



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

The Group's revenue generated from continuing operations increased by approximately 35.3% to approximately HK\$2,043.0 million for the year ended 31 December 2020 (the "Year") (2019: generated from continuing operations approximately HK\$1,510.0 million). The increase in revenue, please refer to the below paragraph headed "Business Review" for details.

The Group's cost of revenue increased by approximately 35.5% to approximately HK\$2,010.7 million for the Year (2019: incurred from continuing operations approximately HK\$1,484.0 million). The increase in cost of revenue was mainly driven by the effect of increase in revenue of the Group's trading business and petrochemical products storage business.

With the combined effects of revenue and cost of revenue, the Group recorded a gross profit margin generated from continuing operations of approximately 1.6% for the Year (2019: generated from continuing operations of approximately 1.7%). The decrease in gross profit margin was mainly due to the fierce competition in the trade industry.

The Group recorded profit for the Year of approximately HK\$567.9 million (2019: loss of approximately HK\$945.0 million). The profit for the Year mainly due to the gain of HK\$634.3 million generated from the disposal of 60% equity interests of 江蘇海融大豐港油品化工碼頭有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited*) ("Jiangsu Hairong") on 27 August 2020. The profit attributable to the equity holders of the Company was approximately HK\$563.6 million (2019: loss of approximately HK\$946.6 million) and the basic earnings per share was HK cents 43.76 (2019: basic loss per share of HK cents 73.49).

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

* *The official name is in Chinese and the English name is translated for identification purpose only.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Continuing operations			
Revenue	4	2,042,991	1,509,995
Cost of revenue		<u>(2,010,726)</u>	<u>(1,483,972)</u>
Gross profit		32,265	26,023
Other income	5	21,159	26,842
Administrative expenses		(37,246)	(59,843)
Finance costs	6	(51,514)	(57,441)
Reversal of impairment loss (Impairment loss) on trade receivables		3,380	(7,865)
Impairment loss on property, plant and equipment, net		(21,921)	(10,428)
Provision for inventories		(2,250)	–
Reversal of impairment loss on right-of-use assets		–	6,906
Loss on disposal of subsidiaries		<u>–</u>	<u>(312)</u>
Loss before taxation from continuing operations	7	(56,127)	(76,118)
Taxation	8	<u>155</u>	<u>(199)</u>
Loss for the year from continuing operations		(55,972)	(76,317)
Discontinued operations			
Profit (Loss) for the year from discontinued operations	9	<u>623,895</u>	<u>(868,674)</u>
Profit (Loss) for the year		<u>567,923</u>	<u>(944,991)</u>
Other comprehensive income (loss)			
<i>Items that are reclassified or may be reclassified to profit or loss in subsequent periods:</i>			
Exchange difference arising from translation of foreign operations		(1,627)	(15,023)
Reserve released upon the disposal of a subsidiary	15	<u>2,067</u>	<u>–</u>
		<u>440</u>	<u>(15,023)</u>
Total comprehensive income (loss) for the year		<u>568,363</u>	<u>(960,014)</u>

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i> (re-presented)
Profit (Loss) attributable to equity holders of the Company:			
— from continuing operations		(60,263)	(77,925)
— from discontinued operations		623,895	(868,674)
		563,632	(946,599)
Profit attributable to non-controlling interests:			
— from continuing operations		4,291	1,608
— from discontinued operations		—	—
		4,291	1,608
Total comprehensive income (loss) attributable to:			
— Owners of the Company		562,025	(961,159)
— Non-controlling interests		6,338	1,145
		568,363	(960,014)
Earnings (Loss) per share attributable to equity holders of the Company			
Basic and diluted			
— from continuing operations	11	(4.68) HK cents	(6.05) HK cents
— from discontinued operations	11	48.44 HK cents	(67.44) HK cents
		43.76 HK cents	(73.49) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	12	118,714	319,635
Goodwill	13	1,296	1,296
Interest in an associate		–	–
Right-of-use assets		42,398	43,370
Prepayments in relation to property, plant and equipment		5,369	4,596
		<u>167,777</u>	<u>368,897</u>
Current assets			
Financial asset at fair value through profit or loss		–	3,343
Inventories		9,629	6,309
Trade and other receivables	14	231,050	602,162
Pledged bank deposits		218,565	395,612
Bank balances and cash		16,107	35,296
		<u>475,351</u>	<u>1,042,722</u>
Current liabilities			
Trade and other payables	16	393,025	1,652,922
Current portion of bank and other borrowings		402,334	178,059
Taxation		–	249
		<u>795,359</u>	<u>1,831,230</u>
Net current liabilities		<u>(320,008)</u>	<u>(788,508)</u>
Total assets less current liabilities		<u>(152,231)</u>	<u>(419,611)</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Amount due to an associate	16(d)	35,883	–
Loan from a connected company		135,075	126,654
Non-current portion of bank and other borrowings		57,804	397,769
Deferred tax liabilities		1,551	6,873
		<u>230,313</u>	<u>531,296</u>
NET LIABILITIES		<u>(382,544)</u>	<u>(950,907)</u>
Capital and reserves			
Share capital	17	12,880	12,880
Reserves		(418,367)	(980,392)
Total equity attributable to equity holders of the Company		(405,487)	(967,512)
Non-controlling interests		22,943	16,605
TOTAL DEFICITS		<u>(382,544)</u>	<u>(950,907)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

For the year ended 31 December 2019

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total (deficits) equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	12,880	201,419	(7,337)	(12,690)	831	(9,151)	(192,305)	(6,353)	23,280	16,927
Loss for the year	-	-	-	-	-	-	(946,599)	(946,599)	1,608	(944,991)
Other comprehensive loss										
Exchange difference arising from translation of foreign operations	-	-	-	(14,560)	-	-	-	(14,560)	(463)	(15,023)
Total comprehensive loss	-	-	-	(14,560)	-	-	(946,599)	(961,159)	1,145	(960,014)
Transactions with owners										
<i>Changes in ownership interests</i>										
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	8,169	8,169
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(15,989)	(15,989)
<i>Contributions and distributions</i>										
Appropriation to statutory reserve	-	-	-	-	2	-	(2)	-	-	-
Total transactions with owners	-	-	-	-	2	-	(2)	-	(7,820)	(7,820)
At 31 December 2019	<u>12,880</u>	<u>201,419</u>	<u>(7,337)</u>	<u>(27,250)</u>	<u>833</u>	<u>(9,151)</u>	<u>(1,138,906)</u>	<u>(967,512)</u>	<u>16,605</u>	<u>(950,907)</u>

