



## **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 2023**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**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 announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with 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 is no other matter the omission of which would make any statement herein or this announcement misleading.

## DEFINITIONS

| <b>Term</b>                   | <b>Definition</b>   |
|-------------------------------|---|
| Audit Committee               | The audit committee of the Company  |
| Board                         | The board of the Directors  |
| Company                       | Dafeng Port Heshun Technology Company Limited   |
| Companies Ordinance           | Companies Ordinance (Chapter 622 of the laws of Hong Kong)  |
| CG Code                       | The Corporate Governance Code contained in Appendix C1 of the GEM Listing Rules                   |
| Dafeng Port Development Group | 江蘇鹽城港大豐港開發集團有限公司 (Jiangsu Yancheng Port Dafeng Port Development Group Co., Ltd.*)                 |
| Dafeng Port Overseas          | Dafeng Port Overseas Investment Holdings Limited, which has 57.46% equity interest in the Company |
| Director(s)                   | The directors of the Company  |
| GEM Listing Rules             | The Rules Governing the Listing of Securities on GEM of the Stock Exchange                        |
| Group                         | The Company and its subsidiaries  |
| Hong Kong                     | The Hong Kong Special Administrative Region of the PRC  |
| HK\$/HKD                      | Hong Kong dollars   |
| Jiangsu Hairong               | 江蘇鹽城港海融石化碼頭有限公司 (Jiangsu Yancheng Port Hairong Petrochemical Terminal Co., Ltd.*)                 |
| Jiangsu Yancheng              | 江蘇鹽城港控股集團有限公司 (Jiangsu Yancheng Port Holding Group Co., Ltd.*)                                    |
| Port Shipping International   | 江蘇鹽城港港航國際貿易有限公司 (Jiangsu Yancheng Port Port Shipping International Trade Co., Limited*)           |

| <b>Term</b>                            | <b>Definition</b>   |
|--|---|
| Port Storage<br>Petrochemical          | 江蘇鹽城港港儲石化有限公司 (Jiangsu Yancheng Port Port Storage Petrochemical Co., Ltd.*)   |
| Harbor Development and<br>Construction | 鹽城市大豐區大豐港區海港開發建設有限公司 (Yancheng Dafeng District Dafeng Harbor Development and Construction Co., Ltd.*)   |
| PRC                                    | The People's Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement |
| RMB                                    | Renminbi Yuan   |
| SFO                                    | Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)   |
| Share(s)                               | Ordinary shares of the Company  |
| Stock Exchange                         | The Stock Exchange of Hong Kong Limited   |
| US\$/USD                               | United States dollars   |
| Year                                   | 1 January 2023 to 31 December 2023  |

*\*Note:*

For the purpose of this announcement and unless otherwise specified, the English translation of the name of the companies incorporated in the PRC are used for identification purpose only.

## FINANCIAL HIGHLIGHTS

The Group's revenue increased by approximately 45.5% to approximately HK\$1,158.0 million for the Year (corresponding period in 2022: approximately HK\$796.0 million). Regarding reasons of the increase in revenue, please refer to the paragraph headed "Business Review" in this announcement for details.

The Group's cost of revenue increased by approximately 47.1% to approximately HK\$1,148.9 million for the Year (corresponding period in 2022: approximately HK\$781.1 million). The increase in cost of revenue was mainly driven by the increase in revenue of the Group's trading business.

The Group recorded a gross profit margin of approximately 0.8% for the Year (corresponding period in 2022: approximately 1.9%). The decline in gross profit margin was mainly due to the complexity of the global economic environment and the intensification of trade barriers. The Group offers competitive pricing to attract and retain customers, resulting in the decline of gross profit margin.

The Group's finance costs amounted to approximately HK\$33.9 million for the Year (corresponding period in 2022: approximately HK\$39.6 million). Financing costs mainly include interest on bank borrowings and listed credit enhancement guaranteed bonds. The decrease in financing costs was due to Dafeng Port Development Group has waived the interest charged on the loans to the Group since 1 January 2023.

The Group recorded profit for the Year of approximately HK\$53.5 million (2022: loss of approximately HK\$64.2 million). The turnaround was mainly attributable to the one-off gain on disposal of 40% equity interests in Jiangsu Hairong of approximately HK\$108.9 million during the Year. Profit attributable to owners of the Company was approximately HK\$54.7 million (2022: loss of approximately HK\$62.0 million), while basic earnings per share was HK\$4.25 cents (2022: loss per share was HK\$4.81 cents).

The Board did not recommend the payment of any final dividend for the Year (2022: Nil).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2023*

|  | <i>Note</i> | 2023<br>HK\$'000            | 2022<br>HK\$'000       |
|--|-------------|-----------------------------|------------------------|
| <b>Revenue</b>   | 4           | <b>1,158,042</b>            | 795,967                |
| Cost of revenue  |             | <u>(1,148,906)</u>          | <u>(781,147)</u>       |
| <b>Gross profit</b>  |             | <b>9,136</b>                | 14,820                 |
| Other income   | 5           | <b>1,452</b>                | 955                    |
| Administrative expenses  |             | <b>(30,410)</b>             | (41,900)               |
| Finance costs  | 6           | <b>(33,874)</b>             | (39,616)               |
| Gain on disposal of an associate   | 12          | <b>108,909</b>              | –                      |
| (Impairment loss) Reversal of impairment loss<br>on property, plant and equipment, net             | 11          | <b>(1,440)</b>              | 7,334                  |
| Impairment of goodwill   |             | –                           | (956)                  |
| Provision for inventories  |             | <u>(284)</u>                | <u>(4,799)</u>         |
| <b>Profit (Loss) before taxation</b>   | 7           | <b>53,489</b>               | (64,162)               |
| Taxation   | 8           | <u>(7)</u>                  | <u>(79)</u>            |
| <b>Profit (Loss) for the year</b>  |             | <u><b>53,482</b></u>        | <u>(64,241)</u>        |
| <b>Other comprehensive income</b>  |             |                             |                        |
| <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                                 |             | <b>1,838</b>                | 2,795                  |
| Realisation of translation reserve upon deregistration of a subsidiary                             |             | <u>265</u>                  | –                      |
|  |             | <u><b>2,103</b></u>         | <u>2,795</u>           |
| <b>Total comprehensive income (loss) for the year</b>  |             | <u><u><b>55,585</b></u></u> | <u><u>(61,446)</u></u> |

