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 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Growth Enterprise Market ("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.

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 increased by approximately 116.5% to approximately HK$563.7 million for the year ended 31 December 2016 (the "**Year**") (2015: HK$260.4 million). The increase in revenue was mainly attributable to the increase in revenue of the Group's trading business.

The Group's cost of sales increased by approximately 136.0% to approximately HK$524.6 million for the Year (2015: HK$222.3 million), which was mainly driven by the increase in cost of the trading business, the new business developed by the Group during the Year.

With the combined effects of revenue and cost of sales, the Group's gross profit margin decreased to approximately 6.9% for the Year from approximately 14.6% for the last year due to the low profit margin of the Group's trading business.

The Group's finance costs amounted to approximately HK$2.2 million for the Year (2015: HK$469,000), the finance costs consist of interests on bank loans, overdrafts and other borrowings as well as the finance charge on obligations under finance leases.

The Group recorded the loss for the Year of approximately HK$37.1 million (2015: HK$31.3 million). The loss attributable to the equity holders of the Company was approximately HK$37.0 million (2015: HK$24.1 million) and the loss per Share was 3.03 HK cents (2015: 2.15 HK cents).

The Board did not recommend the payment of any final dividend in respect of the Year (2015: Nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Revenue	*4*	**563,708**	260,395
Cost of sales		**(524,630)**	(222,339)
Gross profit		**39,078**	38,056
Other income	*5*	**10,367**	13,284
Administrative expenses		**(79,070)**	(78,827)
Finance costs		**(2,230)**	(469)
Share of results of associates		**(667)**	(2,415)
Loss before taxation	*6*	**(32,522)**	(30,371)
Taxation	*7*	**(4,572)**	(902)
Loss for the year		**(37,094)**	(31,273)
Other comprehensive loss			
Item that may be reclassified to profit and loss in subsequent periods:			
Exchange difference arising from translation of foreign operations		**(4,025)**	(469)
Total comprehensive loss for the year		**(41,119)**	(31,742)
Loss attributable to:			
Equity holders of the Company		**(36,959)**	(24,108)
Non-controlling interests		**(135)**	(7,165)
		(37,094)	(31,273)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(40,984)**	(24,577)
Non-controlling interests		**(135)**	(7,165)
		(41,119)	(31,742)
Loss per share attributable to equity holders of the Company			
Basic and diluted	*8*	**(3.03) HK cents**	(2.15) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Non-current assets			
Property, plant and equipment		**144,770**	13,408
Goodwill		**14,844**	–
Prepaid lease payments		**42,176**	–
Prepayments for purchase of property, plant and equipment		**8,372**	–
Pledged deposit for finance lease arrangement		**4,236**	–
Interests in associates		**6,744**	8,728
		221,142	22,136
Current assets			
Available-for-sale financial assets		**8,806**	–
Prepaid lease payments		**970**	–
Inventories		**43**	–
Trade and other receivables	*10*	**330,098**	61,452
Pledged bank deposits		**1,270**	3,150
Bank balances and cash		**36,070**	73,579
		377,257	138,181
Assets classified as held for sale		**149**	–
		377,406	138,181
Current liabilities			
Trade and other payables	*11*	**366,975**	47,911
Current portion of interest-bearing borrowings		**18,159**	2,834
Taxation		**3,868**	2,150
		389,002	52,895

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Net current (liabilities) assets		**(11,596)**	85,286
Total assets less current liabilities		**209,546**	107,422
Non-current liabilities			
Non-current portion of interest-bearing borrowings		**42,771**	2,197
Deferred tax liabilities		**3,161**	483
		45,932	2,680
NET ASSETS		**163,614**	104,742
Capital and reserves			
Share capital	*12*	**12,880**	11,200
Reserves		**150,534**	93,207
Total equity attributable to equity holders of the Company		**163,414**	104,407
Non-controlling interests		**200**	335
TOTAL EQUITY		**163,614**	104,742

