



**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

2019

INTERIM REPORT



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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 is no other matter the omission of which would make any statement herein or this report misleading.

FINANCIAL SUMMARY

The Group's total revenue for the six months ended 30 June 2019 (the "**Period**") was approximately HK\$770.9 million, representing an decrease of approximately 61.6% as compared with the total revenue generated from continuing operations of approximately HK\$2,010.1 million for the corresponding period in 2018.

Loss before taxation for the Period was approximately HK\$43.3 million, representing a decrease of approximately 23.4% as compared with the loss before taxation generated from continuing operations of approximately HK\$56.5 million for the corresponding period in 2018.

Loss attributable to the equity holders of the Company for the Period was approximately HK\$50.1 million, representing an increase of approximately 2.5% as compared with the loss attributable to the equity holders of the Company generated from continuing operations of approximately HK\$48.9 million for the corresponding period in 2018.

Loss per share for the Period was approximately HK3.89 cents (the corresponding period in 2018: the loss per share generated from continuing operations was approximately HK3.80 cents).

The board of Directors of the Company (the “**Board**”) presents 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 2019 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Continuing operations					
Revenue	4	296,540	1,259,280	770,948	2,010,100
Cost of sales		(296,099)	(1,269,961)	(768,393)	(2,020,890)
Gross profit/(loss)		441	(10,681)	2,555	(10,790)
Other income	5	1,957	329	2,374	1,969
Administrative expenses		(5,792)	(18,350)	(19,892)	(33,495)
Finance costs	6	(13,838)	(8,878)	(28,186)	(14,156)
Loss on disposal of subsidiaries		(267)	–	(140)	–
Loss before taxation from continuing operations	6	(17,499)	(37,580)	(43,289)	(56,472)
Taxation	7	(134)	(49)	(134)	(49)
Loss for the period from continuing operations		(17,633)	(37,629)	(43,423)	(56,521)
Discontinued operations					
Loss for the period from discontinued operations		–	(300)	–	(3,447)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(17,633)	(37,929)	(43,423)	(59,968)
Other comprehensive income/(loss):				
Item that may be reclassified to profit or loss in subsequent periods:				
Exchange difference arising from translation of foreign operations	(15,259)	(6,717)	6,526	(2,598)
Total comprehensive loss for the period	(32,892)	(44,646)	(36,897)	(62,566)
Loss attributable to equity holders of the Company:				
— from continuing operations	(20,557)	(32,671)	(50,094)	(48,937)
— from discontinued operations	—	(329)	—	(3,505)
	(20,557)	(33,000)	(50,094)	(52,442)
Profit/(Loss) attributable to non-controlling interests:				
— from continuing operations	2,924	(4,958)	6,671	(7,584)
— from discontinued operations	—	29	—	58
	2,924	(4,929)	6,671	(7,526)
	(17,633)	(37,929)	(43,423)	(59,968)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total comprehensive income/ (loss) attributable to:					
Equity holders of the Company		(34,638)	(38,082)	(45,853)	(54,279)
Non-controlling interests		1,746	(6,564)	8,956	(8,287)
		(32,892)	(44,646)	(36,897)	(62,566)
Loss per share attributable to equity holders of the Company					
Basic and diluted (HK cents)	9				
— from continuing operations		(1.60)	(2.54)	(3.89)	(3.80)
— from discontinued operations		—	(0.03)	—	(0.27)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Non-current assets			
Property, plant and equipment	10	960,936	960,685
Goodwill		225,078	225,151
Prepaid lease payment		34,099	34,135
Sea use right payments		2,800	2,848
Prepayments for purchase of property, plant and equipment		4,667	500
Right-of-use assets		2,531	–
Security deposit for loan from a third party		3,413	3,416
		1,233,524	1,226,735
Current assets			
Financial asset at fair value through profit or loss		–	7,971
Prepaid lease payments		543	989
Sea use right payments		72	72
Inventories		9,644	16,720
Trade and other receivables	11	686,266	1,090,644
Pledged bank deposits	12(a)	307,179	307,449
Bank balances and cash	12	72,545	64,588
		1,076,249	1,488,433
Disposal group classified as held for sale		–	54,566
		1,076,249	1,542,999
Current liabilities			
Trade and other payables	13	1,670,322	1,946,976
Current portion of interest-bearing borrowings	14	110,217	140,633
Lease liabilities		1,635	–
Taxation		227	177
		1,782,401	2,087,786
Liabilities associated with disposal group classified as held for sale		–	46,429
		1,782,401	2,134,215
Net current liabilities		706,152	591,216
Total assets less current liabilities		527,372	635,519

