



**Dafeng Port Heshun Technology
Company Limited**

大豐港和順科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8310

**INTERIM REPORT
2020**



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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.

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The Group's total revenue generated from continuing operations for the six months ended 30 June 2020 (the "**Period**") was approximately HK\$1,262.0 million, representing an increase of approximately 64.5% as compared with the total revenue generated from continuing operations of approximately HK\$767.1 million for the corresponding period in 2019.

Loss before taxation generated from continuing operations for the Period was approximately HK\$24.3 million, representing a decrease of loss of approximately 15.6% as compared with the loss before taxation generated from continuing operations of approximately HK\$28.8 million for the corresponding period in 2019.

Loss attributable to the equity holders of the Company generated from continuing operations for the Period was approximately HK\$26.4 million, representing a decrease of approximately 26.1% as compared with the loss attributable to the equity holders of the Company generated from continuing operations of approximately HK\$35.7 million for the corresponding period in 2019.

Loss per share generated from continuing operations for the Period was approximately HK2.05 cents (the corresponding period in 2019: approximately HK2.77 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO SITUATION REVIEW

During the Period, the Group faced severe macro-economic challenges. The outbreak of coronavirus disease 2019 (COVID-19) has caused disruptions to many industries worldwide. Despite the challenges, governments and international organizations have implemented a series of measures to contain the epidemic. This situation is very detrimental to the business development of the Group, and the Group will closely monitor the development of the epidemic and assess its impact on its operations.

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 segments during the Period:

1. Trading Business

The Group is engaged in the trading and import and export businesses of electronic products, petrochemical products and various other products. During the Period, the Group's trading business recorded revenue of approximately HK\$1,256.5 million (2019: approximately HK\$763.1 million). The increase in revenue in this segment was mainly attributable to the increase of new products trading business which related to medical treatment and food disinfection as the outbreak of COVID-19.

2. Integrated Logistics Handling and The Relevant Supporting Services Business

During the Period, the Group's integrated logistics handling and the relevant supporting services business ("**Integrated Logistics Handling Business**") mainly involves the provision of terminal handling and berthing services and was solely engaged by 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**") and recorded revenue decrease by approximately 13.2% to approximately HK\$3.3 million (2019: HK\$3.8 million). The decrease in revenue in this segment was mainly attributable to the major explosion accident in Jiangsu Xiangshui Chenjiagang Chemical Industry Park on 21 March 2019 has caused a large number of chemical industry companies to be shut down or rectified, and some customers of Jiangsu Hairong which locating inside the Chemical Industry Park have their petrochemical business operation suspended and such operation had not yet resumed as at the Period, resulting in a decline in business volume of Jiangsu Hairong.

3. Petrochemical Products Storage Business

The Group is engaged 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*) (“**Zhongnanhui**”). During the Period, the revenue from the Group’s petrochemical products storage business increased by approximately 34.1% to approximately HK\$5.5 million (2019: approximately HK\$4.1 million). The increase in revenue was mainly attributable to the customers increased the oil products storage quantity as the international crude oil price drops.

FINANCIAL REVIEW

The Group’s revenue generated from continuing operations increased by approximately 64.5% to approximately HK\$1,262.0 million for the Period (2019: approximately HK\$767.1 million). The reasons of the increase in revenue, please refer to the above paragraph headed “Business Review” for details.

The Group’s cost of revenue generated from continuing operations increased by approximately 66.5% to approximately HK\$1,254.4 million for the Period (2019: approximately HK\$753.2 million). The increase in cost was mainly driven by the effect of increase in revenue of the Group’s trading business and the increase of logistics transportation cost and miscellaneous charges of Trade Business.

With the combined effects of revenue and cost of revenue, the Group’s gross profit margin generated from continuing operations decreased to approximately 0.6% for the Period (2019: approximately 1.8%).

The Group’s finance costs generated from continuing operations decreased by approximately 3.2% to approximately HK\$27.0 million for the Period (2019: approximately HK\$27.9 million). The finance costs consist of interests on bank loans, overdrafts, other borrowings and lease liabilities and the amounts due representing the outstanding consideration payable in relation to acquisition of Jiangsu Hairong. The decrease in finance costs was mainly attributable to the partial repayment of loan from 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) (“**Jiangsu Dafeng**”) in October 2019.

The Group recorded the loss for the Period generated from continuing operations of approximately HK\$24.6 million (2019: loss of approximately HK\$29.0 million). The loss attributable to the equity holders of the Company generated from continuing operations was approximately HK\$26.4 million (2019: approximately HK\$35.7 million) and the loss per share generated from continuing operations was approximately 2.05 HK cents (2019: approximately 2.77 HK cents).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had net current liabilities of approximately HK\$1,067.4 million (31 December 2019: approximately HK\$788.5 million) including net amounts due to and loan from connected companies generated from continuing operations of approximately HK\$277.4 million and net liabilities attributed to the asset held for sale of approximately HK\$446.7 million (31 December 2019: approximately HK\$845.7 million and HK\$nil).