|  | <i>Note</i> | <b>2023</b><br><b>HK\$'000</b> | 2022<br>HK\$'000       |
|--|-------------|--------------------------------|------------------------|
| <b>Profit (Loss) attributable to:</b>  |             |                                |                        |
| Owners of the Company  |             | <b>54,715</b>                  | (61,967)               |
| Non-controlling interests  |             | <b>(1,233)</b>                 | (2,274)                |
|  |             | <u><b>53,482</b></u>           | <u>(64,241)</u>        |
| <b>Total comprehensive income (loss) attributable to:</b>                      |             |                                |                        |
| Owners of the Company  |             | <b>57,907</b>                  | (56,506)               |
| Non-controlling interests  |             | <b>(2,322)</b>                 | (4,940)                |
|  |             | <u><b>55,585</b></u>           | <u>(61,446)</u>        |
| <b>Earnings (Loss) per share attributable to equity holders of the Company</b> |             |                                |                        |
| Basic and diluted  | <i>10</i>   | <u><b>4.25 HK cents</b></u>    | <u>(4.81) HK cents</u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023*

|  | <i>Note</i>  | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--|--------------|------------------|------------------|
| <b>Non-current assets</b>                                |              |                  |                  |
| Property, plant and equipment                            | <i>11</i>    | 114,028          | 122,678          |
| Goodwill   |              | 340              | 340              |
| Interest in an associate                                 | <i>12</i>    | –                | –                |
| Right-of-use assets                                      |              | 36,437           | 38,873           |
| Prepayments in relation to property, plant and equipment |              | <u>6,086</u>     | <u>4,993</u>     |
|  |              | <u>156,891</u>   | <u>166,884</u>   |
| <b>Current assets</b>                                    |              |                  |                  |
| Inventories  |              | –                | 977              |
| Trade and other receivables                              | <i>13</i>    | 255,530          | 573,585          |
| Bank balances and cash                                   |              | <u>158,274</u>   | <u>17,863</u>    |
|  |              | <u>413,804</u>   | <u>592,425</u>   |
| <b>Current liabilities</b>                               |              |                  |                  |
| Trade and other payables                                 | <i>14</i>    | 297,867          | 592,240          |
| Current portion of bank and other borrowings             |              | 473,409          | 606              |
| Amount due to a former associate/an associate            | <i>14(e)</i> | <u>33,216</u>    | <u>34,179</u>    |
|  |              | <u>804,492</u>   | <u>627,025</u>   |
| <b>Net current liabilities</b>                           |              | <u>(390,688)</u> | <u>(34,600)</u>  |
| <b>Total assets less current liabilities</b>             |              | <u>(233,797)</u> | <u>132,284</u>   |
| <b>Non-current liabilities</b>                           |              |                  |                  |
| Amount due to a connected company                        | <i>14(c)</i> | 2,273            | 7,900            |
| Non-current portion of bank and other borrowings         |              | 209,477          | 624,700          |
| Deferred tax liabilities                                 |              | <u>1,436</u>     | <u>1,477</u>     |
|  |              | <u>213,186</u>   | <u>634,077</u>   |

|  |             | 2023                    | 2022                    |
|--|-------------|-------------------------|-------------------------|
|  | <i>Note</i> | HK\$'000                | HK\$'000                |
| <b>NET LIABILITIES</b>                                     |             | <b><u>(446,983)</u></b> | <b><u>(501,793)</u></b> |
| <b>Capital and reserves</b>                                |             |                         |                         |
| Share capital  | <i>15</i>   | <b>12,880</b>           | 12,880                  |
| Reserves   |             | <b><u>(478,463)</u></b> | <b><u>(536,370)</u></b> |
| Total equity attributable to equity holders of the Company |             | <b>(465,583)</b>        | (523,490)               |
| Non-controlling interests                                  |             | <b><u>18,600</u></b>    | <b><u>21,697</u></b>    |
| <b>TOTAL DEFICITS</b>                                      |             | <b><u>(446,983)</u></b> | <b><u>(501,793)</u></b> |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

|  | 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 |                  |                           |                  |
|  | HK\$'000                                      | HK\$'000       | HK\$'000        | HK\$'000         | HK\$'000          | HK\$'000       | HK\$'000           | HK\$'000         | HK\$'000                  | HK\$'000         |
| At 1 January 2022  | 12,880  | 201,419        | (7,337)         | (16,882)         | 1,720             | (9,151)        | (649,633)          | (466,984)        | 26,637                    | (440,347)        |
| <b>Loss for the year</b>   | –   | –              | –               | –                | –                 | –              | (61,967)           | (61,967)         | (2,274)                   | (64,241)         |
| <b>Other comprehensive income (loss)</b>                           |   |                |                 |                  |                   |                |                    |                  |                           |                  |
| Exchange difference arising from translation of foreign operations | –   | –              | –               | 5,461            | –                 | –              | –                  | 5,461            | (2,666)                   | 2,795            |
| <b>Total comprehensive income (loss)</b>                           | –   | –              | –               | 5,461            | –                 | –              | (61,967)           | (56,506)         | (4,940)                   | (61,446)         |
| <b>31 December 2022</b>  | <b>12,880</b>                                 | <b>201,419</b> | <b>(7,337)</b>  | <b>(11,421)</b>  | <b>1,720</b>      | <b>(9,151)</b> | <b>(711,600)</b>   | <b>(523,490)</b> | <b>21,697</b>             | <b>(501,793)</b> |