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Non-current liabilities			
Non-current portion of interest-bearing borrowings	14	555,510	611,492
Lease liabilities		896	–
Deferred tax liabilities		7,099	7,100
		563,505	618,592
NET ASSETS/(LIABILITIES)		(36,133)	16,927
Capital and reserves			
Share capital	15	12,880	12,880
Reserves		(49,013)	(19,233)
Total equity attributable to equity holders of the Company		(52,412)	(6,353)
Non-controlling interests		16,279	23,280
TOTAL EQUITY		(36,133)	16,927

CONDENSED CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the six months ended 30 June 2019

	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 loss HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2018 (audited and restated)	12,880	201,419	(7,337)	(239)	826	(9,151)	-	(36,670)	161,728	35,334	197,062
Loss for the period	-	-	-	-	-	-	-	(52,442)	(52,442)	(7,526)	(59,968)
Exchange difference arising from translation of foreign operations	-	-	-	(1,837)	-	-	-	-	(1,837)	(761)	(2,598)
Total comprehensive income for the period	-	-	-	(1,837)	-	-	-	(52,442)	(54,279)	(8,287)	(62,566)
Revaluation reserve of available-for-sale financial assets	-	-	-	-	-	528	-	-	528	-	528
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	2,268	2,268
At 30 June 2018 (unaudited)	12,880	201,419	(7,337)	(2,076)	826	(8,623)	-	(89,713)	107,376	29,315	136,691

CONDENSED CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the six months ended 30 June 2019

	Total equity attributable to equity holders of the Company								Non-controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2019 (audited)	12,880	201,419	(7,337)	(12,690)	831	(9,151)	(192,305)	(6,353)	23,280	16,927
Loss for the period	-	-	-	-	-	-	(50,094)	(50,094)	6,671	(43,423)
Exchange difference arising from translation of foreign operations	-	-	-	4,241	-	-	-	4,241	2,285	6,526
Total comprehensive loss for the period	-	-	-	4,241	-	-	(50,094)	(45,853)	8,956	(36,897)
Transactions with owners										
Disposal of subsidiaries	-	-	-	(172)	(34)	-	-	(206)	(15,957)	(16,163)
Transactions with owners	-	-	-	(172)	(34)	-	-	(206)	(15,957)	(16,163)
At 30 June 2019 (unaudited)	12,880	201,419	(7,337)	(8,621)	797	(9,151)	(242,399)	(52,412)	16,279	(36,133)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Cash generated from/(used in) operations	42,879	(394,550)
Interest paid	(15,279)	(7,534)
Tax paid	(310)	(1,738)
Net cash generated from/(used in) operating activities	27,290	(403,822)
Net cash generated from/(used in) investing activities	182	(13,573)
Net cash (used in)/generated from financing activities	(19,162)	475,046
Net increase in cash and cash equivalents	8,310	57,651
Cash and cash equivalents at beginning of the period	64,588	61,703
Effect on exchange rate changes	(353)	(13,466)
Cash and cash equivalents at end of the period	72,545	105,888

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 Hong Kong 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.

Except as described below for changes in accounting policies resulting from application of new HKFRSs, 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 2018.

Adoption of new/revised HKFRS

During the Period, the Group has applied the following new standards, amendments and interpretations to existing standards issued by the HKICPA, which are effective from the accounting periods beginning on or after 1 January 2019 for the preparation of the Group’s Interim Financial Statements:

HKFRS 9 (Amendments)	Prepayment features with negative compensation
HKAS 19 (Amendments)	Plan amendments, curtailment or settlement
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments
Annual Improvements Project (Amendments)	Annual improvements 2015–2017 cycle

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

Except for the impact as disclosed below, the adoption of the above new HKFRS and HKAS does not have a significant impact on the Group's accounting policies.

HKFRS 16 "Leases" introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 supersedes HKAS 17 "Leases" and the related interpretations for annual periods beginning on or after 1 January 2019.

The Group is required to recognise the portion of the future minimum lease payments under the operating leases in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities, and in the Group's consolidated statement of comprehensive income as the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets. The Group will also be required to re-measure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the re-measurement of the lease liabilities as an adjustment to the right-of-use assets.

The Group has applied HKFRS 16 in accordance with the transition provisions set out in HKFRS 16, i.e. applied the non-cancellable operating leases of the Group in respect of office premises, dormitories and a parking lot that have not been derecognised as at 1 January 2019 (date of initial application) and has not applied the operating leases that have already been derecognised as at 1 January 2019.

