



**Dafeng Port Heshun Technology
Company Limited**

大豐港和順科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8310

**THIRD QUARTERLY REPORT
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 matters the omission of which would make any statement herein or this report misleading.

FINANCIAL SUMMARY

The Group's total revenue generated from continuing operations for the nine months ended 30 September 2020 (the "**Period**") was approximately HK\$1,694.5 million, representing an increase of approximately 58.8% as compared with the total revenue generated from continuing operations of approximately HK\$1,067.3 million for the corresponding period in 2019.

Profit before taxation generated from continuing operations for the Period was approximately HK\$641.0 million, while the Group recorded a loss before taxation generated from continuing operations of approximately HK\$44.1 million for the corresponding period in 2019. It was mainly attributable to the gain on disposal of subsidiaries in the amount of approximately HK\$672.5 million recorded during the three months ended 30 September 2020 in relation to the 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**").

Profit attributable to the equity holders of the Company generated from continuing operations for the Period was approximately HK\$638.0 million, while the Group recorded a loss attributable to the equity holders of the Company generated from continuing operations of approximately HK\$48.8 million for the corresponding period in 2019.

Profit per share generated from continuing operations for the Period was approximately HK49.54 cents (the corresponding period in 2019: the loss per share was approximately HK3.79 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 nine months ended 30 September 2020 together with the comparative figures for the corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2020 HK\$'000	2019 HK\$'000 (Re-presented)	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations					
Revenue	3	432,490	300,158	1,694,533	1,067,274
Cost of revenue		(428,559)	(296,682)	(1,682,924)	(1,049,887)
Gross profit		3,931	3,476	11,609	17,387
Other income		3,017	15,208	16,667	17,580
Administrative expenses		(7,992)	(20,248)	(26,711)	(37,381)
Finance costs		(6,200)	(13,715)	(33,176)	(41,574)
Reversal of impairment loss on trade receivables		-	-	39	-
Gain/(loss) on disposal of subsidiaries		672,528	(2)	672,528	(142)
Profit/(Loss) before taxation from continuing operations	4	665,284	(15,281)	640,956	(44,130)
Taxation	5	(1)	(4)	(242)	(138)
Profit/(Loss) for the period from continuing operations		665,283	(15,285)	640,714	(44,268)
Discontinued operations					
Loss for the period from discontinued operations		(2,802)	(8,642)	(18,759)	(23,082)
Profit/(Loss) for the period		662,481	(23,927)	621,955	(67,350)
Other comprehensive income/(loss):					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		176	(11,867)	(5,336)	(5,341)
Total comprehensive income/(loss) for the period		662,657	(35,794)	616,619	(72,691)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

Note	Unaudited Three months ended 30 September 2020		Unaudited Nine months ended 30 September 2020	
	HK\$'000	2019 HK\$'000 (Re-presented)	HK\$'000	2019 HK\$'000 (Re-presented)
Profit/(Loss) attributable to equity holders of the Company:				
	664,460	(13,169)	638,021	(48,823)
- from continuing operations	(2,802)	(8,642)	(18,759)	(23,082)
	661,658	(21,811)	619,262	(71,905)
Profit/(Loss) attributable to non-controlling interests:				
	823	(2,116)	2,693	4,555
- from continuing operations	823	(2,116)	2,693	4,555
	662,481	(23,927)	621,955	(67,350)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	660,755	(32,777)	614,280	(78,630)
Non-controlling interests	1,902	(3,017)	2,339	5,939
	662,657	(35,794)	616,619	(72,691)
Profit/(Loss) per share attributable to equity holders of the Company:				
Basic and diluted (HK cents)				
- from continuing operations	51.59	(1.02)	49.54	(3.79)
- from discontinued operations	(0.22)	(0.67)	(1.46)	(1.79)
	51.37	(1.69)	48.08	(5.58)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For nine months ended 30 September 2020

