of change
Mr. Sun Lin	On 10 August 2017, Mr. Sun Lin has been appointed as an executive Director of the Company. For further information, please refer to the announcement of the Company dated 10 August 2017 in relation to the appointment of Mr. Sun Lin as an executive Director of the Company.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the code provisions asset out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules during the Period.

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 of the CG Code. As at 30 June 2017, 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 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 the Group.

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

APPRECIATION

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

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

Hong Kong, 10 August 2017

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	Mr. Lau Hon Kee
Mr. Shum Kan Kim		Mr. Yu Xugang
Mr. Yu Xingmin		Mr. Zhang Fangmao
Mr. Pan Jian		
Mr. Sun Lin		

* For identification purposes only