



**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



2022
FIRST QUARTERLY
REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

FINANCIAL SUMMARY

The Group's total revenue for the three months ended 31 March 2022 (the "**Period**") was approximately HK\$53.6 million, representing a decrease of approximately 79.2% as compared with the total revenue of approximately HK\$257.2 million for the corresponding period in 2021.

Loss before taxation for the Period was approximately HK\$22.7 million, representing an increase of loss of approximately 78.7% as compared with the loss before taxation of approximately HK\$12.7 million for the corresponding period in 2021.

Loss attributable to the equity holders of the Company for the Period was approximately HK\$21.9 million, representing an increase of loss of approximately 52.1% as compared with the loss attributable to the equity holders of the Company of approximately HK\$14.4 million for the corresponding period in 2021.

Loss per share for the Period was approximately HK1.70 cents (the corresponding period in 2021: approximately HK1.12 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 ended 31 March 2022 (the “**First Quarterly Financial Statements**”) together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Note	Unaudited Three months ended 31 March	
		2022 HK\$'000	2021 HK\$'000
Revenue	3	53,576	257,221
Cost of revenue		(57,041)	(254,368)
Gross (loss)/profit		(3,465)	2,853
Other (loss)/income		(1,337)	218
Administrative expenses		(12,479)	(8,442)
Finance costs		(5,387)	(7,362)
Loss before taxation	4	(22,668)	(12,733)
Taxation	5	–	–
Loss for the period		(22,668)	(12,733)
Other comprehensive income:			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange difference arising from translation of foreign operations		1,721	2,310
Total comprehensive loss for the period		(20,947)	(10,423)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Note	Unaudited Three months ended 31 March	
		2022 HK\$'000	2021 HK\$'000
(Loss)/Profit attributable to:			
Equity holders of the Company		(21,862)	(14,385)
Non-controlling interests		(806)	1,652
		(22,668)	(12,733)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(20,964)	(11,815)
Non-controlling interests		17	1,392
		(20,947)	(10,423)
Loss per share attributable to equity holders of the Company			
Basic and Diluted (HK cents)	7	(1.70)	(1.12)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	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 2021 (audited)	12,880	201,419	(7,337)	(28,857)	1,582	(9,151)	(576,023)	(405,487)	22,943	(382,544)
(Loss)/Profit for the period	-	-	-	-	-	-	(14,385)	(14,385)	1,652	(12,733)
Exchange difference arising from translation of foreign operations	-	-	-	2,570	-	-	-	2,570	(260)	2,310
Total comprehensive (loss)/income for the period	-	-	-	2,570	-	-	(14,385)	(11,815)	1,392	(10,423)
At 31 March 2021 (unaudited)	12,880	201,419	(7,337)	(26,287)	1,582	(9,151)	(590,408)	(417,302)	24,335	(392,967)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	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 2022 (audited)	12,880	201,419	(7,337)	(16,882)	1,720	(9,151)	(649,633)	(466,984)	26,637	(440,347)
Loss for the period	-	-	-	-	-	-	(21,862)	(21,862)	(806)	(22,668)
Exchange difference arising from translation of foreign operations	-	-	-	898	-	-	-	898	823	1,721
Total comprehensive loss for the period	-	-	-	898	-	-	(21,862)	(20,964)	17	(20,947)
At 31 March 2022 (unaudited)	12,880	201,419	(7,337)	(15,984)	1,720	(9,151)	(671,495)	(487,948)	26,654	(461,294)

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2022

1. CORPORATION INFORMATION

The Company was incorporated in the Cayman Islands on 13 September 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company.

2. BASIS OF PREPARATION

The First Quarterly Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards (“**HKAS**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap 622 of the Laws of Hong Kong). The First Quarterly Financial Statements also complies with the applicable disclosure requirements under the GEM Listing Rules.

The First Quarterly Financial Statements have been prepared on a basis consistent with the accounting policies adopted in the Group’s audited financial statements for the year ended 31 December 2021.

