



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

First Quarterly Report
2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "**Directors**") of Dafeng Port Heshun Technology Company Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL SUMMARY

The Group's total revenue for the three months ended 31 March 2018 (the "**Period**") was approximately HK\$797.7 million, representing an increase of approximately 14.7% as compared with the total revenue of approximately HK\$695.3 million for the corresponding period in 2017.

Loss before taxation for the Period was approximately HK\$22.0 million, representing an increase of loss of approximately 837.4% as compared with the loss before taxation of approximately HK\$2.4 million for the corresponding period in 2017.

Loss attributable to the equity holders of the Company for the Period was approximately HK\$19.4 million, representing an increase of loss of approximately 622.0% as compared with the loss attributable to the equity holders of the Company of approximately HK\$2.7 million for the corresponding period in 2017.

Loss per share for the Period was approximately HK1.51 cents (the corresponding period in 2017: approximately HK0.21 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 ended 31 March 2018 (the “**First Quarterly Financial Statements**”) together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

	Note	Unaudited Three months ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Revenue	3	797,654	695,276
Cost of sales		(789,921)	(681,443)
Gross profit		7,733	13,833
Other income		1,945	6,363
Administrative expenses		(25,806)	(21,168)
Finance costs		(5,383)	(950)
Share of results of associates		(528)	(429)
Loss before taxation	4	(22,039)	(2,351)
Taxation	5	–	(374)
Loss for the period		(22,039)	(2,725)
Other comprehensive income (loss):			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange difference arising from translation of foreign operations		4,119	(596)
Total comprehensive loss for the period		(17,920)	(3,321)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For three months ended 31 March 2018

	Note	Unaudited Three months ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Loss attributable to:			
Equity holders of the Company		(19,442)	(2,693)
Non-controlling interests		(2,597)	(32)
		(22,039)	(2,725)
Total comprehensive loss attributable to:			
Equity holders of the Company		(16,197)	(3,289)
Non-controlling interests		(1,723)	(32)
		(17,920)	(3,321)
Loss per share attributable to equity holders of the Company			
Basic and Diluted (HK cents)	7	(1.51)	(0.21)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	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 equity HK\$'000	Total interests 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
Loss for the period	-	-	-	(596)	-	-	-	-	(596)	-	(596)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	-	-	(2,693)	(2,693)	(32)	(2,725)
Loss and total comprehensive income for the period	-	-	-	(596)	-	-	-	(2,693)	(3,289)	(32)	(3,321)
At 31 March 2017 (unaudited)	12,880	201,419	(7,337)	(3,730)	303	(6,857)	3,063	(39,616)	160,125	168	160,293

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	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 2018 (audited)	12,880	201,419	(7,337)	(239)	826	(9,151)	-	(37,271)	161,127	35,334	196,461
Loss for the period	-	-	-	-	-	-	-	(19,442)	(19,442)	(2,597)	(22,039)
Exchange difference arising from translation of foreign operations	-	-	-	3,245	-	-	-	-	3,245	874	4,119
Total comprehensive loss for the period	-	-	-	3,245	-	-	-	(19,442)	(16,197)	(1,723)	(17,920)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	2,877	2,877
At 31 March 2018 (unaudited)	12,880	201,419	(7,337)	3,006	826	(9,151)	-	(56,713)	144,930	36,488	181,418

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2018

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 First 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 First Quarterly Financial Statements also complies with the applicable disclosure requirements under the GEM Listing Rules.

The First 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 2017.

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 FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2018

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 Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Income from provision of integrated logistics freight services	37,751	66,754
Income from provision of fuel cards	9,067	7,028
Tractor repair and maintenance services and insurance agency services fee	16	121
Income from trading business	749,638	615,557
Income from provision of petrochemical products storage business	1,182	5,816
	797,654	695,276

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2018

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
This is stated after charging (crediting):		
Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	5,279	683
Finance charge on obligations under finance leases	104	267
	5,383	950
Other items		
Cost of inventories	750,695	609,655
Depreciation	4,107	5,763
Operating lease payments on premises	2,277	604
Staff costs		
Salaries, allowance and the other short-term employee benefits including Directors' emoluments	21,392	18,483
Contributions to defined contribution plans	1,315	1,412
	22,707	19,895

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2018

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 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% (2017: 25%) on taxable income determined in accordance with the relevant laws and regulations in the PRC.

One of the Company's subsidiaries in the PRC is qualified as an eligible entity for enjoying a preferential EIT rate of 15% pursuant to the Notice on Guidelines for Preferential Corporate Income Tax in Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, which becomes effective since 1 January 2014.

Pursuant to the rules and regulations of the British Virgin Islands (the "BVI"), the Cayman Islands and the Marshall Islands, the Group is not subject to any taxation under those jurisdictions.