The Group's equity capital, bank and other borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 30 June 2020 was approximately 0.51 (31 December 2019: approximately 0.57).

The Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately negative 49.9% for the Period (31 December 2019: approximately negative 60.6%).

In order to meet its financial obligations as and when they fall due within the next twelve months and improve the Group's current ratio, the Directors will actively pursuing a series of contingency financial plans, which includes but not limited to the following measures:

- (i) the Group is in negotiation with financial institutions for the renewals of the Group's short-term bank borrowings upon expiry, new borrowings and application of additional credit facilities and is able to obtain new bank borrowings subsequent to the date of reporting period;
- (ii) the Group is expected to generate adequate cash flows to maintain its operations;
- (iii) on 28 April 2020, 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*) ("**Heshun Trading**") and 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("**Jiangsu Dafeng**") entered in an equity interests transfer agreement of disposal of 60% equity interests in 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 equity transfer agreement is subject to approval by the independent shareholders on 13 August 2020. Jiangsu Hairong shall register with the relevant industry and commerce administration authority in the PRC in respect to the transfer of the 60% equity interests in Jiangsu Hairong within 30 days after the Company obtained the independent shareholders' approval; and
- (iv) the Group obtained a facility of RMB1 billion (equivalent to HK\$1,094,500,000) from Jiangsu Dafeng to operation use.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 30 June 2020, the Group's total deficits attributable to equity holders of the Company amounted to approximately HK\$1,014.0 million (31 December 2019: approximately HK\$967.5 million). The capital of the Company only comprised of the ordinary shares. There was no movement in the issued share capital of the Company during the Period.

DIVIDEND

The board of directors (the "**Board**") did not recommend the payment of any interim dividend in respect of the Period (2019: Nil).

PLEDGE OF ASSETS

The Group used bank facilities 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 HK\$nil as at 30 June 2020 (31 December 2019: approximately HK\$61.7 million), prepaid lease payments under right-of-use assets of approximately HK\$39.0 million as at 30 June 2020 (31 December 2019: approximately HK\$40.2 million), security deposit for loan from a third party of HK\$nil as at 30 June 2020 (31 December 2019: approximately HK\$3.3 million) and pledged bank deposits of approximately HK\$557.0 million as at 30 June 2020 (31 December 2019: approximately HK\$395.6 million). As at 31 December 2019, except the above-mentioned pledge of assets, secured borrowings of Jiangsu Hairong are also secured by the Jiangsu Hairong's sea use right payments under right-of-use assets of approximately HK\$2.2 million which are grouped under "Disposal group classified as held for sales" and "Liabilities associated with disposal group classified as held for sale" at 30 June 2020.

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 大豐港海外投資控股有限公司 (Dafeng Port Overseas Investment Holdings Limited*) ("**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 2020 and at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

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"**).

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 April 2020, 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*) ("**Heshun Trading**"), an indirect wholly-owned subsidiary of the Company, and Jiangsu Dafeng entered a share transfer agreement (the "**Disposal Agreement**"), pursuant to which Heshun Trading has conditionally agreed to sell 60% equity interests of Jiangsu Hairong to Jiangsu Dafeng at the consideration of RMB226,980,000 (equivalent to HK\$252,947,000) (the "**Disposal**"). Jiangsu Dafeng owns 40% of the shareholding of Dafeng Port Overseas, which in turn owns 57.46% of the Shares. As Jiangsu Dafeng has substantial influence on Dafeng Port Overseas (the Company's direct controlling shareholder), accordingly for the Disposal, Jiangsu Dafeng is deemed as a connected person of the Company as defined under the GEM Listing Rules, the Disposal Agreement and the transactions contemplated thereunder are subject to the requirement of notification, announcement, circular and independent shareholders' approval under the GEM Listing Rules. The equity interests transfer agreement is subject to approval by the independent shareholders on 13 August 2020.

Jiangsu Hairong shall register with the relevant industry and commerce administration authority in the PRC respect to the transfer of the 60% equity interests in Jiangsu Hairong within 30 days after the Company obtained the independent shareholders' approval.

For further details, please refer to (1) the announcement of the Company dated 28 April 2020 and (2) the circular of the Company dated 24 July 2020 in relation to the Disposal.

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

OUTLOOKS

The Group expects that global economic activities will be greatly hindered as (i) the conflict and trade war between China and USA is likely to continue and it undermines the global economy and logistics services; and (ii) the outbreak of COVID-19 caused the blockade of borders by all countries around the world and had materially affected the global productivity and the associated logistics services. In the face of adverse external operating environment and the Group's total equity was negative, the Company will prudently monitor the operating environment of its business segments, finish the register with the relevant industry and commerce administration authority in the PRC with respect to the Disposal as soon as possible and reasonably optimize the Company's resources to maintain the interests of shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020, the Group employed a total of 125 employees generated from continuing operations (31 December 2019: 134 employees) based in Hong Kong and the Mainland China. During the Period, the total staff costs generated from continuing operations, including Directors' emoluments, amounted to approximately HK\$8.2 million (2019: approximately HK\$9.9 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.