The difference between carrying amounts as at 31 December 2018 and the carrying amounts as at 1 January 2019 are recognised in the opening assets and liabilities, without restating comparative information.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

The table below illustrates the classification and measurement of operating leases in consolidated statement of financial position under HKFRS 16 and HKAS 17 at the date of initial application, i.e., 1 January 2019.

	HKFRS 16 Carrying amount at 1 January 2019 HK\$'000	HKAS 17 Carrying amount at 31 December 2018 HK\$'000
Right-of-use assets	4,758	–
Lease liabilities	4,758	–

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 INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 Company's executive Directors in order to allocate resources and assess performance of the segment.

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 products, petrochemical products etc. — Provision of supply chain management services — Manufacturing and trading of tin wires
— Integrated logistics handling and the relevant supporting services	— Provision of terminal handling and berthing services
— Petrochemical products storage business	— Provision of storage services for petrochemical products

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 the 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 2019

Operating segment information is presented below:

For the six months ended 30 June 2019

	Trading business HK\$'000	Petrochemical Products storage business HK\$'000	Integrated logistics handling and the relevant supporting services HK\$'000	Inter- Segment elimination HK\$'000	Total HK\$'000
Revenue (from external customers)	763,062	4,054	3,832	-	770,948
— Inter-segment revenue	-	317	-	(317)	-
Total revenue	763,062	4,371	3,832	(317)	770,948
Results					
Segment result	(8,752)	(4,506)	(14,440)	-	(27,698)
Other unallocated corporate income					844
Other unallocated corporate expenses					(16,295)
Loss on disposal of subsidiaries					(140)
Loss before taxation					(43,289)
Taxation					(134)
Loss for the period					(43,423)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

For the six months ended 30 June 2018

	Continuing operations		Discontinued operations (Note)				Total HK\$'000
	Trading business HK\$'000	Petrochemical Products storage business HK\$'000	Integrated logistics handling services HK\$'000	Provision of fuel cards HK\$'000	Tractor repair and maintenance services and insurance agency services HK\$'000	Inter- segment elimination HK\$'000	
Revenue (from external customers)	2,005,900	4,200	65,630	15,901	76	-	2,091,707
— Inter-segment revenue	-	-	10,610	2,048	780	(13,438)	-
Total revenue	2,005,900	4,200	76,240	17,949	856	(13,438)	2,091,707
Results							
Segment result	(35,611)	(5,311)	(3,987)	1,002	(25)	-	(43,932)
Share of results of associates							(341)
Other unallocated corporate income							332
Other unallocated corporate expenses							(15,881)
Profit before taxation							(59,822)
Taxation							(146)
Profit for the period							(59,968)

Note:

The operations of Gamma Logistics (B.V.I.) Corporation (“**Gamma Logistics**”) and its subsidiaries (“**Gamma Logistics Group**”) are classified as discontinued operations.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

As at 30 June 2019

	Trading business HK\$'000	Petrochemical Products storage business HK\$'000	Integrated logistics handling and the relevant supporting services HK\$'000	Total HK\$'000
ASSETS				
Segment assets	682,231	196,716	1,234,702	2,113,649
Unallocated corporate assets	–	–	–	196,124
Consolidated total assets	682,231	196,716	1,234,702	2,309,773
LIABILITIES				
Segment liabilities	(316,249)	(225,448)	(1,019,462)	(1,561,159)
Unallocated corporate liabilities	–	–	–	(784,747)
Consolidated total liabilities	(316,249)	(225,448)	(1,019,462)	(2,345,906)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

As at 31 December 2018

	Continuing operations			Discontinued operations			Total HK\$'000
	Trading business HK\$'000	Petro- chemical products storage business HK\$'000	Integrated logistics handling services HK\$'000	Integrated logistics handling services HK\$'000	Provision of fuel cards HK\$'000	Tractor repair and maintenance services and insurance agency services HK\$'000	
ASSETS							
Segment assets	971,974	162,682	1,546,055	-	-	-	2,680,711
Unallocated corporate assets	-	-	-	-	-	-	34,457
Disposal group held for sale	-	-	-	30,884	16,156	1,766	48,806
Unallocated assets in assets in disposal group classified as held for sale	-	-	-	-	-	-	5,760
Consolidated total assets							2,769,734
LIABILITIES							
Segment liabilities	(1,131,275)	(92,213)	(1,085,209)	-	-	-	(2,308,697)
Unallocated corporate liabilities	-	-	-	-	-	-	(397,681)
Liabilities associated with disposal group held for sale	-	-	-	(42,399)	(2,663)	(1,340)	(46,402)
Unallocated liabilities in liabilities associated with disposal group classified as held for sale	-	-	-	-	-	-	(27)
Consolidated total liabilities							(2,752,807)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

