



**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

Third Quarterly 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, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL SUMMARY

The Group's total revenue for the nine months ended 30 September 2017 was approximately HK\$2,254,994,000, representing an increase of approximately 991.8% as compared with the total revenue of approximately HK\$206,548,000 for the corresponding period in 2016.

Loss before taxation for the nine months ended 30 September 2017 was approximately HK\$4,984,000, representing a decrease of approximately 64.0% as compared with the loss before taxation of approximately HK\$13,848,000 for the corresponding period in 2016.

Loss attributable to the equity holders of the Company for the nine months ended 30 September 2017 was approximately HK\$10,178,000, representing a decrease of approximately 25.3% as compared with the loss attributable to the equity holders of the Company of approximately HK\$13,627,000 for the corresponding period in 2016.

Loss per share for the nine months ended 30 September 2017 was approximately HK0.79 cents (nine months ended 30 September 2016: approximately HK1.14 cents).

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 2017 (the “**Third Quarterly 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 nine months ended 30 September 2017

	Note	Unaudited Three months ended 30 September 2017		Unaudited Nine months ended 30 September 2017	
		HK\$'000	2016 HK\$'000	HK\$'000	2016 HK\$'000
Revenue	3	775,532	98,009	2,254,994	206,548
Cost of sales		(756,948)	(89,170)	(2,198,432)	(179,819)
Gross profit		18,584	8,839	56,562	26,729
Other income		(9,380)	5,693	201	7,455
Administrative expenses		(15,206)	(16,174)	(63,046)	(46,541)
Finance costs		(6,895)	(739)	(11,127)	(939)
Gain/(loss) on disposal of subsidiaries		–	–	12,844	(968)
Share of results of associates		101	276	(418)	416
Loss before taxation	4	(12,796)	(2,105)	(4,984)	(13,848)
Taxation	5	(98)	211	(2,416)	195
Loss for the period		(12,894)	(1,894)	(7,400)	(13,653)
Other comprehensive income/(loss):					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		1,652	(168)	3,545	(1,338)
Total comprehensive loss for the period		(11,242)	(2,062)	(3,855)	(14,991)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Profit/(Loss) attributable to:					
Equity holders of the Company		(11,254)	(1,886)	(10,178)	(13,627)
Non-controlling interests		(1,640)	(8)	2,778	(26)
		(12,894)	(1,894)	(7,400)	(13,653)
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		(9,602)	(2,054)	(6,633)	(14,965)
Non-controlling interests		(1,640)	(8)	2,778	(26)
		(11,242)	(2,062)	(3,855)	(14,991)
Loss per share attributable to equity holders of the Company					
Basic and diluted (HK cents)	7	(0.87)	(0.15)	(0.79)	(1.14)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For nine months ended 30 September 2017

	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	-	-	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For nine months ended 30 September 2017

	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)	12,880	201,419	(7,337)	(3,134)	303	(6,857)	3,063	(36,923)	163,414	200	163,614
Profit/(Loss) for the period	-	-	-	-	-	-	-	(10,178)	(10,178)	2,778	(7,400)
Exchange difference arising from translation of foreign operations	-	-	-	3,545	-	-	-	-	3,545	-	3,545
Total comprehensive income/(loss) for the period	-	-	-	3,545	-	-	-	(10,178)	(6,633)	2,778	(3,855)
Total transaction with owners	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	11,505	11,505
At 30 September 2017 (unaudited)	12,880	201,419	(9,631)	411	303	(6,857)	-	(47,101)	151,424	35,980	187,404

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 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 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 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.

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2017

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

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from provision of integrated logistics freight services	44,030	77,126	183,912	167,628
Income from provision of fuel cards	9,069	7,086	24,076	19,349
Tractor repair and maintenance services and insurance agency services fee	91	213	241	473
Income from trading business	716,943	13,584	2,030,041	19,098
Income from provision of petrochemical products storage business	5,399	–	16,724	–
	775,532	98,009	2,254,994	206,548