CAPITAL COMMITMENT

As at 30 June 2020, for continuing operations, the Group had capital expenditure commitments contracted but not provided, net of deposit paid of approximately HK\$223.4 million (31 December 2019: HK\$229.4 million). The capital commitment was mainly related to the construction of property, plant and equipment.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

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

As at 30 June 2020, 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 2020 and as at the date of this report.

Up to 30 June 2020, the Company and its subsidiaries have not issued or granted any convertible securities, warrants or other similar rights.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2020, 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%
Mr. Jiang Wen (Note 5)	Beneficial owner, interest of controlled corporation and interest of spouse	73,350,000 (L)	5.69%
Ms. Li Qiu Hua (Note 6)	Beneficial owner and interest of spouse	73,350,000 (L)	5.69%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. The letter “L” denotes a long position in the interest in the issued share capital of the Company.
2. 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 2020.
3. 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.
4. Jiangsu Dafeng and PGDD are deemed to be interested in the shares of the Company held by Dafeng Port Overseas under the SFO.
5. Mr. Jiang Wen, the director, the general manager and the legal representative of Qianhai Mingtian which is an indirect subsidiary of the Company, directly and beneficially owns 49,230,000 Shares. Ms. Li Qiu Hua, the spouse of Mr. Jiang Wen, directly and beneficially owns 10,520,000 Shares. Jing Ji (Holdings) Co., 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 78,650,000 Shares.
6. Ms. Li Qiu Hua directly and beneficially owns 10,520,000 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 30 June 2020, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 two indirect wholly-owned subsidiaries, namely 大豐海融國際貿易有限公司 (Dafeng Hairong International Trade Co., Ltd.) ("**Dafeng Hairong**") and 鹽城市港城商業管理有限公司 (Yancheng City Gangcheng Commercial Management Co., Ltd.) ("**Yancheng Commercial**"), and has an indirect non wholly-owned subsidiary, namely 江蘇悅達港口物流發展有限公司 (Jiangsu Yueda Harbour Logistics Development Company Limited*) ("**Yueda Logistics**") 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 Heshun Trading, 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 which compete 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 who is the directors of Jiangsu Dafeng, Yueda Logistics and the Company, there is no overlap in the directorships among the Company, Jiangsu Dafeng, Dafeng Hairong and Yancheng Commercial and Yueda Logistics. 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 2020, 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.

AUDIT COMMITTEE

An audit committee of the Company (the “**Audit Committee**”) has been established on 3 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provision C.3.3. As at 30 June 2020, 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 and the risk management system of the Group.

The Interim Financial Statements have been reviewed by the Company’s auditor in accordance with HKSRE 2410 and 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.

CORPORATE GOVERNANCE AND 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
Tao Ying
Chairman

Hong Kong, 13 August 2020



Report on Review of Interim Financial Information

To the Board of Directors of Dafeng Port Heshun Technology Company Limited

(incorporated in the Cayman Islands with limited liability)

We have reviewed the interim financial information of Dafeng Port Heshun Technology Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) set out on pages 19 to 52, which comprises the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Our responsibility is to express a conclusion on this condensed interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

AUDITOR'S INDEPENDENT REVIEW REPORT

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with the HKAS 34 "Interim Financial Reporting".

Emphasis of matter

Without modifying our conclusion, we draw attention to the condensed interim financial information concerning the adoption of the going concern basis on which the condensed interim financial information has been prepared. The Group incurred loss from continuing operations of HK\$24,569,000 for the six months ended 30 June 2020 and, as at that date, the Group had net current liabilities and net liabilities of approximately HK\$1,067,371,000 and HK\$996,945,000 respectively. These conditions, along with other matters as set forth in note 2 to the condensed interim financial information, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors, having considered the measures being taken by the Group as disclosed in note 2 to the condensed interim financial information, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the condensed interim financial information on a going concern basis. The condensed interim financial information does not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our conclusion is not modified in respect of this matter.

Mazars CPA Limited

Certified Public Accountants
Hong Kong, 13 August 2020

Chan Wai Man

Practising Certificate number: P02487

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2020

	Note	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations					
Revenue	4	970,040	295,129	1,262,043	767,116
Cost of revenue		(963,828)	(288,814)	(1,254,365)	(753,205)
Gross profit		6,212	6,315	7,678	13,911
Other income	5	9,435	1,956	13,650	2,372
Administrative expenses		(13,405)	(4,340)	(18,719)	(17,133)
Finance costs	6	(14,915)	(13,676)	(26,976)	(27,859)
Reversal of impairment loss on trade receivables		39	–	39	–
Loss on disposal of subsidiaries		–	(267)	–	(140)
Loss before taxation from continuing operations	6	(12,634)	(10,012)	(24,328)	(28,849)
Taxation	7	(241)	(134)	(241)	(134)
Loss for the period from continuing operations		(12,875)	(10,146)	(24,569)	(28,983)
Discontinued operations					
Loss for the period from discontinued operations	18	(7,588)	(7,487)	(15,957)	(14,440)
Loss for the period		(20,463)	(17,633)	(40,526)	(43,423)
Other comprehensive income (loss):					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		(7,454)	(15,259)	(5,512)	6,526
Total comprehensive loss for the period		(27,917)	(32,892)	(46,038)	(36,897)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2020