For the year ended 31 December 2020

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total deficits
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated losses			
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2020	12,880	201,419	(7,337)	(27,250)	833	(9,151)	(1,138,906)	(967,512)	16,605	(950,907)
Profit for the year	-	-	-	-	-	-	563,632	563,632	4,291	567,923
Other comprehensive income										
Exchange difference arising from translation of foreign operations	-	-	-	(3,674)	-	-	-	(3,674)	2,047	(1,627)
Reserve released upon disposal of a subsidiary	-	-	-	2,067	-	-	-	2,067	-	2,067
	-	-	-	(1,607)	-	-	-	(1,607)	2,047	440
Total comprehensive income	-	-	-	(1,607)	-	-	563,632	562,025	6,338	568,363
Transactions with owners										
<i>Contributions and distributions</i>										
Appropriation to statutory reserve	-	-	-	-	749	-	(749)	-	-	-
At 31 December 2020	12,880	201,419	(7,337)	(28,857)	1,582	(9,151)	(576,023)	(405,487)	22,943	(382,544)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

1. BASIS OF PRESENTATION

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in note 2 below.

Going concern basis

As at 31 December 2020, the Group had net current liabilities of approximately HK\$320,008,000 (2019: approximately HK\$788,508,000) and net liabilities of approximately HK\$382,544,000 (2019: approximately HK\$950,907,000) respectively. 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 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 of the Company, 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 unutilised banking facilities readily available to the Group amounted to approximately HK\$11,670,000 at 31 December 2020;
- (ii) the Group is in negotiation with financial institutions for the renewals of the Group’s short term bank borrowings upon expiry, new borrowings and applying for future credit facilities;
- (iii) the Company is in the process of issuance of a credit enhanced guaranteed bond (the “**New Bonds**”) intended for purchase by professional investors only and intended to be listed on the Hong Kong Stock Exchange on that basis. The proceeds from the intended bond issuance will be mainly for refinancing and replenishing working capital;

- (iv) the Company has obtained, in formal writing a financial support in an amount not greater than RMB1 billion (equivalent to HK\$1,188,500,000), from 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) (“**Jiangsu Dafeng**”), a connected company which has 40% equity interests in 大豐港海外投資控股有限公司 (Dafeng Port Overseas Investment Holdings Limited*) (“**Dafeng Port Overseas**”); and
- (v) the Group is expected to generate adequate cash flows to maintain its operations.

The directors have prepared a cash flow forecast covering a period up to 30 June 2022 on the basis that negotiation with financial institutions for the renewals of the Group’s borrowing and credit facilities and issuance of the New Bonds would be successful, 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 31 December 2020. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group’s ability to generate adequate financing and operating cash flows in the near future, obtain the continuous financial support from its connected party and successfully issue the New Bonds.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

2. ADOPTION OF NEW/REVISED HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

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

— Trading of electronic products, petrochemical products, medical treatment and food disinfection products etc.
— Provision of supply chain management services

— Petrochemical products storage business

— Provision of storage services for petrochemical products

For discontinued operations

— Integrated logistics handling services

— Provision of terminal handling services

The Jiangsu Hairong's integrated logistics handling services have been classified and presented as discontinued operations upon the disposal of 60% equity interests in Jiangsu Hairong as disclosed in note 9.

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor 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 share of results of associates and other unallocated corporate expenses and income.

For the purpose of assessing the performance of the operating segments and allocation of resources between segments, the Group's results are further adjusted for items not specifically attributed to individual segments and other head office or corporate administration costs.

Inter-segment sales transactions are charged at prevailing market prices.

Operating segments

Segment information is presented below:

For the year ended 31 December 2020

	Continuing operations		Discontinued operations	Inter-segment elimination	Total
	Trading business	Petro-chemical products storage business	Integrated logistics handling services		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue (from external customers)	2,018,759	24,232	6,870	–	2,049,861
— Inter-segment revenue	–	–	–	–	–
Total revenue	<u>2,018,759</u>	<u>24,232</u>	<u>6,870</u>	<u>–</u>	<u>2,049,861</u>
Results					
Segment results	<u>3,535</u>	<u>(21,793)</u>	<u>618,640</u>	<u>–</u>	600,382
Other unallocated corporate income					2,747
Other unallocated corporate expenses					<u>(40,616)</u>
Profit before taxation					562,513
Taxation					<u>5,410</u>
Profit for the year					<u>567,923</u>

For the year ended 31 December 2019 (re-presented)

	Continuing operations		Discontinued operations	Inter-segment elimination	Total
	Trading business	Petro-chemical products storage business	Integrated logistics handling services		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue (from external customers)	1,502,123	7,872	7,077	–	1,517,072
— Inter-segment revenue	–	310	–	(310)	–
Total revenue	<u>1,502,123</u>	<u>8,182</u>	<u>7,077</u>	<u>(310)</u>	<u>1,517,072</u>
Results					
Segment results	<u>(38,811)</u>	<u>(18,044)</u>	<u>(868,674)</u>	–	(925,529)
Other unallocated corporate income					14,686
Other unallocated corporate expenses					(33,637)
Loss on disposal of subsidiaries					<u>(312)</u>
Loss before taxation					(944,792)
Taxation					<u>(199)</u>
Loss for the year					<u>(944,991)</u>