|  | 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 |                  |                           |                  |
|  | HK\$'000                                      | HK\$'000       | HK\$'000        | HK\$'000         | HK\$'000          | HK\$'000       | HK\$'000           | HK\$'000         | HK\$'000                  | HK\$'000         |
| At 1 January 2023  | 12,880  | 201,419        | (7,337)         | (11,421)         | 1,720             | (9,151)        | (711,600)          | (523,490)        | 21,697                    | (501,793)        |
| <b>Profit for the year</b>   | –   | –              | –               | –                | –                 | –              | 54,715             | 54,715           | (1,233)                   | 53,482           |
| <b>Other comprehensive income (loss)</b>                               |   |                |                 |                  |                   |                |                    |                  |                           |                  |
| Exchange difference arising from translation of foreign operations     | –   | –              | –               | 2,927            | –                 | –              | –                  | 2,927            | (1,089)                   | 1,838            |
| Realisation of translation reserve upon deregistration of a subsidiary | –   | –              | –               | 265              | –                 | –              | –                  | 265              | –                         | 265              |
|  | –   | –              | –               | 3,192            | –                 | –              | –                  | 3,192            | (1,089)                   | 2,103            |
| <b>Total comprehensive income (loss)</b>                               | –   | –              | –               | 3,192            | –                 | –              | 54,715             | 57,907           | (2,322)                   | 55,585           |
| <b>Changes in ownership interests</b>                                  |   |                |                 |                  |                   |                |                    |                  |                           |                  |
| Deregistration of a non-wholly owned subsidiary                        | –   | –              | –               | –                | –                 | –              | –                  | –                | (775)                     | (775)            |
|  | –   | –              | –               | –                | –                 | –              | –                  | –                | (775)                     | (775)            |
| <b>At 31 December 2023</b>   | <b>12,880</b>                                 | <b>201,419</b> | <b>(7,337)</b>  | <b>(8,229)</b>   | <b>1,720</b>      | <b>(9,151)</b> | <b>(656,885)</b>   | <b>(465,583)</b> | <b>18,600</b>             | <b>(446,983)</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

## 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 Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of 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 2022 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 2023, the Group had net current liabilities of approximately HK\$390,688,000 (2022: approximately HK\$34,600,000) and net liabilities of approximately HK\$446,983,000 (2022: approximately HK\$501,793,000) 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 Group is in negotiation with financial institutions or connected parties for the renewal of the Group’s bank and other borrowings upon expiry, obtaining new borrowings and applying for future credit facilities;
- (ii) the Company has obtained a RMB1 billion financial support (equivalent to approximately HK\$1,100,000,000) in formal writing from Dafeng Port Development Group, a connected company which has 40% equity interests in Dafeng Port Overseas;
- (iii) the Group is expected to generate adequate cash flows to maintain its operations;

- (iv) the Group has subsequently issued credit enhanced guarantee bonds, amounting to US\$31 million, which are listed on the Stock Exchange on 7 March 2024. The proceeds from the issuance of new bonds issuance has been used to settle part of the listed credit enhanced guarantee bonds which originally matured on 23 March 2024. For further details, please refer to the announcements of the Company 7 March 2024 and 8 March 2024; and
- (v) the Group has subsequently obtained a loan from Dafeng Port (HK) Development Limited (“**Dafeng Port (HK)**”), a connected party of the Company, of US\$27 million for liquidity purpose.

The Directors have prepared a cash flow forecast covering a period up to 31 December 2024 on the basis that negotiation with financial institutions and connected parties for the renewal of the Group’s borrowings and credit facilities 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 2023. 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, and to obtain the continuous financial support from its connected parties.

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 HKAS 1  | Disclosure of Accounting Policies  |
| Amendments to HKAS 8  | Definition of Accounting Estimates   |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform — Pillar Two Model Rules                                |

### **Amendments to HKAS 1: Disclosure of Accounting Policies**

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

### **Amendments to HKAS 8: Definition of Accounting Estimates**

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

### **Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

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

### **Amendments to HKAS 12: International Tax Reform — Pillar Two Model Rules**

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

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:

| <b>Operating segments</b>                 | <b>Principal activities</b>   |
|---|---|
| — Trading business                        | — Trading of electronic products, petrochemical products, medical treatment, soybean products etc.<br>— Provision of supply chain management services |
| — Petrochemical products storage business | — Provision of storage services for petrochemical products  |

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 purposes 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 2023:

|                                      | Trading<br>business<br><i>HK\$'000</i> | Petrochemical<br>products storage<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--------------------------------------|--|--|--------------------------|
| Revenue (from external customers)    | <u>1,141,933</u>                       | <u>16,109</u>  | <u>1,158,042</u>         |
| <b>Results</b>                       |  |  |                          |
| Segment results                      | <u>(5,385)</u>                         | <u>(11,905)</u>  | (17,290)                 |
| Other unallocated corporate income   |  |  | 28                       |
| Gain on disposal of an associate     |  |  | 108,909                  |
| Other unallocated corporate expenses |  |  | <u>(38,158)</u>          |
| Profit before taxation               |  |  | 53,489                   |
| Taxation                             |  |  | <u>(7)</u>               |
| Profit for the year                  |  |  | <u><u>53,482</u></u>     |

For the year ended 31 December 2022:

|                                      | Trading<br>business<br><i>HK\$'000</i> | Petrochemical<br>products storage<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--------------------------------------|--|--|--------------------------|
| Revenue (from external customers)    | <u>787,206</u>                         | <u>8,761</u>   | <u>795,967</u>           |
| <b>Results</b>                       |  |  |                          |
| Segment results                      | <u>(18,392)</u>                        | <u>(11,559)</u>  | (29,951)                 |
| Other unallocated corporate income   |  |  | 1                        |
| Other unallocated corporate expenses |  |  | <u>(34,212)</u>          |
| Loss before taxation                 |  |  | (64,162)                 |
| Taxation                             |  |  | <u>(79)</u>              |
| Loss for the year                    |  |  | <u><u>(64,241)</u></u>   |

As at 31 December 2023:

|                                   | Trading<br>business<br><i>HK\$'000</i> | Petrochemical<br>products storage<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i>  |
|-----------------------------------|--|--|---------------------------|
| <b>ASSETS</b>                     |  |  |                           |
| Segment assets                    | 378,994                                | 158,434  | 537,428                   |
| Unallocated corporate assets      | –                                      | –  | <u>33,267</u>             |
| Consolidated total assets         |  |  | <u><u>570,695</u></u>     |
| <b>LIABILITIES</b>                |  |  |                           |
| Segment liabilities               | (430,958)                              | (148,878)  | (579,836)                 |
| Unallocated corporate liabilities | –                                      | –  | <u>(437,842)</u>          |
| Consolidated total liabilities    |  |  | <u><u>(1,017,678)</u></u> |