	Note	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Loss attributable to equity holders of the Company:					
— from continuing operations		(11,257)	(13,070)	(26,439)	(35,654)
— from discontinued operations		(7,588)	(7,487)	(15,957)	(14,440)
		(18,845)	(20,557)	(42,396)	(50,094)
Profit (Loss) attributable to non-controlling interests:					
— from continuing operations		(1,618)	2,924	1,870	6,671
		(1,618)	2,924	1,870	6,671
		(20,463)	(17,633)	(40,526)	(43,423)
Total comprehensive income (loss) attributable to:					
— Equity holders of the Company		(29,187)	(34,638)	(46,475)	(45,853)
— Non-controlling interests		1,270	1,746	437	8,956
		(27,917)	(32,892)	(46,038)	(36,897)
Loss per share attributable to equity holders of the Company					
Basic and diluted (HK cents)	9				
— from continuing operations		(0.87)	(1.02)	(2.05)	(2.77)
— from discontinued operations		(0.59)	(0.58)	(1.24)	(1.12)
		(1.46)	(1.60)	(3.29)	(3.89)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	157,181	319,635
Goodwill		1,296	1,296
Right-of-use assets		39,636	43,370
Prepayments in relation to property, plant and equipment		3,716	4,596
		201,829	368,897
Current assets			
Financial asset at fair value through profit or loss		-	3,343
Inventories		14,219	6,309
Trade and other receivables	11	316,243	602,162
Pledged bank deposits	12(a)	556,991	395,612
Bank balances and cash	12	31,726	35,296
		919,179	1,042,722
Disposal group classified as held for sale	18	177,173	-
		1,096,352	1,042,722

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	13	1,042,875	1,652,922
Current portion of bank and other borrowings	14	496,979	178,059
Taxation		5	249
		1,539,859	1,831,230
Liabilities associated with disposal group classified as held for sale	18	623,864	–
		2,163,723	1,831,230
Net current liabilities		(1,067,371)	(788,508)
Total assets less current liabilities		(865,542)	(419,611)
Non-current liabilities			
Amount due to a connected company	13(a)	124,392	126,654
Non-current portion of bank and other borrowings	14	167	397,769
Deferred tax liabilities		6,844	6,873
		131,403	531,296
NET LIABILITIES		(996,945)	(950,907)
Capital and reserves			
Share capital	15	12,880	12,880
Reserves		(1,026,867)	(980,392)
Total equity attributable to equity holders of the Company		(1,013,987)	(967,512)
Non-controlling interests		17,042	16,605
TOTAL DEFICITS		(996,945)	(950,907)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 a subsidiary	-	-	-	(172)	(34)	-	-	(206)	(15,957)	(16,163)
Total 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 CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity holders of the Company								Non-controlling interests	Total deficits
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated losses	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2020 (audited)	12,880	201,419	(7,337)	(27,250)	833	(9,151)	(1,138,906)	(967,512)	16,605	(950,907)
Loss for the period	-	-	-	-	-	-	(42,396)	(42,396)	1,870	(40,526)
Exchange difference arising from translation of foreign operations	-	-	-	(4,079)	-	-	-	(4,079)	(1,433)	(5,512)
Total comprehensive loss for the period	-	-	-	(4,079)	-	-	(42,396)	(46,475)	437	(46,038)
At 30 June 2020 (unaudited)	12,880	201,419	(7,337)	(31,329)	833	(9,151)	(1,181,302)	(1,013,987)	17,042	(996,945)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cash generated from operations		224,660	42,879
Interest paid		(16,181)	(15,279)
Tax paid		(484)	(310)
Net cash from operating activities		207,995	27,290
INVESTING ACTIVITIES			
Interest received		9,448	–
Increase in pledged bank deposits		(169,352)	–
Purchase of property, plant and equipment		(7,862)	(15,784)
Net cash inflow on disposal of a subsidiary		–	15,966
Proceed on disposal of financial assets at FVPL		3,301	–
Net cash (used in) from investing activities		(164,465)	182
FINANCING ACTIVITIES			
Repayment of lease liabilities		(402)	–
Repayment of bank borrowings		(33,012)	(6,541)
Repayment of loan from a third party		(11,751)	(12,621)
Net cash used in financing activities		(45,165)	(19,162)
Net (decrease) increase in cash and cash equivalents		(1,635)	8,310
Cash and cash equivalents at beginning of the period		35,296	64,588
Effect on exchange rate changes		(414)	(353)
Cash and cash equivalents at end of the period, representing by bank balances and cash	12	33,247	72,545

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATION INFORMATION

Dafeng Port Heshun Technology Company Limited (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 Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 and the principal activities of the Company and its subsidiaries (the “**Group**”) are engaged in trading, petrochemical products storage and integrated logistics handling services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the six months ended 30 June 2020 (the “**Interim Financial Statements**”) has been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The Interim Financial Statements also complies with the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The Interim Financial Statements have been prepared on a basis consistent with the accounting policies adopted in the Group’s audited financial statements for the year ended 31 December 2019.