As at 31 December 2020

	Continuing operations		Discontinued operations	Total <i>HK\$'000</i>
	Trading business <i>HK\$'000</i>	Petro-chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	
ASSETS				
Segment assets	446,434	161,770	–	608,204
Unallocated corporate assets	–	–	–	34,924
Consolidated total assets				<u>643,128</u>
LIABILITIES				
Segment liabilities	(539,695)	(82,278)	–	(621,973)
Unallocated corporate liabilities	–	–	–	(403,699)
Consolidated total liabilities				<u>(1,025,672)</u>

For the year ended 31 December 2020

	Continuing operations		Discontinued operations	Total <i>HK\$'000</i>
	Trading business <i>HK\$'000</i>	Petro-chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	
OTHER INFORMATION				
Capital additions	588	4,359	–	4,947
Depreciation of property, plant and equipment	620	7,710	2,140	10,470
Depreciation of property, plant and equipment (unallocated)	–	–	–	3
Depreciation of right-of-use assets	331	880	57	1,268
Depreciation of right-of-use assets (unallocated)	–	–	–	437
Finance costs	19,404	2,995	1,432	23,831
Finance costs (unallocated)	–	–	–	29,115
Impairment loss on property, plant and equipment, net	–	21,921	12,920	34,841
Reversal of impairment loss on trade receivables, net	3,380	–	1,662	5,042
Provision for inventories	2,250	–	–	2,250
Interest income	14,732	–	–	14,732
Interest income (unallocated)	–	–	–	12

At 31 December 2019 (re-presented)

	Continuing operations		Discontinued operations	Total <i>HK\$'000</i>
	Trading business <i>HK\$'000</i>	Petro-chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	
ASSETS				
Segment assets	618,550	205,171	546,958	1,370,679
Unallocated corporate assets	–	–	–	40,940
Consolidated total assets				<u>1,411,619</u>
LIABILITIES				
Segment liabilities	(954,463)	(48,632)	(959,761)	(1,962,856)
Unallocated corporate liabilities	–	–	–	(399,670)
Consolidated total liabilities				<u>(2,362,526)</u>

For the year ended 31 December 2019 (re-presented)

	Continuing operations		Discontinued operations	Total <i>HK\$'000</i>
	Trading business <i>HK\$'000</i>	Petro-chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	
OTHER INFORMATION				
Capital additions	61	24,470	6,379	30,910
Depreciation of property, plant and equipment	1,213	4,914	25,068	31,195
Depreciation of property, plant and equipment (unallocated)	–	–	–	3
Depreciation of right-of-use assets	848	986	88	1,922
Depreciation of right-of-use assets (unallocated)	–	–	–	437
Finance costs	36,385	–	1,304	37,689
Finance costs (unallocated)	–	–	–	21,055
Impairment loss on trade receivables	7,865	–	1,677	9,542
Impairment loss on goodwill	–	–	223,782	223,782
Impairment loss on property, plant and equipment	–	20,402	611,205	631,607
Reversal of impairment loss on property, plant and equipment	–	(9,974)	–	(9,974)
(Reversal of) Impairment loss on right-of-use assets	–	(6,906)	594	(6,312)
Interest income	15,759	15	5	15,779
Interest income (unallocated)	–	–	–	273

Geographical information

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Revenue from external customers — continuing operations:		
Hong Kong	1,834,330	972,100
The PRC	201,164	422,479
Others (<i>Note</i>)	<u>7,497</u>	<u>115,416</u>
	<u>2,042,991</u>	<u>1,509,995</u>

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.

The geographical location of non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, prepayments in relation to property, plant and equipment, right-of-use assets, and the location of the operation, in the case of goodwill. The analysis of the Group's non-current assets of continuing operations by geographical location is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Property, plant and equipment		
The PRC	<u>118,714</u>	<u>154,131</u>
Prepayments in relation to property, plant and equipment		
The PRC	<u>5,369</u>	<u>4,596</u>
Goodwill		
The PRC	<u>1,296</u>	<u>1,296</u>
Right-of-use assets		
Hong Kong	364	800
The PRC	<u>42,034</u>	<u>39,814</u>
	<u>42,398</u>	<u>40,614</u>
Total non-current assets	<u>167,777</u>	<u>200,637</u>

Information about major customers

Revenue from customers contributing individually over 10% or more of the Group's revenue are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	343,588	N/A
Customer B	221,407	N/A
Customer C	208,534	N/A
Customer D	N/A	243,248

All above customers are from trading segment. The revenue from Customer D was less than 10% of the Group's revenue for the year ended 31 December 2020. The revenue from Customer A, B and C were less than 10% of the Group's revenue for the year ended 31 December 2019.

4. REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Continuing operations		
Revenue from contracts with customers within HKFRS 15		
Trading business	2,018,759	1,502,123
Petrochemical storage service	24,232	7,872
	<u>2,042,991</u>	<u>1,509,995</u>
Timing of revenue recognition		
At a point in time	2,018,759	1,502,123
Over time	24,232	7,872
	<u>2,042,991</u>	<u>1,509,995</u>

The revenue from contracts with customers within HKFRS 15 is based on fixed price.

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Continuing operations		
Bank interest income	14,744	15,815
Other interest income	–	233
Exchange gain, net	4,107	4,893
Sundry income	192	26
Compensation from a customer	–	5,150
Subsidy income	2,116	329
Late payment penalty received from a customer	–	7
Write-back of accrued directors' salaries	–	389
	<u>21,159</u>	<u>26,842</u>

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Continuing operations		
Interest on borrowings wholly repayable within five years	2,261	3,933
Effective interest on unlisted secured bonds	33,955	33,506
Interest on amounts due to connected companies	11,040	14,784
Interest on loan from a connected company	5,045	8,944
Interest on lease liabilities	89	207
	<u>52,390</u>	<u>61,374</u>
Total borrowing costs	52,390	61,374
Less: Borrowing costs capitalised into property, plant and equipment at weighted average capitalisation rate of 6.37% (2019: 5.96%)	<u>(876)</u>	<u>(3,933)</u>
	<u>51,514</u>	<u>57,441</u>

7. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

This is stated after charging (crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Staff costs		
Salaries, allowances and other short-term employee benefits including directors' emoluments	15,683	16,414
Contributions to defined contribution plans	1,294	3,072
	<u>16,977</u>	<u>19,486</u>
Other items		
Auditors' remuneration		
– Audit-related assurance services	1,300	1,500
– Other services	580	177
Cost of inventories	1,976,189	1,455,570
Depreciation of property, plant and equipment	8,333	6,130
Depreciation of right-of-use assets	1,648	2,271
Loss on disposal of subsidiaries	–	312
Loss on disposal of property, plant and equipment, net	68	17
Exchange gain, net	(4,107)	(4,893)
Lease charge — short term lease	496	1,242
	<u>496</u>	<u>1,242</u>

8. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (re-presented)
Continuing operations		
Current tax:		
Current year	71	253
(Over) Under provision in prior year	(60)	137
	<u>11</u>	<u>390</u>
Deferred tax	(166)	(191)
Total income tax (credit) expenses for continuing operations	<u>(155)</u>	<u>199</u>
Discontinued operations		
Deferred tax	(5,255)	–
Total income tax (credit) expenses recognised in profit or loss	<u>(5,410)</u>	<u>199</u>

(i) Hong Kong Profits Tax

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 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%.

(ii) Income taxes outside Hong Kong

The Company's subsidiaries in the PRC are subject to Enterprise Income Tax ("EIT"). PRC EIT is calculated at the prevailing tax rate at 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.

9. DISCONTINUED OPERATIONS

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**"), a wholly-owned subsidiary of the Company, entered into an equity interest transfer agreement with Jiangsu Dafeng, pursuant to which Heshun Trading had conditionally agreed to sell, and Jiangsu Dafeng had conditionally agreed to purchase, the 60% equity interests in Jiangsu Hairong, at a consideration of RMB226,980,000 (equivalent to HK\$256,260,000). The disposal was completed on 27 August 2020. The consideration of RMB226,980,000 was settled by Jiangsu Dafeng by offsetting against the Group's obligations to pay the remaining balance of the consideration payable in respect of acquisition of Jiangsu Hairong and all the interests accrued to Jiangsu Dafeng thereon until the date of disposal and the current account balances the Group owed to Jiangsu Dafeng.

Upon completion of the disposal, Jiangsu Hairong ceased to be a subsidiary of the Company and its financial results were no longer consolidated into the consolidated financial statements of the Company. The Group retains 40% equity interests in Jiangsu Hairong and the Group has 40% voting rights in general meetings of Jiangsu Hairong. The management has classified such remaining interests in Jiangsu Hairong as investment in an associate because the Group has significant influence over Jiangsu Hairong through participation in the financial and operating policy decisions in its general meetings. The consideration is detailed in note 15.

Management considers the Jiangsu Hairong's operations had been discontinued and thereby constituted discontinued operations. Accordingly, certain comparative figures in the consolidated statement of comprehensive income have been re-presented to separately reflect the results of the continuing operations and discontinued operations. The results and net cash flows of the discontinued operations operated by Jiangsu Hairong for the period from 1 January 2020 to 27 August 2020 and year ended 31 December 2019 are summarised as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	6,870	7,077
Cost of services	(6,196)	(32,257)
Gross profit (loss)	674	(25,180)
Other income	31	21
Operating costs	(3,706)	(4,954)
Finance costs	(1,432)	(1,303)
Reversal of impairment loss (Impairment loss) on trade receivables	1,662	(1,677)
Impairment loss on goodwill	–	(223,782)
Impairment loss on property, plant and equipment	(12,920)	(611,205)
Impairment loss on right-of-use assets	–	(594)
Loss before tax	(15,691)	(868,674)
Taxation	5,255	–
Loss after tax	(10,436)	(868,674)
Gain in disposal of a subsidiary	634,331	–
Net profit (loss) attributable to discontinued operations	623,895	(868,674)
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net cash flows		
Operating activities	25,165	81,990
Investing activities	13,079	7,317
Financing activities	(33,870)	(100,296)
Total cash flows	4,374	(10,989)

10. DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2020 (2019: Nil).

11. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share for the years ended 31 December 2020 and 2019 are calculated by dividing the profit (loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

	2020	2019 (re-presented)
Profit (Loss) operations attributable to owners of the Company		
— Continuing operations <i>(HK\$'000)</i>	(60,263)	(77,925)
— Discontinued operations <i>(HK\$'000)</i>	<u>623,895</u>	<u>(868,674)</u>
	<u>563,632</u>	<u>(946,599)</u>
Weighted average number of ordinary shares in issue	<u>1,288,000,000</u>	<u>1,288,000,000</u>
Basic earnings (loss) per share		
— Continuing operations <i>(HK cents)</i>	(4.68)	(6.05)
— Discontinued operations <i>(HK cents)</i>	<u>48.44</u>	<u>(67.44)</u>
	<u>43.76</u>	<u>(73.49)</u>

Basic and diluted earning (loss) per share are the same as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2020 and 2019.

12. PROPERTY, PLANT AND EQUIPMENT

The directors of the Company have reviewed the carrying value of property, plant and equipment (storage facilities and construction in progress) and right-of-use assets of Petrochemical Products Storage Business (as defined in note 13) as at 31 December 2020 and carrying value of property, plant and equipment and right-of-use assets of Terminal Handling and Berthing Business (as defined in note 13) as at the date of disposal as mentioned in note 15, as their economic performance is worse than expected and determined that the recoverable amount from the use or sale of certain of these assets has declined below their carrying amount.

The recoverable amounts of the cash-generating unit (“CGU”), including property, plant and equipment, goodwill and right-of-use assets of Petrochemical Products Storage Business (collectively known as the “Assets”) as at 31 December 2020 and property, plant and equipment and right-of-use assets of Terminal Handling and Berthing Business (collectively known as the “Jiangsu Hairong’s Assets”) as at date of disposal were lower than their respective carrying amounts. The recoverable amounts are determined by the management, with assistance from an independent professional valuer, based on fair value less costs of disposal for the Assets and Jiangsu Hairong’s Assets, which are significantly higher than that using value-in-use calculation.