	Unaudited Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax		
— Current period	-	-
PRC Enterprise Income Tax		
— Current period	-	(374)
— Under-provision in prior period	-	-
— Over-provision in prior period	-	-
	-	(374)
Total income tax recognised in profit or loss	-	(374)

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2018

6. DIVIDEND

The Board did not recommend the payment of any interim dividend for the three months ended 31 March 2018 (2017: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months ended 31 March 2018 and 2017 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 31 March	
	2018 HK\$'000	2017 HK\$'000
Loss attributable to equity holders of the Company	(19,442)	(2,693)
Weighted average number of ordinary shares in issue	1,288,000,000	1,288,000,000
Basic loss per share (HK cents)	(1.51)	(0.21)

Basic and diluted loss per share are the same as the Company did not have any dilutive potential ordinary shares during the three months ended 31 March 2018 and 2017.

8. APPROVAL OF THE FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved and authorised for issue by the Board on 10 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period, the Group was principally engaged in trading business, the provision of integrated logistics freight services and the relevant supporting services as well as 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\$749.6 million (2017: approximately HK\$615.6 million). The increase in revenue was mainly attributable to the acquisition of 天津聯企成石油製品銷售有限公司 (Tianjin Lian Qi Cheng Petroleum Products Trading Company Limited*) ("**Tianjin Lian Qi Cheng**") and 珠海恒豐和順石化有限公司 (Zhuhai HengFeng Heshun Petrochemical Company Limited*) ("**Zhuhai Heng Feng**") and 深圳市泛海控股有限公司 (Shenzhen Fan Hai Holdings Limited*) ("**Shenzhen Fan Hai**"), and the trading business of 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*) ("**Heshun Trading**") maintained a growth rate exceeding that of the corresponding period of last year.

2. Integrated logistics freight services

During the Period, the Group's revenue in integrated logistics freight services recorded a decrease of approximately 43.4% to approximately HK\$37.8 million (2017: HK\$66.8 million). The decrease in revenue was mainly attributable to the disposal of 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**") on 13 June 2017.

In view of the substantial losses incurred by the integrated logistics freight services over the years, the Group intends to shift its focus from integrated logistics freight services to expanding the trading business and the petrochemical products storage business.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$7.1 million for the three months ended 31 March 2017 to approximately HK\$9.1 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 29.0% to approximately HK\$9.1 million (2017: approximately HK\$7.0 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 the 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 86.8% to approximately HK\$16,000 during the Period (2017: approximately HK\$121,000). The decrease in revenue was mainly attributable to the decrease in the number of our customers who needed value-added services.

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 decreased by approximately 79.7% to approximately HK\$ 1.2 million (2017: approximately HK\$5.8 million). The decrease in revenue was mainly attributable to the construction of additional petrochemical storage tanks which interfered with the normal operation of some storage tanks around.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue increased by approximately 14.7% to approximately HK\$797.7 million for the Period (2017: approximately HK\$695.3 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 15.9% to approximately HK\$789.9 million for the Period (2017: approximately HK\$681.4 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 Group's gross profit margin decreased to approximately 1.0% for the Period (2017: approximately 2.0%), which was mainly due to the low profit margin of the Group's trading business.

The Group's finance cost amounted to approximately HK\$5.4 million for the Period (2017: approximately HK\$1.0 million), the finance costs consist of interests on bank loans, overdrafts, other borrowings and interest on amounts due to connected companies as well as the finance charge on obligations under finance leases.

The Group recorded the loss for the Period of approximately HK\$22.0 million (2017: approximately HK\$2.7 million). The loss attributable to the equity holders of the Company was approximately HK\$ 19.4 million (2017: approximately HK\$2.7 million) and the loss per share was 1.51 HK cents (2017: 0.21 HK cents).

CAPITAL STRUCTURE

As at 31 March 2018, the Group's total equity attributable to equity holders of the Company amounted to approximately HK\$ 144.9 million (31 December 2017: approximately HK\$161.1 million). The capital of the Company mainly comprised ordinary shares, share premium and capital reserves.

DIVIDEND

The Board did not recommend the payment of any interim dividend in respect of the Period (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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\$76.9 million as at 31 March 2018 (31 December 2017: approximately HK\$75.4 million), prepaid lease payments of approximately HK\$45.6 million as at 31 March 2018 (31 December 2017: approximately HK\$45.4 million), security deposit for loan from a third party of approximately HK\$3.7 million as at 31 March 2018 (31 December 2017: approximately HK\$3.6 million) and pledged bank deposits of approximately HK\$324.4 million as at 31 March 2018 (31 December 2017: approximately HK\$312.9 million).

PLACING OF UNLISTED SECURED BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF UP TO US\$50,000,000 AND ACCOUNT CHARGE BY CONTROLLING SHAREHOLDER

On 27 March 2018, the Company, as issuer, 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("Jiangsu Dafeng"), as guarantor, and Industrial Bank Co., Ltd. Hong Kong Branch (the "Placing Agent"), entered into a placing agreement pursuant to which the Company agreed to appoint the Placing Agent as a placing agent for the purpose of procuring, and to use its best efforts, the subscription of the bonds of up to an aggregate principal amount of US\$50,000,000 (the "Placing").