The Interim Financial Statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2019.

Adoption of new/revised HKFRS

The adoption of the new/revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

Going concern basis

As at 30 June 2020, the Group had net current liabilities of approximately HK\$1,067.4 million (31 December 2019: approximately HK\$788.5 million) and net liabilities of approximately HK\$996.9 million (31 December 2019: approximately HK\$950.9 million) respectively. In addition, it incurred a loss from continuing operation of approximately HK\$24.6 million for the six months ended 30 June 2020 (2019: HK\$29.0 million). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the condensed consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next twelve months, after taking into consideration of the measures and arrangements made by the Group as detailed below:

- (i) the Group is in negotiation with financial institutions for the renewals of the Group's short-term bank borrowings upon expiry, new borrowings and application of additional credit facilities and is able to obtain new bank borrowings subsequent to the date of reporting period;
- (ii) the Group is expected to generate adequate cash flows to maintain its operations;
- (iii) on 28 April 2020, 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*) ("**Heshun Trading**") and 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("**Jiangsu Dafeng**") entered in an equity interests transfer agreement of disposal of 60% equity interests in 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 equity interests transfer agreement is subject to approval by the independent shareholders on 13 August 2020. Jiangsu Hairong shall register with the relevant industry and commerce administration authority in the PRC in respect to the transfer of the 60% equity interests in Jiangsu Hairong within 30 days after the Company obtained the independent shareholders' approval; and
- (iv) the Group obtained a facility of RMB1 billion (equivalent to HK\$1,094,500,000) from Jiangsu Dafeng to operation use.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

The Directors are of their opinion that after the disposal, Jiangsu Hairong would become an associate of the Company and its financial position would not be consolidated and the financial position of the Group would then be improved.

The Directors have prepared a cash flow forecast covering a period up to 30 June 2021 on the basis that the disposal of 60% shareholding of Jiangsu Hairong, negotiation with financial institutions for the renewals of the Group's borrowings and credit facilities would be successful together with the financial support from Jiangsu Dafeng, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 30 June 2020. Accordingly, the Directors consider that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

3. SEGMENT INFORMATION

The executive directors of the Company are identified collectively as the chief operating decision maker. 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
For continuing operations	
— Trading business	— Electronic and other products trading
	— Petrochemical products trading
	— Provision of supply chain management services
— Petrochemical products storage business	— Provision of storage services for petrochemical products
For discontinued operations	
— Integrated logistics handling and the relevant supporting services	— Provision of terminal handling and berthing supporting services

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 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 operating segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment results is profit/loss before taxation without allocation of 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

Operating segment information is presented below:

For the six months ended 30 June 2020 (Unaudited)

	Continuing operations		Discontinued operations		Total
	Trading business	Petrochemical Products storage business	Integrated logistics handling and the relevant supporting services	Inter-Segment elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
(from external customers)	1,256,548	5,495	3,257	-	1,265,300
— Inter-segment revenue	-	-	-	-	-
Total revenue	1,256,548	5,495	3,257	-	1,265,300
Results					
Segment result	8,565	(10,747)	(15,957)	-	(18,139)
Other unallocated corporate income					1,531
Other unallocated corporate expenses					(23,677)
Loss before taxation					(40,285)
Taxation					(241)
Loss for the period					(40,526)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

For the six months ended 30 June 2019 (Unaudited) (Re-presented)

	Continuing operations		Discontinued operations		Total HK\$'000
	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	
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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

As at 30 June 2020 (Unaudited)

	Continuing operations		Discontinued operations	Total
	Trading business	Petrochemical Products storage business	Integrated logistics handling and the relevant supporting services	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Segment assets	875,558	209,762	177,173	1,262,493
Unallocated corporate assets	-	-	-	35,688
Consolidated total assets				1,298,181
LIABILITIES				
Segment liabilities	(1,226,999)	(43,789)	(623,864)	(1,894,652)
Unallocated corporate liabilities	-	-	-	(400,474)
Consolidated total liabilities				(2,295,126)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

As at 31 December 2019 (Audited)