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Statutory reserve** *HK$'000*	**Other reserve** *HK$'000*	**Share-based payment reserve** *HK$'000*	**Accumulated profits (losses)** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 January 2015	11,200	106,171	(7,337)	1,360	170	(6,857)	–	24,277	128,984	2,726	131,710
Loss for the year	–	–	–	–	–	–	–	(24,108)	(24,108)	(7,165)	(31,273)
Other comprehensive loss											
Exchange difference arising from translation of foreign operations	–	–	–	(469)	–	–	–	–	(469)	–	(469)
Total comprehensive loss	–	–	–	(469)	–	–	–	(24,108)	(24,577)	(7,165)	(31,742)
Transaction with owners											
Changes in ownership interests											
Release upon derecognition of a subsidiary	–	–	–	–	–	–	–	–	–	4,774	4,774
At 31 December 2015	11,200	106,171	(7,337)	891	170	(6,857)	–	169	104,407	335	104,742
At 1 January 2016	11,200	106,171	(7,337)	891	170	(6,857)	–	169	104,407	335	104,742
Loss for the year	–	–	–	–	–	–	–	(36,959)	(36,959)	(135)	(37,094)
Other comprehensive loss											
Exchange difference arising from translation of foreign operations	–	–	–	(4,025)	–	–	–	–	(4,025)	–	(4,025)
Total comprehensive loss	–	–	–	(4,025)	–	–	–	(36,959)	(40,984)	(135)	(41,119)
Transaction with owners											
Contributions and distributions											
Placing of shares on 30 May 2016	1,680	95,760	–	–	–	–	–	–	97,440	–	97,440
Share placement expenses on 30 May 2016	–	(512)	–	–	–	–	–	–	(512)	–	(512)
Share-based payment	–	–	–	–	–	–	3,063	–	3,063	–	3,063
Appropriation to statutory reserve	–	–	–	–	133	–	–	(133)	–	–	–
Total transaction with owners	1,680	95,248	–	–	133	–	3,063	(133)	99,991	–	99,991
At 31 December 2016	12,880	201,419	(7,337)	(3,134)	303	(6,857)	3,063	(36,923)	163,414	200	163,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 the 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 2015 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

As at 31 December 2016, the Group had net current liabilities of HK$11,596,000. The directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements from its operating cash flows and available bank financing. Therefore, the directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2. ADOPTION OF NEW/REVISED HKFRSs

The HKICPA has issued a number of new/revised HKFRSs that are first effective for the current accounting period of the Group. Of these, the changes in accounting policy relevant to the consolidated financial statements are as follows:

Amendments to HKAS 1: Disclosure Initiative

The amendments include changes in the following five areas:

(1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in HKFRS 3, shall apply all of the principles on business combinations accounting in HKFRS 3 and other HKFRSs except for those principles that conflict with the guidance in HKFRS 11. In addition, the acquirer shall disclose the information required by HKFRS 3 and other HKFRSs in relation to business combinations. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Annual Improvements Project — 2012–2014 Cycle

The amendments relevant to the Group include the followings:

(1) HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in Methods of Disposal

These amendments clarify the accounting for a change in an entity's disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders (or vice versa). Such a reclassification shall not be treated as a change to a plan of sale (or distribution to owners) and accounted for as such. Consequently, such a change in classification is considered as a continuation of the original plan of disposal and the entity will not follow the accounting for a change to the plan. Besides, to address the lack of guidance in circumstances when an asset no longer meets the criteria for held for distribution to owners, the amendments clarify that an entity should cease to apply held-for-distribution accounting in the same way as it ceases to apply the held-for-sale accounting when the asset no longer meets the held-for-sale criteria. The adoption of the amendments did not have any significant impact on the consolidated financial statements.

(2) HKFRS 7 Financial Instruments: Disclosures

HKFRS 7 is updated as follows:

(a) Servicing contracts

These amendments clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognized in their entirety.

(b) Applicability of the Amendments to HKFRS 7 concerning Offsetting to Condensed Interim Financial Statements

These amendments also clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods.