Geographical segment

The Group operates and derives revenue in two principal geographical areas: Hong Kong and the People's Republic of China (the "PRC"). The following table sets out the revenue derived from geographical areas which are based on the geographical location of the customers:

	Unaudited 30 June 2019 HK\$'000	Unaudited 30 June 2018 HK\$'000
Revenue from external customers — continuing operations:		
Hong Kong	631,024	832,668
the PRC	120,408	1,144,657
Others (Note)	19,516	32,775
	770,948	2,010,100

Note:

The locations of others include Europe, the United States of America ("U.S.A."), Asia (other than Hong Kong and the PRC), South Africa and others.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. REVENUE

Revenue, which represents income from provision of integrated logistics handling and the relevant supporting 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	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Income from provision of integrated logistics handling and the relevant supporting services	1,411	–	3,832	–
Income from trading business	293,206	1,256,262	763,062	2,005,900
Income from provision of petrochemical products storage business	1,923	3,018	4,054	4,200
	296,540	1,259,280	770,948	2,010,100

5. OTHER INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Bank interest income	423	553	500	583
Exchange gain/(loss)	1,528	(478)	1,589	957
Sundry income	6	254	285	429
	1,957	329	2,374	1,969

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

6. LOSS BEFORE TAXATION

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
This is stated after charging:				
Finance costs				
Interest on bank loans, overdrafts and borrowings wholly repayable within five years	13,838	8,878	28,186	14,156
	13,838	8,878	28,186	14,156
Other items				
Cost of inventories	285,858	1,263,037	746,409	2,013,732
Depreciation	7,819	1,824	15,833	3,456
Depreciation expense on the right-of-use assets	610	–	1,313	–
Staff costs				
Salaries, allowance and the other short-term employee benefits including Directors' emoluments	4,560	6,151	13,587	12,252
Contributions to defined contribution plans	1,059	588	2,307	1,283
	5,619	6,739	15,894	13,535

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. TAXATION

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK\$2 million of estimated assessable profits of the Group will be lowered to 8.25% while the estimated assessable profits above HK\$2 million will continue to be subject to the rate of 16.5% for corporations.

One of the Company's major operating subsidiaries, 前海明天供應鏈（深圳）有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) ("**Qianhai Mingtian**"), is qualified as an eligible entity for enjoying a preferential Enterprise Income Tax ("**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.

Save as disclosed above, the PRC EIT is calculated at the prevailing tax rate at 25% (2018: 25%) on taxable income determined in accordance with the relevant laws and regulations in the PRC.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Current tax				
PRC Enterprise Income Tax				
— Under-provision in prior period	134	49	134	49
Total income tax for continuing operations	134	49	134	49
Discontinued operations				
Current tax	—	97	—	97
Total income tax for discontinued operations	—	97	—	97
Total income tax recognized in profit or loss	134	146	134	146

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

8. DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (2018: Nil).

9. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 June 2019 and 2018 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 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
Loss attributable to equity holders of the Company (HK'000)				
— Continuing operations	(20,557)	(32,671)	(50,094)	(48,937)
— Discontinued operations	—	(329)	—	(3,505)
Weighted average number of ordinary shares in issue	1,288,000,000	1,288,000,000	1,288,000,000	1,288,000,000
Basic loss per share (HK cents)				
— Continuing operations	(1.60)	(2.54)	(3.89)	(3.80)
— Discontinued operations	—	(0.03)	—	(0.27)

Basic and diluted loss per share is the same as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of property, plant and equipment (the "PPE") with a cost of approximately HK\$17.7 million (2018: approximately HK\$29.1 million). The Group did not dispose any PPE during the Period (2018: Items of PPE with a net book value of approximately HK\$0.6 million were disposed), resulting in no gain or loss on disposal (2018: gain on disposal of approximately HK\$0.1 million).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. TRADE AND OTHER RECEIVABLES

	Note	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Trade and bills receivables			
— Third parties		200,472	418,688
		200,472	418,688
Other receivables			
Deposits, prepayments and other debtors		35,256	38,988
Advanced payment to suppliers		10,782	49,722
Value added tax refundable		52,072	142,435
Interest receivable		13,783	5,461
Due from connected companies	11(a)	373,784	435,350
Consideration receivable for disposal of a subsidiary		117	–
		485,794	671,956
		686,266	1,090,644

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Outstanding balances which aged:		
90 days or below	136,547	393,207
91–180 days	36,661	2,412
181–365 days	25,598	23,069
More than 365 days	1,666	–
	200,472	418,688