	Continuing operations		Discontinued operations	Total HK\$'000
	Trading business HK\$'000	Petrochemical Products storage business HK\$'000	Integrated logistics handling and the relevant supporting services HK\$'000	
ASSETS				
Segment assets	618,550	205,171	546,958	1,370,679
Unallocated corporate assets	-	-	-	40,940
Consolidated total assets	618,550	205,171	546,958	1,411,619
LIABILITIES				
Segment liabilities	(954,463)	(48,632)	(959,761)	(1,962,856)
Unallocated corporate liabilities	-	-	-	(399,670)
Consolidated total liabilities	(954,463)	(48,632)	(959,761)	(2,362,526)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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:

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited) (Re-presented)
Revenue from external customers		
— continuing operations:		
Hong Kong	1,207,432	631,024
The PRC	54,053	116,576
Others (Note)	558	19,516
	1,262,043	767,116
— discontinued operations:		
The PRC	3,257	3,832
	1,265,300	770,948

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. REVENUE

Revenue generated from continuing operations, which represents income from provision of trading business and petrochemical products storage business is analysed by category as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations Revenue from contracts with customers within HKFRS 15				
Income from trading business	966,294	293,206	1,256,548	763,062
Income from provision of petrochemical products storage business	3,746	1,923	5,495	4,054
	970,040	295,129	1,262,043	767,116

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations				
Bank interest income	9,389	422	9,444	498
Exchange gain (loss)	(82)	1,528	2,370	1,589
Sundry income	128	6	1,836	285
	9,435	1,956	13,650	2,372

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
This is stated after charging:				
Finance costs				
Interest on bank loans, overdrafts, borrowings and lease liabilities	14,915	13,676	26,976	27,859
	14,915	13,676	26,976	27,859
Other items				
Cost of inventories	958,619	285,858	1,245,162	746,409
Depreciation of property, plant and equipment	208	489	450	1,029
Depreciation of right-of-use assets	213	75	430	75
Staff costs				
Salaries, allowance and the other short-term employee benefits including directors' emoluments	4,228	4,097	7,760	8,391
Contributions to defined contribution plans	177	701	420	1,471
	4,405	4,798	8,180	9,862

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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.

The PRC Enterprise Income Tax ("EIT") is calculated at the prevailing tax rate at 25% (2019: 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.

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Re-presented)		(Re-presented)
Continuing operations				
Current tax				
PRC EIT				
— Under-provision in prior period	241	134	241	134
Total income tax	241	134	241	134
Total income tax recognised in profit or loss	241	134	241	134

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8. DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil).

9. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 June 2020 and 2019 are calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Re-presented)		(Re-presented)
Loss attributable to equity holders of the Company (HK\$'000)				
— Continuing operations	(11,257)	(13,070)	(26,439)	(35,654)
— Discontinued operations	(7,588)	(7,487)	(15,957)	(14,440)
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	(0.87)	(1.02)	(2.05)	(2.77)
— Discontinued operations	(0.59)	(0.58)	(1.24)	(1.12)
	(1.46)	(1.60)	(3.29)	(3.89)

Basic and diluted loss per share are the same as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2020 and 2019.

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\$8.7 million (2019: approximately HK\$17.7 million). The Group did not dispose any PPE during the Period (2019: The Group did not dispose any PPE).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

On 21 March 2019, a major explosion occurred at a chemical plant in Chenjiagang Chemical Industry Park, Chenjiagang, Xiangshui County, Yancheng City, Jiangsu Province, the PRC. The event spurred a significant emergency response at the national and local levels. The local government moved almost immediately to close the entire industrial park and the State Council of the PRC ordered immediate safety inspections of chemical parks across the country, instructing regulators to shut down plants if necessary. The Jiangsu Provincial Government has decided to slash the number of chemical production enterprises as part of an ambitious plan to overhaul the local chemical manufacturing industry.

The operations of the Group's Petrochemical Products Storage Business and Terminal Handling and Berthing Business are located at Yancheng City, Jiangsu Province and most of the major customers are mainly the chemical companies in Jiangsu Province. The expected decrease in number of chemical production enterprises in Jiangsu Province would have significant adverse impact on the Group's Terminal Handling and Berthing Business and Petrochemical Products Storage Business located in Jiangsu Province on future operations, and hence, the future cashflows.

As at 31 December 2019, the recoverable amounts of the cash-generating unit ("CGU") of Terminal Handling and Berthing Business, which were determined with reference to fair value less cost of disposal under depreciated replacement cost method, were lower than their respective carrying amount. Accordingly, impairment loss of HK\$611,205,000 was provided for property, plant and equipment in relation to Terminal Handling and Berthing Business during the year ended 31 December 2019. For Petrochemical Products Storage Business, an impairment loss of HK\$10,428,000 was provided for property, plant and equipment during the year ended 31 December 2019.

As at 30 June 2020, the directors are of their opinion that the recoverable amounts of CGU of Petrochemical Products Storage Business and Terminal Handling and Berthing Business would not be significantly changed when compared with that as at 31 December 2019 as the industrial environment in Jiangsu Province has not yet fully recovered. Hence, there was no additional or reversal of the impairment of property, plant and equipment made in current period.