	Attributable to equity holders of the Company								Non-controlling interests	Total equity/ (deficits)
	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		
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	-	-	-	-	-	-	(71,905)	(71,905)	4,555	(67,350)
Exchange difference arising from translation of foreign operations	-	-	-	(6,725)	-	-	-	(6,725)	1,384	(5,341)
Total comprehensive (loss)/income for the period	-	-	-	(6,725)	-	-	(71,905)	(78,630)	5,939	(72,691)
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 September 2019 (unaudited)	12,880	201,419	(7,337)	(19,587)	797	(9,151)	(264,210)	(85,189)	13,262	(71,927)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For nine months ended 30 September 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		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'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)
Profit for the period	-	-	-	-	-	-	619,262	619,262	2,693	621,955
Exchange difference arising from translation of foreign operations	-	-	-	(4,982)	-	-	-	(4,982)	(354)	(5,336)
Total comprehensive (loss)/ income for the period	-	-	-	(4,982)	-	-	619,262	614,280	2,339	616,619
At 30 September 2020 (unaudited)	12,880	201,419	(7,337)	(32,232)	833	(9,151)	(519,644)	(353,232)	18,944	(334,288)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2020

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 Company's shares are listed on GEM of 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 Group are engaged in trading business and the provision of petrochemical products storage business.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), which 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 unaudited condensed consolidated 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 unaudited condensed consolidated 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.

Adoption of new/revised HKFRS

The adoption of the new/revised HKFRS that are relevant to the Group and effective from the current period, did not have any significant effect on the results and financial position of the Group for the current and prior accounting periods.

The Group has not early adopted any new/revised HKFRS that have been issued but are not yet effective for the current period. The Directors have already commenced an assessment of the impact of these new and revised HKFRS but are not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group's results of operations and financial position.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2020

3. 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:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Re-presented)	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations				
Revenue from contracts with customers within HKFRS 15				
Income from trading business	427,111	298,890	1,683,659	1,061,952
Income from provision of petrochemical products storage business	5,379	1,268	10,874	5,322
	432,490	300,158	1,694,533	1,067,274

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2020

4. PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Re-presented)		(Re-presented)	
This is stated after charging:				
Finance costs				
Interest on bank loans, overdrafts, borrowings and lease liabilities	6,200	13,715	33,176	41,574
	6,200	13,715	33,176	41,574
Other items				
Cost of inventories	425,013	291,822	1,670,175	1,038,231
Depreciation of property, plant and equipment	332	495	782	1,524
Depreciation of right-of-use assets	220	83	650	158
Staff costs				
Salaries, allowance and the other short-term employee benefits including Directors' emoluments	4,062	4,074	11,822	12,465
Contributions to defined contribution plans	147	1,020	567	2,491
	4,209	5,094	12,389	14,956

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2020

5. 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.

	Unaudited Three months ended 30 September 2020		Unaudited Nine months ended 30 September 2020	
	HK\$'000	2019 HK\$'000 (Re-presented)	HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations				
Current tax				
PRC EIT				
– Under-provision in prior period	1	4	242	138
Total income tax	1	4	242	138
Total income tax recognised in profit or loss	1	4	242	138

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2020

6. DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (2019: Nil).

7. PROFIT/(LOSS) PER SHARE

Basic profit/(loss) per share for the three months and nine months ended 30 September 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.

	Unaudited Three months ended 30 September 2020		Unaudited Nine months ended 30 September 2020	
	(Re-presented)		(Re-presented)	
Profit/(Loss) attributable to equity holders of the Company (HK\$'000)		2019		2019
- Continuing operations	664,460	(13,169)	638,021	(48,823)
- Discontinued operations	(2,802)	(8,642)	(18,759)	(23,082)
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 profit/(loss) per share (HK cents)				
- Continuing operations	51.59	(1.02)	49.54	(3.79)
- Discontinued operations	(0.22)	(0.67)	(1.46)	(1.79)

Basic and diluted profit/(loss) per share is the same as the Company did not have any dilutive potential ordinary shares during the nine months ended 30 September 2020 and 2019.

8. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 12 November 2020.

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 and continuously engaged in trading business, the provision of petrochemical products storage business.

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

1. Trading business

The Group engages in the business of trading, importing and exporting of electronic products, petrochemical products and various other products. During the Period, the Group's trading business recorded revenue of approximately HK\$1,683.7 million (2019: approximately HK\$1,062.0 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 resulting from the outbreak of COVID-19.

2. 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*) ("Zhongnanhui"). During the Period, the revenue from the Group's petrochemical products storage business increased by approximately 105.7% to approximately HK\$10.9 million (2019: approximately HK\$5.3 million). The increase in revenue was mainly attributable to the fact that 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 58.8% to approximately HK\$1,694.5 million for the Period (2019: approximately HK\$1,067.3 million). For reasons of the increase in revenue, please refer to the paragraph headed "Business Review" for details.