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

The information about the exposure to credit risk for trade receivables as at 30 June 2019 is summarised below:

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Neither past due nor impaired	151,433	372,097
Within 90 days	16,682	21,673
91–180 days	20,125	2,143
181–365 days	12,232	22,775
Past due but not impaired	49,039	46,591
	200,472	418,688

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

Included in the Group's trade receivables balance are debtors with carrying amounts of approximately HK\$63.9 million as at 30 June 2019 (31 December 2018: approximately HK\$46.6 million) which are past due at the end of the 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 receivable. The management has 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 2019 and 31 December 2018 relate to a wide range of customers for whom there was no history of default.

11(a) Due from connected companies

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("Jiangsu Dafeng")	373,773	435,321
大豐鑫港置業有限公司	11	29
	373,784	435,350

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Bank balances and cash	72,545	64,588

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

12(a) Pledged bank deposits

At 30 June 2019 and 31 December 2018, 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. The pledged bank deposits are pledged for the bills payables issued by a bank as mentioned in note 13 to the unaudited Interim Financial Statements. The interest rates of the pledged bank deposits ranged from 4.39% to 4.63% per annum. The amount of approximately HK\$159.3 million will be matured before 13 August 2019, and approximately HK\$147.9 million will be matured between 13 August 2019 and 17 August 2019. When the pledged bank deposits matures, the bills payables will be repaid accordingly.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

13. TRADE AND OTHER PAYABLES

		Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
	Note		
Trade and bills payables			
Trade payables		4,766	324,794
Bills payables		320,962	321,244
		325,728	646,038
Other payables			
Accrued charges and other creditors		99,043	37,449
Advanced receipts from customers		228	17,800
Construction costs payable		–	11,260
Salaries and bonus payable		2,012	2,727
Amounts due to connected companies	13(a)	1,243,311	1,231,702
		1,344,594	1,300,938
		1,670,322	1,946,976

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

The ageing analysis of trade and bills payables, based on invoice date, is as follows:

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
90 days or below	319,718	645,740
91–180 days	6,010	298
	325,728	646,038

13(a) Due to connected companies

	Note	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
大豐海港港口有限責任公司 (Dafeng Harbour Port Limited Liability Company*) (" Dafeng Harbour Port ")	(i)	907,265	908,063
Jiangsu Dafeng	(ii)	203,662	194,223
江蘇華海投資有限公司 (Jiangsu Huahai Investment Limited*) (" Jiangsu Huahai ")	(ii)	132,384	129,416
		1,243,311	1,231,702

- (i) The amount due is unsecured, interest-free and has no fixed terms of repayment. Dafeng Harbour Port is the wholly-owned subsidiary of Jiangsu Dafeng.
- (ii) Jiangsu Dafeng and Jiangsu Huahai have equity interest in 大豐港海外投資控股有限公司 (Dafeng Port Overseas Investment Holding Limited*) ("**Dafeng Port Overseas**") as to 40% and 10% respectively. The amounts due represent the consideration payable in relation to acquisition of 江蘇海融大豐港油品化工碼頭有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited*) ("**Jiangsu Hairong**"). The amounts are unsecured, repayable within one year and bear interest at a rate of 4.35% per annum.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. BANK AND OTHER BORROWINGS

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Interest-bearing		
Bank loans	136,524	209,521
Loan from a third party	24,321	35,529
Loans from connected companies	113,320	108,746
Bank overdrafts	–	5,672
Unlisted secured bonds	391,562	392,657
	665,727	752,125
Total bank and other borrowings	665,727	752,125
Current portion		
Portion of bank and other borrowings due for repayment within one year		
— Bank loans	77,363	111,593
— Loan from a third party	24,321	23,368
— Loans from connected companies	8,533	–
— Bank overdrafts	–	5,672
	110,217	140,633
Non-current portion		
— Bank loans	59,161	97,928
— Loan from a third party	–	12,161
— Loans from connected companies	104,787	108,746
— Unlisted secured bonds	391,562	392,657
	555,510	611,492
Total bank and other borrowings	665,727	752,125
Analysed as follows:		
Secured	28,871	41,201
Secured and guaranteed	493,956	602,178
Unsecured	142,900	108,746
	665,727	752,125

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. SHARE CAPITAL

	30 June 2019		31 December 2018	
	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 2019/2018	10,000,000,000	100,000	10,000,000,000	100,000
At 30 June 2019/31 December 2018	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At 1 January 2019/2018	1,288,000,000	12,880	1,288,000,000	12,880
Placing of new shares	-	-	-	-
At 30 June 2019/31 December 2018	1,288,000,000	12,880	1,288,000,000	12,880