The key assumptions used in estimating the fair value of the property, plant and equipment under depreciated replacement cost approach include estimation of construction as if building the similar structures, adjusting for physical deterioration, obsolescence and optimisation or referring to current market price of the similar assets. The valuation was categorised as Level 3 fair value measurement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables			
— Third parties		101,935	107,184
— Less: Loss allowance		(7,826)	(9,511)
		94,109	97,673
Other receivables			
Deposits, prepayments and other debtors		53,647	55,233
Advanced payments to suppliers		125,240	45,718
Value added tax refundable		27,032	67,769
Interest receivable		16,084	6,878
Security deposit for loan from a third party		–	3,343
Due from connected companies	11(a)	22	325,437
Consideration receivable for disposal of subsidiaries		109	111
		222,134	504,489
		316,243	602,162

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Outstanding balances which aged:		
90 days or below	92,236	95,727
91–180 days	–	151
181–365 days	1,873	1,503
More than 365 days	–	292
	94,109	97,673

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 before loss allowance as at 30 June 2020 is summarised below:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-credit impaired		
Neither past due nor impaired	92,236	95,727
Within 90 days past due	–	151
91–180 days past due	–	1,503
181–365 days past due	1,873	–
More than 365 days past due	–	292
Past due but not impaired	1,873	1,946
	94,109	97,673
Credit impaired		
181–365 days past due	–	9,050
More than 365 days past due	7,826	461
	7,826	9,511
	101,935	107,184

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

Included in the Group's trade receivables balance are debtors with carrying amounts of approximately HK\$1.9 million as at 30 June 2020 (31 December 2019: approximately HK\$1.9 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 2020 and 31 December 2019 relate to a wide range of customers for whom there was no history of default.

11(a) Due from connected companies

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Jiangsu Dafeng 大豐海港港口有限責任公司	-	325,415
Dafeng Port Harbour Limited Liability Company* ("Dafeng Harbour")	11	11
鹽城市大豐港城物業管理有限公司	11	11
	22	325,437

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Bank balances and cash	31,726	35,296
Bank balances and cash attributable to disposal group classified as held for sale	1,521	–
As stated in the condensed consolidated statement of cash flows	33,247	35,296

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

12(a) Pledged bank deposits

At 30 June 2020 and 31 December 2019, 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 Interim Financial Statements. The pledged bank deposits are pledged for the bills payables issued by a bank as mentioned in note 13 to the Interim Financial Statements. The interest rates of the pledged bank deposits ranged from 5.8% to 6.5% per annum (31 December 2019: 3.6% to 4.4% per annum) and will be matured from August 2020 to June 2021 (31 December 2019: from August 2020 to November 2020).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. TRADE AND OTHER PAYABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade and bills payables		
Trade payables	91,703	66,427
Bills payables	579,204	412,306
	670,907	478,733
Other payables		
Accrued charges and other creditors	113,506	53,242
Contract liabilities	48,098	17,496
Construction costs payable	460	468
Salaries and bonus payable	863	1,464
Amounts due to connected companies	209,041	1,101,519
	371,968	1,174,189
	1,042,875	1,652,922

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
90 days or below	183,998	62,480
91–180 days	82,255	412,306
181–365 days	404,654	3,947
	670,907	478,733

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13(a) Amounts due to connected companies

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Current portion			
Dafeng Harbour	(i)	–	888,685
Jiangsu Dafeng 江蘇華海投資有限公司 (Jiangsu Huahai Investment Limited*) ("Jiangsu Huahai")	(ii)	200,650	207,038
	(iii)	8,391	5,796
		209,041	1,101,519
Non-current portion			
Jiangsu Huahai	(iii)	124,392	126,654
		333,433	1,228,173

- (i) The amount due to Dafeng Harbour of HK\$521,405,000 recorded in the books of Jiangsu Hairong has been grouped under liabilities associated with disposal group classified as hold for sales as at 30 June 2020. The amount due is unsecured, interest-free and has no fixed terms of repayment. Dafeng Harbour is the wholly-owned subsidiary of Jiangsu Dafeng.
- (ii) Jiangsu Dafeng has equity interests 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%. The amounts due represent the consideration payable in relation to acquisition of Jiangsu Hairong. The amounts are unsecured, repayable on demand and bear interest at a rate of 4.35% per annum.
- (iii) Jiangsu Huahai has 10% shareholdings in Dafeng Port Overseas. The accounts due represent the consideration payable in relation to acquisition of Jiangsu Hairong, a subsidiary of the Company. The amounts are unsecured and bear interest at a rate of 4.35% per annum. The Company and Jiangsu Huahai entered into a loan extension agreement and it was agreed by both parties that the principal balance of RMB113,652,000 (equivalent to: HK\$124,392,000) would be repayable on 20 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. BANK AND OTHER BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Interest-bearing		
Bank loans	28,457	95,838
Loan from a third party	–	11,901
Loans from a connected company	68,406	69,650
Lease liabilities	671	1,078
Unlisted secured bonds	399,612	397,361
Total bank and other borrowings	497,146	575,828
Current portion		
— Bank loans	28,457	95,838
— Loan from a third party	–	11,901
— Loans from a connected company	68,406	69,650
— Lease liabilities	504	670
— Unlisted secured bonds	399,612	–
	496,979	178,059
Non-current portion		
— Lease liabilities	167	408
— Unlisted secured bonds	–	397,361
	167	397,769
Total bank and other borrowings	497,146	575,828
Analysed as follows:		
Secured	–	11,901
Secured and guaranteed	428,069	493,199
Unsecured	69,077	70,728
	497,146	575,828