For the year ended 31 December 2023:

|  | Trading<br>business<br><i>HK\$'000</i> | Petrochemical<br>products storage<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|--------------------------|
| <b>OTHER INFORMATION</b>                                 |  |  |                          |
| Capital additions  | –                                      | 5,365  | 5,365                    |
| Depreciation of property, plant and equipment            | 210                                    | 8,682  | 8,892                    |
| Depreciation of right-of-use assets                      | 204                                    | 960  | 1,164                    |
| Depreciation of right-of-use assets (unallocated)        | –                                      | –  | 416                      |
| Finance costs  | 50                                     | 3,094  | 3,144                    |
| Finance costs (unallocated)                              | –                                      | –  | 30,730                   |
| Impairment loss on property, plant and<br>equipment, net | –                                      | 1,440  | 1,440                    |
| Provision for inventories                                | 284                                    | –  | 284                      |
| Interest income  | (75)                                   | (7)  | (82)                     |
| Interest income (unallocated)                            | –                                      | –  | <u>(2)</u>               |

As at 31 December 2022:

|                                   | Trading<br>business<br><i>HK\$'000</i> | Petrochemical<br>products storage<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i>  |
|-----------------------------------|--|--|---------------------------|
| <b>ASSETS</b>                     |  |  |                           |
| Segment assets                    | 554,685                                | 169,214  | 723,899                   |
| Unallocated corporate assets      | –                                      | –  | <u>35,410</u>             |
| Consolidated total assets         |  |  | <u><u>759,309</u></u>     |
| <b>LIABILITIES</b>                |  |  |                           |
| Segment liabilities               | (735,098)                              | (117,269)  | (852,367)                 |
| Unallocated corporate liabilities | –                                      | –  | <u>(408,735)</u>          |
| Consolidated total liabilities    |  |  | <u><u>(1,261,102)</u></u> |

For the year ended 31 December 2022:

|  | Trading<br>business<br><i>HK\$'000</i> | Petrochemical<br>products storage<br>business<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|--------------------------|
| <b>OTHER INFORMATION</b>   |  |  |                          |
| Capital additions  | –                                      | 6,019  | 6,019                    |
| Depreciation of property, plant and equipment                        | 135                                    | 9,675  | 9,810                    |
| Depreciation of property, plant and equipment<br>(unallocated)       | –                                      | –  | 70                       |
| Depreciation of right-of-use assets                                  | 115                                    | 1,008  | 1,123                    |
| Depreciation of right-of-use assets<br>(unallocated)                 | –                                      | –  | 416                      |
| Finance costs  | 6,999                                  | 3,318  | 10,317                   |
| Finance costs (unallocated)  | –                                      | –  | 29,299                   |
| Impairment loss on goodwill  | 956                                    | –  | 956                      |
| Reversal of impairment loss on property, plant<br>and equipment, net | –                                      | (7,334)  | (7,334)                  |
| Provision for inventories  | 4,799                                  | –  | 4,799                    |
| Interest income  | (210)                                  | (4)  | (214)                    |
| Interest income (unallocated)  | –                                      | –  | <u>(8)</u>               |

## Geographical information

### *Geographical segment*

The Group operates and derives revenue in two principal geographical areas: Hong Kong and the PRC. The following table sets out the revenue derived from geographical areas which are based on the geographical location of the customers:

|                                  | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|----------------------------------|--------------------------------|-------------------------|
| Revenue from external customers: |                                |                         |
| Hong Kong                        | <b>24,641</b>                  | 129,620                 |
| The PRC                          | <b>1,133,401</b>               | 663,784                 |
| Others ( <i>Note</i> )           | –                              | 2,563                   |
|                                  | <b><u>1,158,042</u></b>        | <u>795,967</u>          |

*Note: The locations of others include Dubai, Asia (other than Hong Kong and the PRC) 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 by geographical location is as follows:

|  | <b>2023</b><br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Property, plant and equipment                            |                                |                         |
| The PRC  | <b><u>114,028</u></b>          | <u>122,678</u>          |
| Prepayments in relation to property, plant and equipment |                                |                         |
| The PRC  | <b><u>6,086</u></b>            | <u>4,993</u>            |
| Goodwill   |                                |                         |
| The PRC  | <b><u>340</u></b>              | <u>340</u>              |
| Right-of-use assets                                      |                                |                         |
| Hong Kong  | <b>327</b>                     | 743                     |
| The PRC  | <b><u>36,110</u></b>           | <u>38,130</u>           |
|  | <b><u>36,437</u></b>           | <u>38,873</u>           |
| Total non-current assets                                 | <b><u>156,891</u></b>          | <u>166,884</u>          |

### Information about major customers

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

|            | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | 394,642                 | 370,082                 |
| Customer B | 174,995                 | N/A                     |
| Customer C | 144,996                 | N/A                     |
| Customer D | 159,327                 | N/A                     |
| Customer E | N/A                     | 107,021                 |

All above customers are from trading segment. The revenue from Customer E was less than 10% of the Group's revenue for the year ended 31 December 2023. The revenue from Customers B, C and D were less than 10% of the Group's revenue for the year ended 31 December 2022.

#### 4. REVENUE

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Revenue from contracts with customers within HKFRS 15</b> |                         |                         |
| Trading business   | 1,141,933               | 787,206                 |
| Petrochemical products storage service                       | 16,109                  | 8,761                   |
|  | <u>1,158,042</u>        | <u>795,967</u>          |
| <b>Timing of revenue recognition</b>                         |                         |                         |
| At a point in time   | 1,141,933               | 787,206                 |
| Over time  | 16,109                  | 8,761                   |
|  | <u>1,158,042</u>        | <u>795,967</u>          |

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

## 5. OTHER INCOME

|                      | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Bank interest income | 84                      | 222                     |
| Exchange gain, net   | 381                     | 190                     |
| Sundry income        | 987                     | 543                     |
|                      | <u>1,452</u>            | <u>955</u>              |

## 6. FINANCE COSTS

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest on borrowings wholly repayable within five years     | 3,091                   | 2,460                   |
| Effective interest on listed credit enhanced guaranteed bonds | 30,716                  | 29,274                  |
| Interest on amounts due to connected companies                | –                       | 2,848                   |
| Interest on loans from connected companies                    | 36                      | 4,992                   |
| Interest on lease liabilities                                 | 31                      | 42                      |
|   | <u>33,874</u>           | <u>39,616</u>           |

## 7. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging:

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Staff costs</b>   |                         |                         |
| Salaries, allowances and other short-term employee benefits<br>including directors' emoluments | 12,019                  | 14,479                  |
| Contributions to defined contribution plans  | <u>2,556</u>            | <u>3,152</u>            |
|  | <u><u>14,575</u></u>    | <u><u>17,631</u></u>    |
| <b>Other items</b>   |                         |                         |
| Auditors' remuneration   |                         |                         |
| — Audit-related assurance services   | 1,450                   | 1,450                   |
| — Other services   | 59                      | 59                      |
| Cost of inventories  | 1,140,972               | 773,830                 |
| Depreciation of property, plant and equipment  | 8,892                   | 9,880                   |
| Depreciation of right-of-use assets  | 1,580                   | 1,539                   |
| Loss on written off of property, plant and equipment   | 3                       | —                       |
| Lease charge — short term lease  | <u>326</u>              | <u>379</u>              |

## 8. TAXATION

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax:  |                         |                         |
| Under provision in prior year                                 | <u>7</u>                | <u>79</u>               |
| <b>Total income tax expenses recognised in profit or loss</b> | <u><u>7</u></u>         | <u><u>79</u></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%.