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

16. RELATED PARTY TRANSACTIONS

During the Period, 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 2019 HK\$'000	Unaudited 30 June 2018 HK\$'000
Ocean freight income received from:			
Echo Chain Shipping Limited	(a)	–	2,365
Ocean freight charge paid to:			
Echo Chain Shipping Limited	(a)	–	39
Management fee income received from:			
Full & Fame Oil Product Agency Limited	(a)	–	250
Equipment rental received from:			
Vanco Logistics Limited	(a)	–	104
Echo Chain Shipping Limited	(a)	–	175
Fuel and oil fee received from:			
Vanco Logistics Limited	(a)	–	271
Interest fee paid to:			
Haijing Factoring	(b)	–	3,073
Jiangsu Dafeng		5,180	596
Dafeng Port Beijing	(b)	–	657

Notes:

- Echo Chain Shipping Limited, Vanco Logistics Limited and Full & Fame Oil Product Agency Limited are associates of Gamma Logistics Group.
- Haijing Factoring (海晶商業保理有限公司), Jiangsu Dafeng and Dafeng Port Beijing (大豐港融資租賃(北京)有限責任公司) are controlled by a substantial shareholder.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

(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		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowance and the other short-term employee benefits	414	405	828	860
Contribution to defined contribution plans	15	29	30	33
	429	434	858	893

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	Audited
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
Total banking facilities granted to the Group	415,261	415,626
Total utilised banking facilities	355,093	365,632

As the end of the Period, the Group had obtained several banking facilities amount of approximately HK\$415.3 million (31 December 2018: approximately HK\$415.6 million).

Note: pledged bank deposits as shown in the note 12(a) to the Interim Financial Statements.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 8 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period, the Group was principally engaged in trading business, the provision of integrated logistics handling 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\$763.1 million (2018: approximately HK\$2,005.9 million). The decrease in revenue was mainly attributable to (i) the termination of some products trading business which had high operating risks or recorded gross losses in the last financial year, (ii) many customers took a wait-and-see attitude as the change of the value added tax in the PRC has affected the export rebate, and (iii) the impact of the China-USA trade war.

2. Integrated logistics handling and the relevant supporting services business

During the Period, the Group provide terminal handling and berthing services, through Jiangsu Hairong in the Yangtze River Delta region. The revenue from business of integrated logistics handling and the relevant supporting services business ("**Integrated Logistics Handling Business**") decreased by approximately 94.2% to approximately HK\$3.8 million (2018: HK\$65.6 million). The decrease in revenue was mainly attributable to (i) the Group has just completed the acquisition of the entire equity interest in Jiangsu Hairong on 21 December 2018, and it is still in the period of resources restructuring and has not yet achieved its full synergistic benefits; (ii) the disposal of Gamma Logistics Group on 10 January 2019 recorded substantial losses to the Group in the past few years; and (iii) the explosion accident in the chemical industry park on 21 March 2019 has caused a large number of chemical industry companies shut down or rectified, resulting in a decline in business volume.

3. 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 revenue from the Group's petrochemical products storage business decreased by approximately 2.4% to approximately HK\$4.1 million (2018: approximately HK\$4.2 million). The decrease in revenue was mainly attributable to (i) the prolonged suspension of operation of the majority of storage tanks that are affected by the construction of new petrochemical storage tanks, and (ii) the repairing and upgrading of the existing fire services in accordance with the safety regulations and environment protection authorities during the Period.

FINANCIAL REVIEW

The Group's revenue decreased by approximately 61.6% to approximately HK\$770.9 million for the Period (2018: approximately HK\$2,010.1 million from continuing operations). The reasons of the decrease in revenue, please refer to the paragraph headed "Business Review" for details.

The Group's cost of sales decreased by approximately 62.0% to approximately HK\$768.4 million for the Period (2018: approximately HK\$2,020.9 million from continuing operations). The decrease in cost was mainly driven by the effect of decrease in revenue of the Group's trading business.

With the combined effects of revenue and cost of sales, the Group's gross profit margin increased to approximately 0.3% for the Period (2018: approximately 0.2%).

The Group's finance costs increased by approximately 98.6% to approximately HK\$28.2 million for the Period (2018: approximately HK\$14.2 million from continuing operations). The finance costs consist of interests on bank loans, overdrafts and other borrowings. The increase in finance costs was mainly attributable to the placing of the unlisted secured bonds of US\$50 million, for details, please refer to paragraph headed "Placing of unlisted secured bonds in the aggregate principal amount of up to US\$50,000,000 and account charge by controlling shareholders", and increase in the amounts due representing the consideration payable in relation to acquisition of the entire equity interest in Jiangsu Hairong, which were denominated in Renminbi with interest rate of 4.35% per annum.