Adoption of new/revised HKFRS

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

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

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2022

3. REVENUE

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

	Unaudited Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Income from trading business	50,219	250,317
Income from provision of petrochemical products storage business	3,357	6,904
	53,576	257,221

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2022

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 31 March	
	2022 HK\$'000	2021 HK\$'000
This is stated after charging (crediting):		
Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	2,813	92
Effective interest on unlisted secured bonds	-	7,270
Effective interest on listed credit enhanced guaranteed bonds	2,574	-
	5,387	7,362
Other items		
Cost of inventories	50,046	248,798
Depreciation of property, plant and equipment	3,216	2,662
Depreciation of right-of-use assets	267	343
Staff costs		
Salaries, allowance and the other short-term employee benefits including Directors' emoluments	4,410	3,995
Contributions to defined contribution plans	779	691
	5,189	4,686

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 qualifying group entity is 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 profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2022

The PRC Enterprise Income Tax (“**EIT**”) is calculated at the prevailing tax rate at 25% (2021: 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.

6. DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (2021: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months ended 31 March 2022 and 2021 are calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	Unaudited Three months ended 31 March	
	2022	2021
Loss attributable to equity holders of the Company (HK\$'000)	(21,862)	(14,385)
Weighted average number of ordinary shares in issue	1,288,000,000	1,288,000,000
Basic loss per share (HK cents)	(1.70)	(1.12)

Basic and diluted loss per share are the same as the Company did not have any dilutive potential ordinary shares during the three months ended 31 March 2022 and 2021.

8. APPROVAL OF THE FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved and authorised for issue by the Board on 13 May 2022.

MACRO SITUATION REVIEW

During the Period, the overall situation of the industry is grim, the international situation is turbulent, and the pressure of epidemic prevention and control at home and abroad is still huge, the Company will continue to closely monitor the global economic situation and do its best to minimize its impact on the Group and maintain stable operations during this downturn.

BUSINESS REVIEW

For the Period, the Group was principally engaged in trading business, and the provision of petrochemical products storage business.

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\$50.2 million (2021: approximately HK\$250.3 million). The decrease in revenue in this segment was mainly due to the fact that the fifth wave of community outbreak precipitated by the Omicron variant and a rapid surge of infected cases in Hong Kong in early 2022, which had a material negative impact on cross-border transport and logistics.

2. 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 Group's petrochemical products storage business recorded revenue decreased by approximately 50.7% to approximately HK\$3.4 million (2021: approximately HK\$6.9 million). The decrease in revenue was mainly attributable to the fact that the Yangtze River Delta region had been affected by the surge of COVID-19 cases, and all kinds of transportation such as hazardous chemical vehicles and foreign oil vessels had been strictly controlled, which had seriously hindered the development of petrochemical products storage business.

FINANCIAL REVIEW

The Group's revenue decreased by approximately 79.2% to approximately HK\$53.6 million for the Period (2021: approximately HK\$257.2 million). For factors leading to the decrease in revenue, please refer to the above paragraph headed "Business Review" for details.

The Group's cost of revenue decreased by approximately 77.6% to approximately HK\$57.0 million for the Period (2021: approximately HK\$254.4 million). The decrease in cost was mainly driven by the effect of decrease in revenue of the Group's trading business.

MANAGEMENT DISCUSSION AND ANALYSIS

With the combined effects of revenue and cost of revenue, the Group recorded a gross loss margin of approximately 6.5% for the Period (2021: gross profit margin of approximately 1.1%). The gross loss was mainly due to the fixed costs of petrochemical storage tanks had increased, while the Yangtze River Delta region had been affected by the surge of COVID-19 cases and all kinds of transportation had been strictly controlled, which had a negative impact on petrochemical products storage business, had led to a reduction in income which was too small to generate gross profit.

The Group's finance costs amounted to approximately HK\$5.4 million for the Period (2021: approximately HK\$7.4 million). The finance costs mainly consist of the interests on bank loans, listed credit-enhanced guaranteed bonds and amount due to connected companies. The decrease in finance costs was mainly attributable to the repayment of the US\$50 million three-year unlisted bond which carried a coupon rate of 7.5% per annum in March 2021 and the issuance of US\$55 million three-year credit enhanced guaranteed bonds with a coupon rate of 2.4% per annum on 24 March 2021.