No provision for Hong Kong Profits Tax has been made as the Group's entities either had no estimated assessable profits or incurred tax losses for the years ended 31 December 2022 and 2023.

**(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 and the Cayman Islands, the Group is not subject to any taxation under those jurisdictions.

**9. DIVIDENDS**

The board does not recommend the payment of a dividend for the year ended 31 December 2023 (2022: Nil).

**10. EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share for the years ended 31 December 2023 and 2022 are calculated by dividing the profit (loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

|   | 2023                 | 2022                 |
|---|----------------------|----------------------|
| Profit (Loss) attributable to the owners of the Company<br>(HK\$'000) | <u>54,715</u>        | <u>(61,967)</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 (HK cents)                            | <u>4.25</u>          | <u>(4.81)</u>        |

Basic and diluted earnings (loss) per share are the same as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2023 and 2022.

## 11. PROPERTY, PLANT AND EQUIPMENT

The Directors 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 at 31 December 2023, as their overall 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 amounts.

The recoverable amounts of the cash-generating unit (“CGU”), including property, plant and equipment and right-of-use assets of petrochemical products storage business (collectively known as the “Assets”) as at 31 December 2023 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, which are significantly higher than that using value-in-use calculation.

The recoverable amounts of the property, plant and equipment and right-of-use assets of petrochemical products storage business were HK\$117,045,000 and HK\$51,247,000 respectively (2022: HK\$130,361,000 and HK\$61,046,000 respectively). Accordingly, net impairment losses of HK\$1,440,000 (2022: net reversal of impairment losses of HK\$7,334,000) were provided for property, plant and equipment and no impairment losses were provided for right-of-use assets in relation to this CGU respectively.

The key assumptions used in estimating the fair value of the 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.

## 12. INTEREST IN AN ASSOCIATE

|                                 | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| As at 1 January and 31 December | —                       | —                       |

Details of the associate at the end of the reporting period is as follows:

| Name of associate | Principal place of business and place of incorporation | Issued and paid-up capital/ registered capital | Proportion of effective ownership interest held by the Group |      | Principal activities                                |
|-------------------|--|--|--|------|---|
|                   |  |  | 2023   | 2022 |   |
| Jiangsu Hairong   | The PRC  | RMB250,000,000                                 | —  | 40%  | Provision of terminal handling and berthing service |

The above associate is accounted for using the equity method in the consolidated financial statements.

On 30 November 2023, Port Shipping International entered into a sale and purchase agreement with Harbor Development and Construction, an independent third party, pursuant to which Port Shipping International had conditionally agreed to sell, and Harbour Development and Construction had conditionally agreed to purchase, the 40% equity interest in Jiangsu Hairong, at total consideration of RMB98,560,000 (equivalent to HK\$108,909,000). The disposal was completed on 26 December 2023 and the consideration was settled in cash. As a result, a gain on disposal of an associate of HK\$108,909,000 was recognised during the year.

### 13. TRADE AND OTHER RECEIVABLES

|   | <i>Note</i> | <b>2023</b><br><b>HK\$'000</b> | 2022<br><i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| <b>Trade receivables</b>                |             |                                |                         |
| Third parties                           | <i>(a)</i>  | <b>197,796</b>                 | 419,580                 |
| Less: Loss allowance                    | <i>(b)</i>  | <b>(3,514)</b>                 | (3,514)                 |
|   |             | <u><b>194,282</b></u>          | <u>416,066</u>          |
| <b>Other receivables</b>                |             |                                |                         |
| Deposits, prepayments and other debtors |             | <b>3,935</b>                   | 41,525                  |
| Advanced payments to suppliers          |             | <b>51,080</b>                  | 108,160                 |
| Value added tax refundable              |             | <b>6,222</b>                   | 7,599                   |
| Interest receivable                     |             | –                              | 224                     |
| Due from a connected company            | <i>(c)</i>  | <b>11</b>                      | 11                      |
|   |             | <u><b>61,248</b></u>           | <u>157,519</u>          |
|   |             | <u><b>255,530</b></u>          | <u>573,585</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:

|                     | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Non-credit impaired |                         |                         |
| Within 90 days      | 176,300                 | 406,910                 |
| 91–180 days         | –                       | 5,771                   |
| More than 365 days  | <u>17,982</u>           | <u>3,385</u>            |
|                     | <u>194,282</u>          | <u>416,066</u>          |
| Credit impaired     |                         |                         |
| More than 365 days  | <u>3,514</u>            | <u>3,514</u>            |
|                     | <u>3,514</u>            | <u>3,514</u>            |
|                     | <u><u>197,796</u></u>   | <u><u>419,580</u></u>   |

**(b) Loss allowance**

As at 31 December 2023, the Group recognised loss allowance of HK\$3,514,000 (2022: HK\$3,514,000) on the trade receivables. The movements in the loss allowance for trade receivables during the year are summarised below.

|   | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| At beginning of year and at end of the reporting period | <u><u>3,514</u></u>     | <u><u>3,514</u></u>     |

**(c) Due from a connected company**

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| 江蘇鹽城港智慧港口有限公司 (Jiangsu Yancheng Port Smart Port Co., Ltd.*, “ <b>Jiangsu Yancheng Port Smart Port</b> ”) (Formerly known as 大豐海港港口有限責任公司 (Dafeng Port Harbour Limited Liability Company)*) | <u><u>11</u></u>        | <u><u>11</u></u>        |

Note

(i)

(i) The company is controlled by a substantial shareholder and the amount is unsecured, interest-free and has no fixed term of repayment.