The key assumptions used in estimating the fair value of the Assets and Jiangsu Hairong’s Assets under depreciation 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.

As at 31 December 2020, the recoverable amount of the CGU of Petrochemical Products Storage Business is determined to be lower than its carrying amount. The recoverable amount of this CGU, comprising goodwill, property, plant and equipment and right-of-use assets, measured at fair value less costs of disposal, is HK\$191,586,000 (2019: HK\$180,786,000). Accordingly, net impairment losses of

HK\$21,921,000 (2019: HK\$10,428,000) and impairment loss of HK\$Nil (2019: reversal of impairment loss of HK\$6,906,000) were provided for property, plant and equipment and right-of-use assets in relation to this CGU respectively.

As at date of disposal, the recoverable amount of the CGU, including goodwill, property, plant and equipment and right-of-use assets, of Terminal Handling and Berthing Business (collectively known as the “**Jiangsu Hairong’s Assets**”) is determined to be lower than its respective carrying amount. The recoverable amount of this CGU, comprising goodwill, property, plant and equipment and right-of-use assets, measured at fair value less costs of disposal, is HK\$152,519,000. Accordingly, net impairment losses of HK\$Nil (2019: HK\$223,782,000), HK\$12,920,000 (2019: HK\$611,205,000) and HK\$Nil (2019: HK\$594,000) were provided for goodwill, property, plant and equipment and right-of-use assets in relation to this CGU respectively during the year before the disposal.

13. GOODWILL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Reconciliation of carrying amount</i>		
At beginning of reporting period	1,296	225,151
Disposal of subsidiaries	–	(73)
Impairment loss	–	(223,782)
	<u>1,296</u>	<u>1,296</u>
At end of reporting period	<u>1,296</u>	<u>1,296</u>
At 31 December		
Cost	16,140	239,922
Accumulated impairment loss	(14,844)	(238,626)
	<u>1,296</u>	<u>1,296</u>

Goodwill arose because the consideration paid for the acquisitions effectively included amount in relation to the benefits originated from future market development and the assembled workforce of the acquired business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The carrying amount of goodwill was allocated to the Group's CGUs as follows:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Terminal Handling and Berthing Business	–	–
Petrochemical Products Storage Business	–	–
Petrochemical Products Trading Business	<u>1,296</u>	<u>1,296</u>
	<u>1,296</u>	<u>1,296</u>

The recoverable amounts of the Petrochemical Products Trading Business as at 31 December 2020 and 31 December 2019 have been determined on the basis of value in use.

The goodwill in relation to the CGU of Petrochemical Products Storage Business has been fully impaired in previous years. The goodwill in relation to the CGU of Terminal Handling and Berthing Business has been fully impaired in previous years and has been derecognised upon disposal of 60% equity interests in Jiangsu Hairong during the year.

14. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Trade receivables			
Third parties		32,846	107,184
Less: Loss allowance	(b)	<u>(3,514)</u>	<u>(9,511)</u>
	(a)	<u>29,332</u>	<u>97,673</u>
Other receivables			
Deposits, prepayments and other debtors		57,959	55,233
Advanced payments to suppliers		81,401	45,718
Value added tax refundable		57,345	67,769
Interest receivable		5,001	6,878
Security deposit for loan from a third party		–	3,343
Due from connected companies	(c)	12	325,437
Consideration receivable for disposal of subsidiaries		<u>–</u>	<u>111</u>
		<u>201,718</u>	<u>504,489</u>
		<u>231,050</u>	<u>602,162</u>

Note:

(a) Trade receivables

An ageing analysis of the trade receivables as at the reporting period, based on the invoice date is as follows:

	2020	2019
	HK\$'000	HK\$'000
Non-credit impaired		
Within 90 days	25,673	95,727
91–180 Days	3,659	151
181–365 Days	–	1,503
More than 365 days	–	292
	<u>29,332</u>	<u>97,673</u>
Credit impaired		
181–365 Days	–	9,050
More than 365 days	3,514	461
	<u>3,514</u>	<u>9,511</u>
	<u>32,846</u>	<u>107,184</u>

(b) Loss allowance

As at 31 December 2020, the Group recognised loss allowance of HK\$3,514,000 (2019: HK\$9,511,000) on the trade receivables. The movements in the loss allowance for trade receivables during the year are summarised below.

	2020	2019
	HK\$'000	HK\$'000
At beginning of year	9,511	–
Increase in allowance	3,514	9,542
Amount recovered	(8,556)	–
Amount written off	(971)	–
Exchange realignment	16	(31)
	<u>3,514</u>	<u>9,511</u>
At end of the reporting period	<u>3,514</u>	<u>9,511</u>

(c) Due from connected companies

	Note	2020 HK\$'000	2019 HK\$'000
Jiangsu Dafeng 大豐海港港口有限責任公司	(i)	–	325,415
(Dafeng Port Harbour Limited Liability Company*, “Dafeng Harbour”)	(ii)	12	11
鹽城市大豐港城物業管理有限公司		–	11
		<u>12</u>	<u>325,437</u>

- (i) The balance represented advances of RMB292,009,000 (approximately HK\$325,415,000) from Jiangsu Hairong (before acquisition) to Jiangsu Dafeng, which has 40% equity interests in Dafeng Port Overseas. The amounts were unsecured and had no fixed terms of repayment. Included in the amounts were balances of RMB52,500,000 (approximately HK\$58,506,000) which bore annual interest at rate ranged from 5-year RMB benchmark loan interest rate of the People’s Bank of China to 110% of 5-year RMB benchmark loan interest rate of the People’s Bank of China. The remaining balances of RMB239,509,000 (approximately HK\$266,909,000) were interest-free. According to a debt transfer agreement entered into between Jiangsu Hairong, Jiangsu Dafeng and Dafeng Harbour, the amount due from Jiangsu Dafeng of RMB292,009,000 (approximately HK\$325,415,000) was transferred to Dafeng Harbour to offset the amount due to Dafeng Harbour during the year.
- (ii) The company is controlled by a substantial shareholder and the amount is unsecured, interest-free and has no fixed term of repayment.