The Group recorded the loss for the Period of approximately HK\$43.4 million (2018: loss of approximately HK\$56.5 million from continuing operations). The loss attributable to the equity holders of the Company was approximately HK\$50.1 million (2018: approximately HK\$48.9 million from continuing operations) and the loss per share was approximately 3.89 HK cents (2018: approximately 3.80 HK cents from continuing operations).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had net current liabilities of approximately HK\$706.2 million (31 December 2018: approximately HK\$591.2 million) including bank balances and cash equivalents of approximately HK\$72.5 million (31 December 2018: approximately HK\$64.6 million).

The Group's equity capital, bank and other borrowings have been applied to fund its working capital and other operational needs. Total outstanding bank and other borrowings of approximately HK\$665.7 million as at 30 June 2019 (31 December 2018: approximately HK\$752.1 million) included primarily an unlisted secured bonds of US\$50 million secured and guaranteed by Dafeng Port Overseas for a term of 3 years and a coupon rate of 7.5% per annum and outstanding bank loans of approximately HK\$136.5 million, which were denominated in Renminbi with interest charged on these borrowings ranging from 5.8% to 6.5% per annum. The Group's current ratio as at 30 June 2019 was approximately 0.60 (31 December 2018: approximately 0.72).

MANAGEMENT DISCUSSION AND ANALYSIS

As the Group's total equity was negative, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was inapplicable for the Period (31 December 2018: approximately 4,443.3%).

CAPITAL STRUCTURE

As at 30 June 2019, the Group's total equity attributable to equity holders of the Company amounted to approximately HK\$-52.4 million (31 December 2018: approximately HK\$-6.4 million). The capital of the Company mainly comprised only the ordinary shares. There was no movement in the issued share capital of the Company during the Period.

DIVIDEND

The Board did not recommend the payment of any interim dividend in respect of the Period (2018: 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\$54.8 million as at 30 June 2019 (31 December 2018: approximately HK\$66.5 million), sea use right payments of approximately HK\$2.9 million as at 30 June 2019 (31 December 2018: approximately HK\$2.8 million), prepaid lease payments of approximately HK\$34.6 million as at 30 June 2019 (31 December 2018: approximately HK\$35.1 million), security deposit for loan from a third party of approximately HK\$3.4 million as at 30 June 2019 (31 December 2018: approximately HK\$3.4 million) and pledged bank deposits of approximately HK\$307.2 million as at 30 June 2019 (31 December 2018: approximately HK\$307.4 million).

SECURITIES PLEDGED OR CHARGED BY CONTROLLING SHAREHOLDERS

On 29 March 2018, the Group issued 3-year unlisted secured bonds in the principal amount of US\$50 million with a coupon rate of 7.5% per annum, which is secured and guaranteed by Dafeng Port Overseas. Dafeng Port Overseas entered into a deed of account charge with the security trustee on 29 March 2018, pursuant to which Dafeng Port Overseas assigned and agreed to assign absolutely all of Dafeng Port Overseas' right, title and interest from time to time in and to each secured account, which had 740,040,000 Shares of approximately 57.46% of the total issued Shares as at 30 June 2019 and at the date of this report.

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, 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 million (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 a term of 3 years.

The proceeds has been used in construction and repairing of petrochemical storage tanks and upgrading the supporting facilities, acquisition of Jiangsu Hairong as well as satisfying the Group's normal working capital requirement. For further details, please refer to the announcements of the Company dated 27 March 2018 and 29 March 2018 in relation to the Placing.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

On 28 December 2018, the Company and Great Panorama International Limited entered into an agreement to dispose 51% of the issued share capital of Gamma Logistics ("**Gamma Logistics Disposal Agreement**"), pursuant to which the Company conditionally agreed to sell, and Great Panorama International Limited conditionally agreed to purchase 51% of the issued share capital of Gamma Logistics at the consideration of HK\$4,150,000 (the "**Gamma Disposal**"). The Gamma Disposal was completed on 10 January 2019. Following the completion of the Gamma Disposal, Gamma Logistics ceased to be a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

For further details, please refer to the announcements of the Company dated 30 December 2018, 3 January 2019 and 10 January 2019 in relation to the Gamma Disposal.