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. SHARE CAPITAL

	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, 31 December 2019, 1 January 2020 (audited) and 30 June 2020 (unaudited)	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At 1 January 2019, 31 December 2019, 1 January 2020 (audited) and 30 June 2020 (unaudited)	1,288,000,000	12,880	1,288,000,000	12,880

16. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2020, the Group had the following transactions with related parties:

(a) Related party transactions

	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Interest expenses paid to:		
Jiangsu Dafeng	6,782	9,885
Jiangsu Huahai	3,129	3,138

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

(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:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries, allowance and the other short-term employee benefits	648	414	1,012	828
Contribution to defined contribution plans	7	15	20	30
	655	429	1,032	858

17. PLEDGE OF ASSETS/BANKING AND OTHER FACILITIES

The details of pledge of assets and the banking and other facilities granted to the Group are summarised as follows:

	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Total banking and other facilities granted to the Group	1,731,209	470,856
Total utilised banking and other facilities	607,661	441,280

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

At the end of the reporting period, the Group had obtained several banking and other facilities amounted to HK\$1,731,209,000 (31 December 2019: HK\$470,856,000) of which:

- 1) RMB50,000,000 (approximately HK\$54,725,000) (31 December 2019: RMB50,000,000, approximately HK\$55,720,000) are guaranteed by Jiangsu Dafeng and secured by right-of-use assets of HK\$39,020,000.
- 2) RMB529,195,000 (approximately HK\$581,984,000) (31 December 2019: RMB372,520,000, approximately HK\$415,136,000) is secured by pledged bank deposits as shown in note 12 to the notes to the condensed consolidated financial statements.
- 3) RMB1,000,000,000 (approximately HK\$1,094,500,000) (31 December 2019: RMB nil) was granted by Jiangsu Dafeng.

18. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 28 April 2020, the Group and Jiangsu Dafeng entered into a disposal agreement in relation to the disposal of 60% equity interest in Jiangsu Hairong at a consideration of RMB226,980,000 (the "Disposal"). As at 30 June 2020, the transaction was yet to be approved by the shareholders. The completion of the disposal will be subject to the approval from the independent shareholders in general meeting to be held on 13 August 2020. Management considered the Jiangsu Hairong's operation had been discontinued and thereby constituted discontinued operations. Accordingly, certain comparative figures in the condensed consolidated statement of comprehensive income have been re-presented to separately affect the results of the continuing operations and discontinued operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

The results of Jiangsu Hairong (i.e. the disposal group) for the three months and six months ended 30 June 2020 and 2019 are summarised below:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	2,965	1,411	3,257	3,832
Cost of sales	(7,856)	(7,285)	(14,897)	(15,188)
Other income	5	2	6	3
Expense	(2,702)	(1,615)	(4,323)	(3,087)
Loss for the period	(7,588)	(7,487)	(15,957)	(14,440)
Other comprehensive (loss) income	389	(6,078)	(3,347)	79
Total comprehensive loss for the period	(7,199)	(13,565)	(19,304)	(14,361)

The net cash flow of Jiangsu Hairong (i.e. the disposal group) for the six months ended 30 June 2020 and 2019 are summarised below:

	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows from (used in):		
Operating activities	45,724	69,077
Investing activities	4,765	(5)
Financing activities	(33,012)	(69,504)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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The major classes of assets and liabilities of Jiangsu Hairong held for sale are as follows:

	Carrying amount as remeasured immediately before classification as held for sale and at 30 June 2020 HK\$'000 (Unaudited)
Assets	
Property, plant and equipment (note 10)	133,474
Right-of-use assets	2,058
Trade and other receivables	40,120
Cash and bank balances	1,521
Assets classified as held for sale — disposal group	177,173
Liabilities	
Trade and other payables	591,029
Interest bearing borrowing	32,835
Liabilities directly associated with disposal group held for sale	623,864
Net liabilities of Jiangsu Hairong	(446,691)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

19. COMMITMENTS

Capital expenditure commitments

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted but not provided net of deposit paid for construction of property, plant and equipment — petrochemical storage facilities	223,422	229,400

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 13 August 2020.

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. Miao Zhibin	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Mr. Chen Wenxiang		Mr. Yu Xugang
Ms. Leng Panpan		Mr. Zhang Fangmao

* *For identification purpose only*