#### 14. TRADE AND OTHER PAYABLES

|  | <i>Note</i> | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------|-------------------------|-------------------------|
| Trade payables                                     | <i>(a)</i>  | <u>194,289</u>          | <u>415,047</u>          |
| <b>Other payables</b>                              |             |                         |                         |
| Accrued charges and other creditors                |             | 18,556                  | 63,246                  |
| Construction cost payables                         | <i>(b)</i>  | 17,955                  | 22,398                  |
| Contract liabilities                               | <i>(d)</i>  | 14,358                  | 52,361                  |
| Salaries and bonus payable                         |             | 1,472                   | 935                     |
| Amount due to a director                           | <i>(f)</i>  | 920                     | 660                     |
| Amounts due to connected companies-current portion | <i>(c)</i>  | <u>50,317</u>           | <u>37,593</u>           |
|  |             | <u>103,578</u>          | <u>177,193</u>          |
|  |             | <u>297,867</u>          | <u>592,240</u>          |

##### (a) Trade payables

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

|                    | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| 90 days or below   | 175,297                 | 407,905                 |
| More than 365 days | <u>18,992</u>           | <u>7,142</u>            |
|                    | <u>194,289</u>          | <u>415,047</u>          |

The Group was allowed a credit period of 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.

##### (b) Construction cost payables

The amounts due are interest-free and repayable upon the receipt of the invoices issued by the constructors.

(c) Amounts due to connected companies

|   | <i>Note</i>  | <b>2023</b><br><b>HK\$'000</b> | 2022<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>Current portion</b>                        |              |                                |                         |
| Dafeng Port Development Group                 | <i>(i)</i>   | <b>42,537</b>                  | 37,593                  |
| New Fortune International Development Limited | <i>(ii)</i>  | <b>780</b>                     | –                       |
| Dafeng Port (HK)                              | <i>(iii)</i> | <b>7,000</b>                   | –                       |
|   |              | <u><b>50,317</b></u>           | <u>37,593</u>           |
| <b>Non-current portion</b>                    |              |                                |                         |
| Dafeng Port Development Group                 | <i>(i)</i>   | <u><b>2,273</b></u>            | <u>7,900</u>            |
|   |              | <u><b>52,590</b></u>           | <u>45,493</u>           |

- (i) Dafeng Port Development Group has 40% equity interests in Dafeng Port Overseas. The amount of RMB34,469,000 (equivalent to HK\$37,913,000) is unsecured, repayable on demand and interest-free. With reference to loan agreements dated 16 March 2022 and 7 September 2022, the interest payables of RMB4,203,000 (equivalent to HK\$4,624,000) and RMB2,067,000 (equivalent to HK\$2,273,000) are repayable on 31 October 2024 and on 8 September 2025 respectively. The interest payables are unsecured and interest-free.
- (ii) Dafeng Port Development Group has 100% equity interests in New Fortune International Development Limited. The amount is unsecured, repayable on demand and interest-free.
- (iii) Dafeng Port Development Group has 100% equity interests in Dafeng Port (HK). The amount is unsecured, repayable on demand and interest-free.

**(d) 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:

|  | 2023<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| At the beginning of the reporting period | 52,361                  | 51,900                  |
| Refunded                                 | (34,948)                | –                       |
| Recognised as revenue                    | (3,062)                 | (12,541)                |
| Receipt of advances of undelivered goods | 7                       | 13,002                  |
|  | <u>          </u>       | <u>          </u>       |
| <b>At end of the reporting period</b>    | <b><u>14,358</u></b>    | <b><u>52,361</u></b>    |

At 31 December 2023, the advance payments from customers are expected to be recognised as revenue within one year.

**(e) Amount due to a former associate/an associate**

The amount due is unsecured, interest-free and repayable on demand. (2022: repayable on 31 December 2023).

**(f) Amount due to a director**

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

**15. SHARE CAPITAL**

|   | 2023                  |                                     | 2022                  |                                     |
|---|-----------------------|-------------------------------------|-----------------------|-------------------------------------|
|   | Number of<br>shares   | Nominal<br>value<br><i>HK\$'000</i> | Number of<br>shares   | Nominal<br>value<br><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>                      |
| <b>Issued and fully paid<br/>(HK\$0.01 each):</b> |                       |                                     |                       |                                     |
| At beginning of year and at end<br>of the year    | <u>1,288,000,000</u>  | <u>12,880</u>                       | <u>1,288,000,000</u>  | <u>12,880</u>                       |

## **BUSINESS REVIEW**

During the Year, the Group is principally engaged in trading business and the provision of petrochemical products storage business.

Our major business activities can be divided into the 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, medical treatment products and soybean products. During the Year, the Group's trading business recorded revenue of approximately HK\$1,141.9 million (2022: approximately HK\$787.2 million). The increase in revenue was mainly due to the expansion of the trading business and the Group has actively explored new market channels and customer groups, effectively improving business scale and revenue.

### **2. Petrochemical Products Storage Business**

The Group is engaged in petrochemical products storage business through Port Storage Petrochemical. During the Year, the Group's petrochemical products storage business recorded an increase in revenue by approximately 83.0% to approximately HK\$16.1 million (2022: approximately HK\$8.8 million). The increase in revenue was mainly due to the the gradual recovery of the petrochemical markets both domestically and abroad as impact from the Omicron variant has gradually reduced, driving the growth of demand. The petrochemical products storage business kept its growing momentum. Leveraging this opportunity, the Company strives to acquire new customers and optimise its business to improve the service level and competitiveness of storage business. With these efforts, the Company recorded an increase in the business volume and revenue.

## **OUTLOOKS**

It is expected that the domestic and international economy will continue to recover, and the demand for petrochemical products will maintain rapid growth, thus driving the growth of petrochemical logistics demand. At the same time, as China strengthens the construction of strategic energy security reserves, the scale of domestic crude oil and refined oil reserves will be further expanded, which will also have a positive impact on petrochemical storage demand. Going forward, the Company will adopt a prudent approach to run the Group's existing business and also actively seize the opportunity of integrated development of Jiangsu Yancheng, the Group will rationally reorganise and optimise the resources of the Company, simplify and restructure to conserve resources and prudently identify investment opportunities.

## **FINANCIAL REVIEW**

The Group's revenue increased by approximately 45.5% to approximately HK\$1,158.0 million for the Year (corresponding period in 2022: approximately HK\$796.0 million). Regarding reasons of the increase in revenue, please refer to the paragraph headed "Business Review" above in this announcement for details.