15. DISPOSAL OF A SUBSIDIARY

As mentioned in note 9, the disposal of 60% equity interests in Jiangsu Hairong was completed on 27 August 2020. The details of the disposal are set out in the Company’s circular and announcement dated 24 July 2020 and 27 August 2020 respectively.

The following table summaries the consideration received and the carrying amount of the assets and liabilities at the date of disposals:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Goodwill	–
Property, plant and equipment	185,218
Right-of-use assets	2,178
Trade and other receivables	74,101
Cash and bank balance	1,759
Trade and other payables	(71,683)
Amount due to Dafeng Harbour	(488,364)
Loan from a connected company	(49,477)
Bank borrowings	(33,870)
	<u>(380,138)</u>
Consideration:	
Offsetting amount due to a connected company	206,783
Offsetting loan to a connected company	49,477
	<u>256,260</u>
Total consideration	<u>256,260</u>

Analysis of net outflow of cash and cash equivalents in respect of disposal of a subsidiary:

	<i>HK\$'000</i>
Consideration received	–
Cash and cash equivalents disposal of	(1,759)
	<u>(1,759)</u>
Net outflow of cash and cash equivalents	<u>(1,759)</u>
Gain on disposal of a subsidiary	
Consideration	256,260
Net liabilities disposed of	380,138
Investment retained in the former subsidiary at fair value	–
Reclassification adjustment of exchange differences arising from disposal subsidiary from equity to profit or loss	(2,067)
Goodwill disposed of	–
	<u>634,331</u>

The net gain on disposal is included in the profit for the year from discontinued operations in consolidated statement of comprehensive income (note 9).

16. TRADE AND OTHER PAYABLES

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bills payables			
Trade payables		37,752	66,427
Bills payables		<u>226,077</u>	<u>412,306</u>
	(a)	<u>263,829</u>	<u>478,733</u>
Other payables			
Accrued charges and other creditors		62,260	53,242
Contract liabilities	(c)	50,440	17,496
Construction costs payable		–	468
Salaries and bonus payable		410	1,464
Amount due to a director	(e)	200	–
Amounts due to connected companies	(b)	<u>15,886</u>	<u>1,101,519</u>
		<u>129,196</u>	<u>1,174,189</u>
		<u><u>393,025</u></u>	<u><u>1,652,922</u></u>

Note:

(a) Trade and bills payables

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
90 days or below	26,464	62,480
91–180 days	5,956	412,306
181–365 days	226,077	3,947
More than 365 days	<u>5,332</u>	<u>–</u>
	<u><u>263,829</u></u>	<u><u>478,733</u></u>

The Group was allowed a credit period up to 90 days by its trade creditors. The trade payables are interest-free and are normally settled on terms of one to six months.

The bills payables of RMB69,930,000 (equivalent to HK\$83,112,000), RMB15,458,000 (equivalent to HK\$18,371,000), RMB73,828,000 (equivalent to HK\$87,744,000) and RMB31,005,000 (equivalent to HK\$36,850,000) are interest-bearing at rates ranged from 2.45% to 2.90% per annum and repayable in March, May, June and August 2021 respectively (2019: The outstanding bills payables of RMB297,460,000 (equivalent to HK\$331,489,000), RMB10,360,000 (equivalent to HK\$11,545,000) and RMB62,160,000 (equivalent to HK\$69,272,000) were interest-bearing at rates ranged from 2.9% to 4.0% per annum and repayable in July, October and November 2020).

(b) Amounts due to connected companies/Loan from a connected company

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current portion			
Dafeng Harbour	(i)	–	888,685
Jiangsu Dafeng	(ii)	3,812	207,038
江蘇華海投資有限公司*, (Jiangsu Huahai Investments Limited, “ Jiangsu Huahai ”)	(iii)	12,074	5,796
		<u>15,886</u>	<u>1,101,519</u>
Non-current portion			
Jiangsu Huahai	(iv)	135,075	126,654
		<u>150,961</u>	<u>1,228,173</u>

- (i) The amount due was unsecured, interest-free and had no fixed terms of repayment as at 31 December 2019. Dafeng Harbour is the wholly-owned subsidiary of Jiangsu Dafeng. The balance, after the debt transfer arrangement as mentioned in note 14(c), was derecognised upon disposal of Jiangsu Hairong.
- (ii) Jiangsu Dafeng has equity interests in Dafeng Port Overseas as to 40%. The amounts due represent the interest payable in relation to the consideration on acquisition of Jiangsu Hairong in 2018 as at 31 December 2020 (2019: consideration payable in relation to acquisition of Jiangsu Hairong). The amounts are unsecured, repayable on demand and interest-free. During the year, the amount of RMB183,156,000 (equivalent to HK\$206,783,000) was offset with the consideration receivable in respect of disposal of Jiangsu Hairong.
- (iii) Jiangsu Huahai has 10% equity interests in Dafeng Port Overseas. The amount due represents the interest payable in respect of the principal portion as disclosed in note 16(b)(iv). The amount is unsecured, repayable on demand and interest-free.
- (iv) The amount due represents the principal portion in relation to the consideration on acquisition of Jiangsu Hairong in 2018. As at 31 December 2019, the amount of RMB113,652,000 (equivalent to HK\$126,654,000) was unsecured, bore interest at a rate of 4.35% per annum and repayable on 20 December 2021. During the year, the repayment date of the outstanding balance of RMB113,652,000 (equivalent to HK\$135,075,000) is extended to November 2022.

(c) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the reporting period	17,496	17,800
Recognised as revenue	(17,496)	(17,800)
Receipt of advances of undelivered goods	<u>50,440</u>	<u>17,496</u>
At end of the reporting period	<u>50,440</u>	<u>17,496</u>

At 31 December 2020, the advance payments from customers are expected to be recognised as revenue within one year.

For the year ended 31 December 2020, there is an increase in the overall contract activities and customer base of the Group, thereby increasing the amount arising from the receipt of advances.

(d) Amount due to an associate

The amount due is unsecured, interest-free and repayable on 31 December 2023.