The Group recorded the loss for the Period of approximately HK\$22.7 million (2021: approximately HK\$12.7 million). The increase in loss attributable to the equity holders of the Company was approximately HK\$21.9 million (2021: approximately HK\$14.4 million) and the loss per share was 1.70 HK cents (2021: 1.12 HK cents).

CAPITAL STRUCTURE

As at 31 March 2022, the Group's total deficit attributable to equity holders of the Company amounted to approximately HK\$487.9 million (31 December 2021: approximately HK\$467.0 million). The capital of the Company mainly comprised only the ordinary share. There was no movement in the issued share capital of the Company during the Period.

DIVIDEND

The Board did not recommend the payment of any interim dividend in respect of the Period (2021: Nil).

PLEDGE OF ASSETS

The Group used bank facilities and other borrowings to finance the expansion of its business. As at 31 March 2022, the Group did not have any secured borrowings (31 December 2021: the Group did not have any secured borrowings).

ISSUE US\$55 MILLION OF CREDIT ENHANCED GUARANTEED BONDS INTENDED FOR PURCHASE BY PROFESSIONAL INVESTORS ONLY AND LISTED ON THE HONG KONG STOCK EXCHANGE

On 17 March 2021, the Company, as issuer, 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("**Jiangsu Dafeng**"), as guarantor, and Tensant Securities Limited, Haitong International Securities Company Limited, BOSCO International Company Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, CEB International Capital Corporation Limited, China Everbright Securities (HK) Limited, Huarong International Securities Limited and China Industrial Securities International Brokerage Limited (together, the "**Placing Agents**"), entered into a placing agreement pursuant to which the Company agreed to appoint the Placing Agents as placing agents 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\$55,000,000 (the "**Placing**").

The Placing was completed on 24 March 2021. Pursuant to the results of a book building exercise, the bonds in the principal amount of US\$55 million has been placed to bondholders at a coupon rate of 2.4% per annum, and terms of 3 years.

The net proceeds from this Placing, after deducting commissions to be charged by the Placing Agents and other estimated expenses payable in connection with this offering, was approximately U.S.\$52.70 million. The Company intends to use the proceeds from this offering for refinancing and replenishing working capital.

For further details, please refer to the announcements of the Company dated 24 March 2021 in relation to the Placing.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

As at 31 March 2022, the Group was interested in approximately RMB100 million registered capital in Jiangsu Hairong, a company providing integrated logistics handling services in the PRC market, representing approximately 40% of its total registered capital.

Jiangsu Hairong is a private company and there is no quoted market price available for the investment. The carrying amount of the investment was nil as at 31 March 2022 (31 December 2021: Nil). The Group has not recognised further losses as the Group's share of losses of Jiangsu Hairong exceeds the carrying amount of its interest in Jiangsu Hairong. The unrecognised share of loss of Jiangsu Hairong for the Period and cumulative up to the end of the reporting period amounted to approximately HK\$0.3 million (for the period from 1 January 2021 to 31 December 2021: approximately HK\$3.0 million) and HK\$12.1 million (2021: approximately HK\$11.8 million), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group holds the investment with the primary objective to continue to have the synergy effect between integrated logistics handling services with our petrochemical trading business and petrochemical products storage business and the investment may allow the Group to benefit from the potential upside of the integrated logistics handling business in the future when the operational environment of the integrated logistics handling business improves.

Save for the 40% equity interests in Jiangsu Hairong held by us, during the Period, the Group had made no significant investment, no material acquisition and disposal of subsidiaries and associates.