The Group's cost of revenue increased by approximately 47.1% to approximately HK\$1,148.9 million for the Year (corresponding period in 2022: approximately HK\$781.1 million). The increase in cost of revenue was mainly driven by the increase in revenue of the Group's trading business.

The Group recorded a gross profit margin of approximately 0.8% for the Year (corresponding period in 2022: approximately 1.9%). The decline in gross profit margin was mainly due to the complexity of the global economic environment and the intensification of trade barriers. The Group offers competitive pricing to attract and retain customers, resulting in the decline of gross profit margin.

The Group's finance costs amounted to approximately HK\$33.9 million for the Year (corresponding period in 2022: approximately HK\$39.6 million). Financing costs mainly include interest on bank borrowings and listed credit enhancement guaranteed bonds. The decrease in financing costs was due to Dafeng Port Development Group has waived the interest charged on the loans to the Group since 1 January 2023.

The Group recorded profit for the Year of approximately HK\$53.5 million (2022: loss of approximately HK\$64.2 million). The turnaround was attributable to the one one-off gain on disposal of 40% equity interests in Jiangsu Hairong of approximately HK\$108.9 million during the Year. Profit attributable to owners of the Company was approximately HK\$54.7 million (2022: loss of approximately HK\$62.0 million), while basic earnings per share was HK\$4.25 cents (2022: loss per share was HK\$4.81 cents).

### **Capital structure**

As at 31 December 2023, the Group's total deficits attributable to equity holders of the Company amounted to approximately HK\$465.6 million (2022: approximately HK\$523.5 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.

## **Issuance of US\$55,000,000 credit-enhanced guaranteed bonds to be purchased by professional investors only and listed on the Stock Exchange**

On 17 March 2021, the Company, as issuer, Dafeng Port Development Group, as guarantor, and Tensant Securities Co., Ltd., Haitong International Securities Co., Ltd., BOSC 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 for a term of 3 years.

The net proceeds from the Placing, after deducting the commission to be charged by the Placing Agents and other fees payable in connection with this offering, was approximately US\$52.7 million. The net proceeds have been used in repayment of the principal of US\$50 million and interest of approximately US\$1.9 million of the unlisted secured bonds due on 28 March 2021, and the balance of approximately US\$0.8 million has been used to satisfy the Group’s normal working capital requirements.

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

### **Dividend**

The Board did not recommend the payment of any dividend in respect of the Year (2022: Nil).

### **Significant investment, material acquisitions and disposals**

On 30 November 2023, Port Shipping International, an indirect wholly owned subsidiary of the Company, entered into a disposal agreement with Harbor Development and Construction, an independent third party, pursuant to which Port Shipping International had conditionally agreed to dispose of 40% equity interest in Jiangsu Hairong to Harbor Development and Construction at a consideration of RMB98,560,000.

The disposal was completed when the industrial and commercial administration registration in the PRC in respect of the transfer of the 40% equity interests in Jiangsu Hairong was completed on 26 December 2023. A gain in relation to the disposal of RMB98,560,000 (equivalent to approximately HK\$108.9 million) was recognised during the Year.

For further details, please refer to the Company's announcements relating to the disposal dated 30 November 2023, 12 December 2023 and 27 December 2023.

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

### **Pledge of assets**

The Group used bank facilities and other borrowings to finance its business expansion. As at 31 December 2023, a loan from a third party of approximately RMB37.0 million (equivalent to approximately HK\$40.7 million) was secured by petrochemical storage equipment of approximately RMB33.1 million (equivalent to approximately HK\$36.5 million). As at 31 December 2022, a loan from Dafeng Port Development Group of approximately RMB13.4 million (equivalent to approximately HK\$15.2 million) was secured by an advance lease payment of approximately HK\$37.8 million.

### **Foreign currency exposure**

The income and expenditure of the Group are mainly carried in HKD, RMB and USD. 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 RMB and USD. 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 2023, the Group employed a total of 93 employees (2022: 95 employees) based in Hong Kong and the PRC. During the Year, the total staff costs, including Directors' emoluments, amounted to approximately HK\$14.6 million (2022: approximately HK\$17.6 million).

Remuneration of employees is determined with reference to the market terms and commensurate with the level of pay for similar positions within the industry. Discretionary year-end bonuses are payable to employees based on individual performance. The Group provides benefits in accordance with the relevant laws and regulations.

### **Pension Schemes**

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for all of its employees in Hong Kong who are eligible to participate in the Mandatory Provident

Fund Scheme (the “MPF Scheme”). The Group and its employees in Hong Kong are each required to make contributions to the MPF Scheme at 5% of the employees’ relevant income.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in the central pension schemes operated by the local municipal governments (the “Central Pension Schemes”). According to the relevant regulations, contributions that should be borne by the companies within the Group are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. The applicable percentages for the Central Pension Schemes for the years ended 31 December 2023 and 2022 are listed below:

|                        | <b>Percentage</b> |
|------------------------|-------------------|
| Pension insurance      | 24%               |
| Medical insurance      | 9%–10%            |
| Unemployment insurance | 1%                |
| Housing fund           | 12.0%             |

The Group’s contributions to the MPF Scheme and the Central Pension Schemes vest fully and immediately with the employees. During the years ended 31 December 2023 and 2022, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2023 and 2022, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the MPF Scheme and the Central Pension Schemes.

The Group reviews the emoluments of the Directors and staff based on their respective qualification, experience, performance and the market rates so as to maintain the remunerations of the Directors and staff at a competitive level.

#### **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 maintaining a high standard of corporate governance. The Company has adopted a set of corporate governance practices which aligns with the code provisions of the CG Code.

The Company has implemented a number of Group-wide governance policies and systems, which are subject to regular review, to support its commitment to high standards of business, professional, and ethical conduct, and to ensure best practices across the organisation. The Company has also established whistleblowing channels for external parties to raise concerns in relation to possible misconduct of the Group, its employees or directors in a confidential or anonymous manner, or both. The Board has delegated authority to the Audit Committee to review the Group Anti-Bribery and Anti-Corruption Policy and the Group Whistleblowing Policy periodically and receive updates on matters concerning breaches of the Group Anti-Bribery and Anti-Corruption Policy and whistleblowing disclosures.