(e) Amount due to a director

The amount due is unsecured, interest-free and has no fixed repayment term.

17. SHARE CAPITAL

	2020 Number of shares	Nominal value <i>HK\$'000</i>	2019 Number of shares	Nominal value <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid (HK\$0.01 each):				
At beginning of year and at end of the year	<u>1,288,000,000</u>	<u>12,880</u>	<u>1,288,000,000</u>	<u>12,880</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group is 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 Year:

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 Year, the Group's trading business recorded revenue of approximately HK\$2,018.8 million (2019: approximately HK\$1,502.1 million). The increase in revenue of this segment was mainly attributable to the increase of new products trading business which related to medical treatment and food disinfection as a result of the outbreak of COVID-19.

2. Integrated Logistics Handling and The Relevant Supporting Services Business

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 Jiangsu Hairong and recorded a revenue decreased approximately by 2.8% to HK\$6.9 million (2019: HK\$7.1 million). The decrease was mainly due to the disposal of 60% equity interests of Jiangsu Hairong on 27 August 2020. As a result, Jiangsu Hairong ceased to be a subsidiary of the Group, and its financial results ceased to be consolidated to the financial statements of the Group.

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\$256,260,000) (the "**Disposal**"). The Disposal was completed on 27 August 2020. Upon completion of the Disposal, Jiangsu Hairong ceased to be a subsidiary of the Group.

3. Petrochemical Products Storage Business

The Group is engaged in petrochemical products storage business through 江蘇中南匯石化倉儲有限公司 (Jiangsu Zhongnanhui Petrochemical Storage Company Limited*) (“**Zhongnanhui**”). During the Year, the Group’s petrochemical products storage business recorded an increase in revenue of 206.3% to approximately HK\$24.2 million (2019: approximately HK\$7.9 million). The increase in revenue was mainly attributable to the fact that the customers increased the oil products storage quantities as a result of China increased oil reserve on a fallen international crude oil price.

OUTLOOKS

The Group expects that (i) China-US relations tend to be basically ease yet with uncertainties following the US new president took office. Moreover, the rollout of COVID-19 vaccine and the introduction of economic stimulus policies in various countries bring hope to a global economic recovery. The Group will invest resources to develop advantageous trade business (ii) while seizing the opportunity of integrated development of Jiangsu Yancheng Port Holding Group Co., Ltd, the Group will rationally reorganize and optimize the resources of the Company, simplify and restructure resources, prudently identify investment opportunities.

FINANCIAL REVIEW

The Group’s revenue generated from continuing operations increased by approximately 35.3% to approximately HK\$2,043.0 million for the Year (2019: generated from continuing operations approximately HK\$1,510.0 million). The increase in revenue, please refer to the above paragraph headed “Business Review” for details.

The Group’s cost of revenue increased by approximately 35.5% to approximately HK\$2,010.7 million for the Year (2019: incurred from continuing operations approximately HK\$1,484.0 million). The increase in cost of revenue was mainly driven by the effect of increase in revenue of the Group’s trading business and petrochemical products storage business.

With the combined effects of revenue and cost of revenue, the Group recorded a gross profit margin generated from continuing operations of approximately 1.6% for the Year (2019: generated from continuing operations of approximately 1.7%). The decrease in gross profit margin was mainly due to the fierce competition in the trade industry.

The Group’s finance costs incurred from continuing operations amounted to approximately HK\$51.5 million for the Year (2019: approximately HK\$57.4 million). The finance costs mainly consist of the interests on bank loans, unlisted unsecured bonds and amount due to connected companies. The decrease in finance costs was mainly attributable to (i) the partial repayment of loan from Jiangsu Dafeng in October 2019; (ii) the consideration

of the disposal of 60% equity interest in Jiangsu Hairong on 27 August 2020 offset the balance of the consideration and interest on consideration occurred from acquisition of 100% equity interest in Jiangsu Hairong on 21 December 2018.

The Group recorded profit for the Year of approximately HK\$567.9 million (2019: loss of approximately HK\$945.0 million). The profit for the Year mainly due to the gain of HK\$634.3 generated from the disposal of 60% equity interests of Jiangsu Hailong on 27 August 2020. The profit attributable to the equity holders of the Company was approximately HK\$563.6 million (2019: loss of approximately HK\$946.6 million) and the basic earnings per share was HK cents 43.76 (2019: basic loss per share of HK cents 73.49).

Liquidity and financial resources

As at 31 December 2020, the Group had net current liabilities of approximately HK\$320.0 million (2019: approximately HK\$788.5 million), including amounts due to connected companies of approximately HK\$15.9 million (2019: approximately HK\$1,101.5 million).

The Group's equity capital and bank and other borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 December 2020 was approximately 0.60 (2019: approximately 0.57).

As at 31 December 2020, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately negative 120.3% (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 of the Company will actively pursuing a series of contingency financing plans, which includes but not limited to the following measures:

- (i) the unutilised banking facilities readily available to the Group amounted to approximately HK\$11.7 million at 31 December 2020;
- (ii) 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;
- (iii) the Company is in the process of issuance of a credit enhanced guaranteed bond intended for purchase by professional investors only and intended to be listed on the Hong Kong Stock Exchange on that basis. The proceeds from the intended bond issuance will be mainly for refinancing and replenishing working capital;
- (iv) the Company has obtained, in formal writing a financial support in an amount not greater than RMB1 billion (equivalent to HK\$1,188,500,000), from Jiangsu Dafeng, a connected company which has 40% equity interests in Dafeng Port Overseas; and

(v) the Group is expected to generate adequate cash flows to maintain its operations.

Capital structure

As at 31 December 2020, the Group's total deficits attributable to equity holders of the Company amounted to approximately HK\$405.5 million (2019: approximately HK\$967.5 million). The capital of the Company only comprised of the ordinary share. There was no movement in the issued share capital of the Company during the Year.

Unlisted secured bonds 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 absolutely 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 is interested in 740,040,000 shares (the "**Shares**") of the Company, representing approximately 57.46% of the total issued Shares as at 29 March 2018, as security for the payment and discharge of the secured obligations.