OUTLOOKS

The Group expects that (i) The uncertainty of the variation and transmission of COVID-19 has brought great challenges to the real economy and cast negative impacts on the Group's business activities. The Group will actively respond to the short-term adverse impact brought by the pandemic, and the management will continue to monitor the global trading environment and further develop and strengthen its core business, (ii) while seizing the opportunity of integrated development of 江蘇鹽城港控股集團有限公司 (Jiangsu Yancheng Port Holding Group Co., Ltd*) ("**Jiangsu Yancheng**"), the Group will rationally reorganize and optimize the resources of the Company, simplify and restructure to conserve resources and prudently identify investment opportunities.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

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

As at 31 March 2022, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME, CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives, recognising and acknowledging the contributions that eligible persons had made or may make to the Group. The Scheme was adopted pursuant to the written resolutions of the sole shareholder of the Company passed on 3 August 2013. The expiry date of the Scheme is 2 August 2023. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options have been granted, exercised or cancelled by the Company under the Scheme during the Period and there were no outstanding share options under the Scheme as at 31 March 2022 and as at the date of this report.

Up to 31 March 2022, 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 31 March 2022, 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 Investment Holdings Limited (" Dafeng Port Overseas ") (Note 2)	Beneficial owner	740,040,000 (L)	57.46%
Jiangsu Dafeng (Note 3)	Interest of controlled corporation	740,040,000 (L)	57.46%
Jiangsu Yancheng (Note 3)	Interest of controlled corporation	740,040,000 (L)	57.46%
鹽城市人民政府 (the People's Government of Yancheng City*) (" PGYC ") (Note 3)	Interest of controlled corporation	740,040,000 (L)	57.46%
Mr. Jiang Wen (Note 4)	Beneficial owner, interest of controlled corporation and interest of spouse	75,470,000 (L)	5.86%
Ms. Li Qiu Hua (Note 5)	Beneficial owner and interest of spouse	75,470,000 (L)	5.86%

Notes:

1. The letter “L” denotes a long position in the interest in the issued share capital of the Company.
2. Dafeng Port Overseas, a company incorporated in Hong Kong with limited liability, and is owned as to 40% by Jiangsu Dafeng, which in turn is wholly owned by Jiangsu Yancheng, 40.2% of which is owned by PGYC.
3. Jiangsu Dafeng, Jiangsu Yancheng and PGYC are deemed to be interested in the shares of the Company held by Dafeng Port Overseas under the SFO.
4. Mr. Jiang Wen, the director, 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 51,350,000 Shares. Ms. Li Qiu Hua, the spouse of Mr. Jiang Wen, directly and beneficially owns 10,520,000 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 75,470,000 Shares.
5. 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 31 March 2022, the Directors were not aware of any other persons or 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.

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 a direct wholly-owned subsidiary, namely 江蘇鹽城港供應鏈科技集團有限公司 (Jiangsu Yancheng Port Supply Chain Technology Group Co., Ltd*) ("**Yancheng Port Supply Chain**"), and a direct non whollyowned 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. Yuan Qingfeng who is the director of Jiangsu Dafeng, 江蘇鹽城港文旅集團有限公司 (Jiangsu Yancheng wenlue Group Limited*), 江蘇鹽城港響水港開發集團有限公司 (Jiangsu Yancheng Harbour Xiangshui Development Group Co., Ltd*) and the Company, there is no overlap in the directorships among the Company, Jiangsu Dafeng, Dafeng Hairong 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 31 March 2022, none of the Directors, controlling shareholders of the Company or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the Period.

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

An audit committee of the Company (the “**Audit Committee**”) has been established on 3 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provision D.3.3. The members of the Audit Committee comprise Mr. Lau Hon Kee (Chairman), Dr. Bian Zhaoxiang and Mr. Zhang Fangmao, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures and the risk management system of the Group.

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

OTHER INFORMATION

APPRECIATION

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

By order of the Board
Dafeng Port Heshun Technology Company Limited
Yuan Qingfeng
Chairman

Hong Kong, 13 May 2022

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. Yuan Qingfeng <i>(Chairman)</i>	Mr. Ji Longtao Mr. Yang Yue Xia Mr. Miao Zhibin	Dr. Bian Zhaoxiang Mr. Lau Hon Kee Mr. Yu Xugang Mr. Zhang Fangmao

* *For identification purpose only*