In the opinion of the Directors, the Company complied with all the code provisions set out in the CG Code 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 2023, 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 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 operated 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 Scheme expired on 2 August 2023 and no further share option may be granted under the Scheme. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options had 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 2023 and as at the date of this announcement.

Up to 31 December 2023, 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 2023, so far as the Directors are aware, 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:

| <b>Name of shareholders</b>   | <b>Capacity/<br/>Nature of interests</b> | <b>Number of<br/>Shares held issued<br/>(Note 1)</b> | <b>% of the<br/>Company's<br/>share capital<br/>(Approximate)</b> |
|---|--|--|---|
| Dafeng Port Overseas (Note 2)   | Beneficial owner                         | 740,040,000 (L)                                      | 57.46%  |
| Dafeng Port Development Group<br>(Note 3)                                   | Interest of controlled<br>corporation    | 740,040,000 (L)                                      | 57.46%  |
| Jiangsu Yancheng (Note 3)   | Interest of controlled<br>corporation    | 740,040,000 (L)                                      | 57.46%  |
| 鹽城市人民政府 (the People's<br>Government of Yancheng City*)<br>("PGYC") (Note 3) | Interest of controlled<br>corporation    | 740,040,000 (L)                                      | 57.46%  |

*Notes:*

1. The letter "L" denotes a long position in the interest in the issued share capital of the Company.
2. Dafeng Port Overseas is a company incorporated in Hong Kong with limited liability, and is owned as to 40% by Dafeng Port Development Group, which in turn is wholly owned by Jiangsu Yancheng, approximately 40.8% of which is owned by PGYC.
3. Dafeng Port Development Group, Jiangsu Yancheng and PGYC are deemed to be interested in the Shares of the Company held by Dafeng Port Overseas under the SFO.

Save as disclosed above, as at 31 December 2023, 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

Dafeng Port Development Group, 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 has a direct 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. In addition, the Group is also developing the trading businesses of electronic products, petrochemical products and various other products. Therefore, one of the core major activities of Dafeng Port Development Group constitutes or is likely to constitute a competitive business. The Board is of the view that the businesses of Dafeng Port Development Group Company do not pose material competitive threat to the Group because the Group and Dafeng Port Development Group Company have different focuses on the type of products offered which target at different customers in the market.

There is no overlap in the directorships among the Company, Dafeng Port Development Group, Yancheng Port Supply Chain and Yueda Logistics. The Directors are of the view that the Board can operate independently of Dafeng Port Development Group in the best interests of the Company and its shareholders as a whole.

The Directors consider that the Board can operate independently from Dafeng Port Development Group, because (i) pursuant to the Articles, 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 December 2023, 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.

## **EVENTS AFTER THE YEAR**

### **ISSUANCE OF US\$31,000,000 CREDIT ENHANCED GUARANTEED BONDS TO BE PURCHASED BY PROFESSIONAL INVESTORS ONLY AND LISTED ON THE STOCK EXCHANGE**

On 4 March 2024, the Company, as issuer, Dafeng Port Development Group, as guarantor, and BOSC International Securities Limited, Soochow Securities International Brokerage Limited, Industrial Bank Co., Ltd. Hong Kong Branch, CNCB (Hong Kong) Capital Limited, Shenwan Hongyuan Securities (H.K.) Limited, Huatai Financial Holdings (Hong Kong) Limited, ChangJiang Securities Brokerage (HK) Limited, Essence International Securities (Hong Kong) Limited, Sigma Capital Management Limited and JA Securities Limited (collectively, the “**US\$31 million Bond Placing Agents**”), entered into a placing agreement pursuant to which the Company agreed to appoint the US\$31 million Bond 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\$31,000,000 (the “**US\$31 million Bond Placing**”).

The US\$31 million Bond Placing was completed on 7 March 2024. Pursuant to the results of a book building exercise, the bonds in the principal amount of US\$31,000,000 has been placed to bondholders at a coupon rate of 5.45% per annum with a term of 3 years.

The commission to be charged by the US\$31 million Bond Placing Agents and other fees payable in connection with this offer are paid from the Company’s own funds and the net proceeds from the US\$31 million Bond Placing are approximately US\$31,000,000. The net proceeds were used to repay the principal of US\$55,000,000 and interest of approximately US\$660,000 of certain listed credit enhanced guaranteed bonds due on 23 March 2024, with the balance of US\$24,660,000 being repaid from the Company’s own funds.

For further details of the US\$31 million Bond Placing, please refer to the Company’s announcements dated 7 March 2024 and 8 March 2024.

Save as disclosed in this announcement, there were no significant events after the Year and up to the date of this announcement.

### **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**

The Audit Committee was 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 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. Yu Xugang. 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 financial reporting system, 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 the Company'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 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 Company'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 2023**

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the Year. The report includes particulars of the material uncertainty related to going concern without qualified opinion:

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

### **Material Uncertainty Related to Going Concern**

We draw attention to the “Going concern basis” section in note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2023, the Group had net current liabilities and net liabilities of approximately HK\$390,688,000 and HK\$446,983,000 respectively. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors, having considered the measures being taken by the Group as disclosed in note 2 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

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 announcement.

### **REVIEW OF RESULTS**

The Audit Committee has reviewed, with both the auditor and management, the accounting principles and practices adopted by the Group and the consolidated financial statements for the Year. The Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the Year.

## **CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The Company's annual general meeting (the "AGM") will be held on 16 May 2024 at 3: 00 p.m. In order to ascertain the entitlement of shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 10 May 2024 to Thursday, 16 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4: 30 p.m. on Thursday, 9 May 2024.

## **PUBLICATION OF 2023 ANNUAL REPORT**

The annual report of the Group for the Year will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at <http://dfport.com.hk> and will be dispatched to the Company's shareholders who requested for printed copy in due course.

By order of the Board  
**Dafeng Port Heshun Technology Company Limited**  
**Zhao Liang**  
*Chairman*

Hong Kong, 28 March 2024

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

| <i>Executive Director</i>          | <i>Non-executive Directors</i>                         | <i>Independent Non-executive Directors</i>             |
|------------------------------------|--|--|
| Mr. Zhao Liang ( <i>Chairman</i> ) | Mr. Ji Longtao<br>Mr. Yang Yue Xia<br>Mr. Zhang Shukai | Dr. Bian Zhaoxiang<br>Mr. Lau Hon Kee<br>Mr. Yu Xugang |