大豐港海外投資控股有限公司 (Dafeng Port Overseas Investment Holdings Limited*) ("Dafeng Port Overseas"), a controlling shareholder of the Company, entered into a deed of account charge (the "Account Charge") with the security trustee on 29 March 2018, pursuant to which Dafeng Port Overseas assigned and agreed to assign to the security trustee, as trustee for the bondholders, all of Dafeng Port Overseas' right, title and interest from time to time in and to each secured account, which represented approximately 57.46% of the total issued Shares as at 29 March 2018, as security for the payment and discharge of the secured obligations.

The Placing was completed on 29 March 2018. Pursuant to the results of a book building exercise, the bonds in the principal amount of US\$50 million has been placed to bondholders at a coupon rate of 7.5% per annum, and terms of 3 years.

The proceeds will be used to satisfy the needs of the Group's continual business development. The Group is considering utilising the net proceeds for future expansion of and investment in the Group's main businesses.

For further details, please refer to the announcements of the Company dated 27 March 2018 and 29 March 2018 in relation to the Placing.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no 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 integrated logistics freight services to expanding the trading business and the petrochemical products storage business. In this regard, the Group has tapped into the petrochemical products trading business and commenced the construction of new storage facilities for petrochemical products, 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 on a reliable basis to strengthen its performance and enhance the interests of the shareholders of the Company.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group had no material contingent liabilities (31 December 2017: 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 31 March 2018, 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) ("**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, recognising and acknowledging the contributions that eligible persons had made or may make to the Group. The Scheme was adopted pursuant to the written resolutions of the sole shareholder of the Company passed on 3 August 2013. The expiry date of the Scheme is 2 August 2023. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options have been granted, exercised or cancelled by the Company under the Scheme and there were no outstanding share options under the Scheme as at 31 March 2018 and as at 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 31 March 2018, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Number of shares held (Note 1)	% of the Company's issued share capital (Approximate)
Dafeng Port Overseas (Note 2)	Beneficial owner	740,040,000 (L) 740,040,000 (S)	57.46% 57.46%
Jiangsu Dafeng (Note 3)	Interest of controlled corporation	740,040,000 (L) 740,040,000 (S)	57.46% 57.46%
大豐區人民政府 (People's Government of Dafeng District*) ("PGDD") (Note 3)	Interest of controlled corporation	740,040,000 (L) 740,040,000 (S)	57.46% 57.46%
Mr. Jiang Wen (Note 4)	Beneficial owner, interest of controlled corporation and interest of spouse	65,340,000 (L)	5.07%
Ms. Li Qiu Hua (Note 5)	Beneficial owner and interest of spouse	65,340,000 (L)	5.07%

OTHER INFORMATION

Notes:

1. The letter “L” denotes a long position in the interest in the issued share capital of the Company and the letter “S” denotes a short 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, and 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.
4. Mr. Jiang Wen, the director of 前海明天供應鏈(深圳)有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) (“**Qianhai Mingtian**”) which is an indirect subsidiary of the Company, directly and beneficially owns 48,220,000 Shares. Ms. Li Qiu Hua, the spouse of Mr. Jiang Wen, directly and beneficially owns 3,520,000 Shares. Kingkee (Holdings) Limited, a company wholly-owned by Mr. Jiang Wen, directly and beneficially owns 13,600,000 Shares. As such, under the SFO, Mr. Jiang Wen is deemed, or taken to be, interested in 65,340,000 Shares.
5. Ms. Li Qiu Hua directly and beneficially owns 3,520,000 Shares. As Mr. Jiang Wen’s spouse, she is, under the SFO, deemed to be, or taken to be, interested in the same number of Shares in which Mr. Jiang Wen is interested.

Save as disclosed above, as at 31 March 2018, 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.

Subsequent to the Period, Mr. Jiang Wen has sold a total of 18,000,000 Shares directly and beneficially owned by him on 3 May 2018.

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.

OTHER INFORMATION

COMPETING INTERESTS

Jiangsu Dafeng, a controlling shareholder of the Company, has three indirect wholly-owned subsidiaries, namely 大豐海融國際貿易有限公司 (Dafeng Hairong International Trading Limited*) ("**Dafeng Hairong**"), 鹽城市港城商業管理有限公司 (Yancheng City Gangcheng Commercial Management Co., Ltd*) ("**Yancheng Commercial**") and 鹽城大豐碧港貿易有限公司 (Yancheng Dafeng Bi Port Trading Limited ("**Dafeng Bi Port**"), 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 Company has also developed the business of trading of electronic products, petrochemical products and various other products through 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*), an indirect wholly-owned subsidiary of the Company, and its subsidiaries, and Qianhai Mingtian and its subsidiary. 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 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, Yancheng Commercial and Dafeng Bi Port. 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 31 March 2018, 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

The Company is committed to maintain a high standard of corporate governance. In the opinion of the Directors, the Company has complied with all the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules during the Period. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors.

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 (Chairman), Dr. Bian Zhaoxiang and Mr. Zhang Fangmao, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are to make recommendations to the 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 First 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 First 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 May 2018

As at the date of this report, the Board comprises the following members:

<i>Executive Director</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. Shum Kan Kim	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Mr. Pan Jian		Mr. Yu Xugang
Mr. Sun Lin		Mr. Zhang Fangmao

* *For identification purpose only*