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

The proceeds 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.

Dividend

The Board did not recommend the payment of any dividend in respect of the Year (2019: Nil).

Significant investment, material acquisitions and disposals

On 28 April 2020, Heshun Trading, an indirect wholly-owned subsidiary of the Company, and Jiangsu Dafeng entered into a Disposal Agreement, pursuant to which Heshun Trading has conditionally agreed to sell the 60% equity interests of Jiangsu Hairong to Jiangsu Dafeng at the consideration of RMB226,980,000 (equivalent to HK\$256,260,000). Jiangsu Dafeng owns 40% of the shareholding of Dafeng Port Overseas, which in turn owns 57.46% of the Shares. Jiangsu Dafeng has substantial influence on Dafeng Port Overseas (the Company's direct controlling shareholder), therefore, 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 requirements of notification, announcement, circular and independent shareholders' approval under the GEM Listing Rules. The Disposal Agreement was approved by the independent shareholders on 13 August 2020.

On 27 August 2020, Jiangsu Hairong registered at the relevant industry and commerce administration authority in the PRC with respect to the transfer of the 60% equity interests of Jiangsu Hairong, and the Disposal was completed. A gain of approximately HK\$634,331,000 from the disposal was accounted for 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.

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 31 December 2020 (31 December 2019: approximately HK\$61.7 million), prepaid lease payments under right-of-use assets of approximately HK\$Nil (31 December 2019: approximately HK\$33.3 million), security deposit for loan from a third party of approximately HK\$Nil (31 December 2019: approximately HK\$3.3 million) and pledged bank deposits of approximately HK\$218.6 million as at 31 December 2020 (31 December 2019: approximately HK\$395.6 million).

Unlisted secured bonds of US\$50 million is secured and guaranteed by Dafeng Port Overseas entering into 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, Dafeng Port Overseas is interested in 740,040,000 Shares, representing approximately 57.46% of the total issued Shares as at 31 December 2020 and at the date of this announcement.

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.

Employees and emolument policy

As at 31 December 2020, the Group employed a total of 123 employees (2019: 195 employees for continuing operations) based in Hong Kong and the Mainland China. During the Year, the total staff costs generated from continuing operations, including Directors' emoluments, amounted to approximately HK\$17.0 million (2019: approximately HK\$19.5 million). The Group reviews the emoluments of its directors and staff based on their respective qualification, experience, performance and the market rates so as to maintain the remunerations of its directors and staff at a competitive level.

Contingent liabilities

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

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

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

The Company and its subsidiaries did not redeem, purchase or cancel any of their redeemable securities either.

CORPORATE GOVERNANCE CODE PRACTICE

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 Year. 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.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2020, 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 resolution passed by the sole shareholder of the Company on 3 August 2013. The expiry date of the Scheme is 2 August 2023. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options have been granted, exercised or cancelled by the Company under the Scheme and there were no outstanding share options under the Scheme as at 31 December 2020 and as at the date of this report.

Up to 31 December 2020, the Company and its subsidiaries have not issued or granted any convertible securities, warrants or other similar rights.

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

As at 31 December 2020, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive 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%
江蘇鹽城港控股集團有限公司 (Jiangsu Yancheng Port Holding Group Co., Ltd.) ("Jiangsu Yancheng")(Note 4)	Interest of controlled corporation	740,040,000 (L)/(S) (Note 2)	57.46%
鹽城市人民政府(the People's Government of Yancheng City*) ("PGYC") (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	75,910,000 (L)	5.89%
Ms. Li Qiu Hua (Note 6)	Beneficial owner and interest of spouse	75,910,000 (L)	5.89%

Notes:

- The letter "L" denotes a long position in the interest in the issued share capital of the Company.
The letter "S" denotes a short position in the interest in the issued share capital of the Company.
- Dafeng Port Overseas entered into an account charge with the security trustee on 29 March 2018, pursuant to which Dafeng Port Overseas assigned and agreed to assign absolutely all of Dafeng Port Overseas' rights, titles and interests from time to time in and to each secured account, which had 740,040,000 Shares of approximately 57.46% of the total issued Shares as 31 December 2020.

3. Dafeng Port Overseas is 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, 2% of which is owned by PGYC.
4. 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.
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 51,790,000 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 75,910,000 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 31 December 2020, the Directors were not aware of any other persons or entities (other than the Directors and chief executive 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.

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 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 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, a Director shall not vote on any board resolutions 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 with 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, during the Year, 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 the Directors during the Year.

AUDIT COMMITTEE

An Audit Committee (the “**Audited 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. The Audit Committee is currently comprised of three independent non-executive Directors, namely Mr. Lau Hon Kee (chairman), Dr. Bian Zhaoxiang and Mr. Zhang Fangmao. 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 and risk management system of the Group.

During the Year, the Audit Committee reviewed the quarterly, interim and annual results of the Group and reviewed, with both the auditor and management, the audit approach and methodology applies, and in particular to those key audit matters included in the annual auditor’s report. The Audit Committee also reviewed the internal control procedures of the Group, including financial, operational and compliance controls and risk management functions as well as the findings reports from the internal audit department of the Company.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of this announcement of the Group's consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The following is the extract of the draft independent auditor's report on the Company's consolidated financial statements for the year ended 31 December 2020.

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Material uncertainty related to going concern

As discussed in note 2 to the consolidated financial statements, at 31 December 2020, the Group had net current liabilities and capital deficiency of HK\$320,008,000 and HK\$382,544,000 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the

recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2020.

In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

The aforesaid “note 2 to the consolidated financial statements” in the extract from the independent auditor’s report is disclosed as note 1 in this Results Announcement.

REVIEW OF RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2020.

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

Hong Kong, 15 March 2021

As at the date of this announcement, 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. Chen Wenxiang	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Ms. Leng Panpan	Mr. Miao Zhibin	Mr. Yu Xugang
		Mr. Zhang Fangmao

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company’s website at www.dfport.com.hk.

* *For identification purposes only*