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2017

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 30 September 2017		Unaudited Nine months ended 30 September 2017	
	HK\$'000	2016 HK\$'000	HK\$'000	2016 HK\$'000
This is stated after charging:				
Finance costs				
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	6,782	20	9,729	60
Finance charge on obligations under finance leases	113	719	1,398	879
	6,895	739	11,127	939
Other items				
Cost of inventories	707,114	–	1,999,491	–
Depreciation	11,772	4,563	27,703	7,306
Operating lease payments on premises	1,690	1,629	6,467	7,454
Staff costs				
Salaries, allowance and the other short-term employee benefits including Directors' emoluments	15,215	33,795	57,590	55,785
Contributions to defined contribution plans	791	7,932	4,653	8,985
	16,006	41,727	62,243	64,770

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2017

5. 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.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current tax				
Hong Kong Profits Tax				
— Current period	–	(20)	–	(81)
PRC Enterprise Income Tax				
— Current period	98	–	2,004	2
— Under-provision in prior period	–	–	412	75
— Over-provision in prior period	–	(191)	–	(191)
	98	(191)	2,416	(114)
Total income tax recognized in profit or loss	98	(211)	2,416	(195)

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (2016: Nil).

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2017

7. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 30 September 2017 and 2016 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	
	2017	2016	2017	2016
Loss attributable to equity holders of the Company (HK\$'000)	(11,254)	(1,886)	(10,178)	(13,627)
Weighted average number of ordinary shares in issue	1,288,000,000	1,288,000,000	1,288,000,000	1,192,408,759
Basic loss per share (HK cents)	(0.87)	(0.15)	(0.79)	(1.14)

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 2017 and 2016.

8. APPROVAL OF THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

The Third Quarterly Financial Statements were approved and authorised for issue by the Board on 10 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 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\$2,030.0 million (2016: HK\$19.1 million).

2. Integrated logistics freight services

During the Period, the Group’s revenue in integrated logistics freight services recorded an increase of approximately 9.7% to approximately HK\$183.9 million (2016: approximately HK\$167.6 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\$19.8 million for the nine months ended 30 September 2016 to approximately HK\$24.3 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 24.9% to approximately HK\$24.1 million (2016: approximately HK\$19.3 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 49.0% to approximately HK\$241,000 during the Period (2016: approximately HK\$473,000).

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\$16.7 million (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue increased by approximately 992.0% to approximately HK\$2,255.0 million for the Period (2016: approximately HK\$206.5 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 1,122.7% to approximately HK\$ 2,198.4 million for the Period (2016: approximately HK\$179.8 million), which was mainly driven by the increase in cost of the trading business.

With the combined effects of revenue and cost of sales, the Company's gross profit margin decreased to approximately 2.5% for the Period (2016: approximately 12.9%), which was mainly due to the low profit margin of the Group's trading business.

The Group's finance costs amounted to approximately HK\$11.1 million for the Period (2016: approximately HK\$939,000), 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 loss for the Period of approximately HK\$7.4 million (2016: approximately loss of HK\$13.7 million). The loss attributable to the equity holders of the Company was approximately HK\$10.2 million (2016: approximately loss of HK\$13.6 million) and the loss per share was approximately 0.79 HK cents (2016: approximately loss of 1.14 HK cents).

Capital Structure

As at 30 September 2017, the Group's total equity attributable to equity holders of the Company amounted to approximately HK\$151.4 million (31 December 2016: HK\$163.4 million). The capital of the Company mainly comprises ordinary shares, share premium and capital reserves.

Dividend

The Board does 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 the expansion of its business. Secured borrowings are secured by the Group's property, plant and equipment, having carrying amounts of approximately HK\$74.6 million as at 30 September 2017 (31 December 2016: approximately HK\$44.3 million), prepaid lease payments of approximately HK\$43.5 million as at 30 September 2017 (31 December 2016: HK\$43.1 million) and pledged bank deposits of approximately HK\$311.2 million as at 30 September 2017 (31 December 2016: approximately 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.

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 shift its focus from 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.

CONTINGENT LIABILITIES

As at 30 September 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 September 2017, 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) (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 September 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 September 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:

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 of the Company held by Dafeng Port Overseas under the SFO.

OTHER INFORMATION

Save as disclosed above, as at 30 September 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 coal, 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 broadly 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.

Save as disclosed above, as at 30 September 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.

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.

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. As at 30 September 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 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 the Group.

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

OTHER INFORMATION

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 November 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. Pan Jian		Mr. Zhang Fangmao
Mr. Sun Lin		

* *For identification purpose only*