Save and except for the aforesaid completion of the disposal of the 51% of the issued share capital of Gamma Logistics, the Group had no other material disposal and did not hold any significant investment (except for its subsidiaries) and material acquisition during the Period.

OUTLOOKS

Considering the current condition of Dafeng Port Economic Development Zone, the Group believes that it is beneficial for the Group to further develop its port facilities.

Taking advantage of its unique geographical location, the Group will be developed into a conglomerate operating entity which provides integrated logistics handling services, petrochemical product storage services and trading business through strategic development of Jiangsu Hairong located in Dafeng Port.

FOREIGN CURRENCY EXPOSURE

The income and expenditure of the Group are mainly carried in Hong Kong dollars, Renminbi and US dollars. Exposures to foreign currency risk arise from certain of the Group's trade and other receivables, trade and other payables and cash and bank balances denominated in Renminbi and US dollars. The Group mainly adopts measures such as adjusting the time of foreign exchange receipt and payment, matching the balance of foreign exchange receipts and payments, and signing foreign exchange lock agreements with banks to control foreign exchange risks. The Group does not use derivative financial instruments to hedge its foreign currency risk. The management team of the Group reviews the foreign currency exposures regularly and does not expect significant exposure to foreign currency risk.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2019, the Group employed a total of 215 employees (31 December 2018: 254 employees) based in Hong Kong and the PRC. During the Period, the total staff costs, including Directors' emoluments, amounted to approximately HK\$15.9 million (2018: approximately HK\$40.1 million).

The Group reviews the emoluments of its directors and staff based on their respective 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 2019, the Group had no material contingent liabilities (31 December 2018: 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 2019, 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, 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 were granted, exercised or cancelled by the Company under the Scheme during the Period and there was no outstanding share option under the Scheme as at 30 June 2019 and as at the date of this report.

DIRECTORS' PARTICULARS

Appointment and resignation of Directors

Mr. Ni Xiangrong has resigned as a Director and Mr. Tao Ying has been appointed as the chairman of the Board and an executive Director to fill the vacancy in relation to Mr. Ni Xiangrong's resignation on 18 March 2019.

Mr. Pan Jian has resigned as a Director and Mr. Chen Wenxiang has been appointed as an executive Director to fill the vacancy in relation to Mr. Pan Jian's resignation on 18 March 2019.

For details, please refer to the announcement of the Company dated 18 March 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, 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 3)	Beneficial owner and have provided an interest in the shares as security to a person other than a qualified lender	740,040,000 (L)/(S) ^(Note 2)	57.46%
Jiangsu Dafeng (Note 4)	Interest of controlled corporation	740,040,000 (L)/(S) ^(Note 2)	57.46%
大豐區人民政府 (the People's Government of Dafeng District*) ("PGDD") (Note 4)	Interest of controlled corporation	740,040,000 (L)/(S) ^(Note 2)	57.46%

Notes:

- The letter "L" denotes a long position in the interest in the issued share capital of the Company. The letter "S" denotes a short position in the interest in the issued share capital of the Company.
- Dafeng Port Overseas entered into an account charge with the security trustee on 29 March 2018, pursuant to which Dafeng Port Overseas assigned and agreed to assign absolutely all of Dafeng Port Overseas' rights, titles and interests from time to time in and to each secured account, which had 740,040,000 Shares of approximately 57.46% of the total issued Shares as at 30 June 2019.
- 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.

OTHER INFORMATION

4. Jiangsu Dafeng and PGDD are deemed to be interested in the shares of the Company held by Dafeng Port Overseas under the SFO.

Save as disclosed above, as at 30 June 2019, 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

As 鹽城大豐碧港貿易有限公司 (Yancheng Dafeng Bi Port Trading Limited*) ("**Dafeng Bi Port**") has ceased its business, Jiangsu Dafeng, a controlling shareholder of the Company, has only 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 is engaged in 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*), Qianhai Mingtian, and their respective subsidiaries, 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. Tao Ying (appointed as an executive Director on 18 March 2019), Mr. Ni Xiangrong (resigned as an executive Director on 18 March 2019) and Mr. Pan Jian (resigned as an executive Director on 18 March 2019) 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 June 2019, 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 its shareholders and investors.

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 2019, 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 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
Tao Ying
Chairman

Hong Kong, 8 August 2019

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. Tao Ying (<i>Chairman</i>)	Mr. Ji Longtao	Dr. Bian Zhaoxiang
Mr. Shum Kan Kim	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Mr. Miao Zhibin	Mr. Sun Lin	Mr. Yu Xugang
Mr. Chen Wenxiang		Mr. Zhang Fangmao

* *For identification purpose only*