The Group's cost of revenue generated from continuing operations increased by approximately 60.3% to approximately HK\$1,682.9 million for the Period (2019: approximately HK\$1,049.9 million). The increase in cost of revenue 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 the 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 0.7% for the Period (2019: approximately 1.6%). The decrease in gross profit margin was mainly attributable to the fact that the growth rate of revenue is less than that of cost of revenue.

The Group's finance costs generated from continuing operations decreased by approximately 20.2% to approximately HK\$33.2 million for the Period (2019: approximately HK\$41.6 million). The finance costs consist of the interests on bank loans, overdrafts, other borrowings and the amounts due to 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 profit for the Period generated from continuing operations of approximately HK\$640.7 million (2019: loss of approximately HK\$44.3 million). The profit attributable to the equity holders of the Company generated from continuing operations was approximately HK\$638.0 million (2019: loss of approximately HK\$48.8 million) and the profit per share generated from continuing operations was approximately 49.54 HK cents (2019: loss of approximately 3.79 HK cents).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As at 30 September 2020, the Group's total deficit attributable to equity holders of the Company amounted to approximately HK\$353.2 million (31 December 2019: approximately HK\$967.5 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 an 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 approximately HK\$nil as at 30 September 2020 (31 December 2019: approximately HK\$61.7 million), prepaid lease payments under right-of-use assets of approximately HK\$40.3 million as at 30 September 2020 (31 December 2019: approximately HK\$40.2 million), security deposit for loan from a third party of HK\$nil as at 30 September 2020 (31 December 2019: approximately HK\$3.3 million) and pledged bank deposits of approximately HK\$288.7 million as at 30 September 2020 (31 December 2019: approximately HK\$395.6 million).

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

On 27 March 2018, the Company, as issuer, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The proceeds 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 seemed 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 Disposal Agreement has been approved by the independent shareholders on 13 August 2020.

The Disposal was completed when Jiangsu Hairong has registered with the relevant industry and commerce administration authority in the PRC respect to the transfer of the 60% equity interests in Jiangsu Hairong on 27 August 2020. A gain in relation to the Disposal of approximately HK\$672.5 million was recorded during the Period.

For further details, please refer to (1) the announcements of the Company dated 28 April 2020 and 27 August 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOKS

The Group expects that global economic activities will continue to 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 and reasonably optimize the Company's resources to maintain the interests of shareholders.

CONTINGENT LIABILITIES

As at 30 September 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 September 2020, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives, 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 were no outstanding share options under the Scheme as at 30 September 2020 and as at the date of this report.

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

OTHER INFORMATION

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

As at 30 September 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%

Notes:

1. 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.
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 30 September 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 前海明天供應鏈（深圳）有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) (“**Qianhai Mingtian**”) which is an indirect subsidiary of the Company, directly and beneficially owns 49,230,000 Shares. Ms. Li Qiu Hua, the spouse of Mr. Jiang Wen, directly and beneficially owns 10,500,000 Shares. Jing Ji (Holding) 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 73,350,000 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 September 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

OTHER INFORMATION

COMPETING INTERESTS

Jiangsu Dafeng, a controlling shareholder of the Company, has 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 coal, 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 who is the director of Jiangsu Dafeng, Yueda Logistics and the Company, there is no overlap in the directorships among the Company, Jiangsu Dafeng, Dafeng Hairong, 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 September 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 of the CG Code. As at 30 September 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 of the Group.

The Group’s unaudited condensed consolidated financial statements for the Period 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 preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER INFORMATION

APPRECIATION

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

By order of the Board
Dafeng Port Heshun Technology Company Limited
Tao Ying
Chairman

Hong Kong, 12 November 2020

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

Executive Directors

Mr. Tao Ying (*Chairman*)
Mr. Miao Zhibin
Mr. Chen Wenxiang
Ms. Leng Panpan

Non-executive Directors

Mr. Ji Longtao
Mr. Yang Yue Xia

*Independent Non-executive
Directors*

Dr. Bian Zhaoxiang
Mr. Lau Hon Kee
Mr. Yu Xugang
Mr. Zhang Fangmao

* *For identification purpose only*