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

(3) HKAS 19 Employee Benefits: Discount Rate — Regional Market Issue

The amendment clarifies that the depth of the market for high quality corporate bonds used to determine the discount rate for post-employment benefit obligations should be assessed at a currency level and not at country level. The adoption of the amendment did 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**
— Integrated logistics freight services	— Provision of ocean freight and land transportation and container drayage services — Provision of ocean freight forwarding services — Provision of air freight forwarding services — Provision of feeder container storage facilities and hiring services of barges and vehicles
— Provision of fuel cards	— Provision of fuel cards
— Tractor repair and maintenance services and insurance agency services	— Tractor repair and maintenance — Provision of insurance agency services
— Trading business	— Trading of textile, wood logs, scrap metal, electronic products etc. — Provision of supply chain management services
— Petrochemical products storage	— 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 interests in associates and 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 reporting 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 2016

	Integrated logistics freight services *HK$'000*	Provision of fuel cards *HK$'000*	Tractor repair and maintenance services and insurance agency services *HK$'000*	Trading business *HK$'000*	Petrochemical products storage business *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue (from external customers)	231,935	26,496	581	303,760	936	–	563,708
— Inter-segment revenue	29,472	4,087	2,150	–	–	(35,709)	–
Total revenue	261,407	30,583	2,731	303,760	936	(35,709)	563,708
Results							
Segment result	(15,994)	369	(975)	1,852	(198)	–	(14,946)
Share of results of associates							(667)
Other unallocated corporate income							151
Other unallocated corporate expenses							(15,919)
Loss on disposal of an associate							(1,141)
Loss before taxation							(32,522)
Taxation							(4,572)
Loss for the year							(37,094)

For the year ended 31 December 2015

	Integrated logistics freight services *HK$'000*	Provision of fuel cards *HK$'000*	Tractor repair and maintenance services and insurance agency services *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue (from external customers)	235,748	24,103	544	–	260,395
— Inter-segment revenue	37,837	3,627	2,861	(44,325)	–
Total revenue	273,585	27,730	3,405	(44,325)	260,395
Results					
Segment result	(20,312)	(350)	(561)	–	(21,223)
Share of results of associates					(2,415)
Other unallocated corporate income					285
Other unallocated corporate expenses					(13,438)
Gain on derecognition of a subsidiary					5,021
Gain on disposal of associates					1,399
Loss before taxation					(30,371)
Taxation					(902)
Loss for the year					(31,273)

As at 31 December 2016

	Integrated logistics freight services *HK$'000*	Provision of fuel cards *HK$'000*	Tractor repair and maintenance services and insurance agency services *HK$'000*	Trading business *HK$'000*	Petrochemical products storage business *HK$'000*	Total *HK$'000*
ASSETS						
Segment assets	**156,207**	**10,731**	**2,264**	**230,607**	**164,700**	**564,509**
Unallocated corporate assets						**34,039**
Consolidated total assets						**598,548**
LIABILITIES						
Segment liabilities	**(96,005)**	**(2,142)**	**(1,901)**	**(214,655)**	**(117,606)**	**(432,309)**
Unallocated corporate liabilities						**(2,625)**
Consolidated total liabilities						**(434,934)**
For the year ended 31 December 2016						
OTHER INFORMATION						
Amortisation	**–**	**–**	**–**	**–**	**84**	**84**
Capital additions	**7,364**	**–**	**–**	**1,981**	**181**	**9,526**
Capital additions (unallocated)	**–**	**–**	**–**	**–**	**–**	**16**
Capital additions through acquisition of subsidiaries	**52,415**	**–**	**–**	**–**	**98,178**	**150,593**
Depreciation	**15,996**	**–**	**18**	**113**	**450**	**16,577**
Depreciation (unallocated)	**–**	**–**	**–**	**–**	**–**	**5**
Finance costs	**1,515**	**–**	**–**	**715**	**–**	**2,230**
Impairment loss of property, plant and equipment	**3,084**	**–**	**–**	**–**	**–**	**3,084**
Interest income	**207**	**–**	**–**	**95**	**–**	**302**
Interest income (unallocated)	**–**	**–**	**–**	**–**	**–**	**1**

As at 31 December 2015

	Integrated logistics freight services	Provision of fuel cards	Tractor repair and maintenance services and insurance agency services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	71,157	9,770	2,831	83,758
Unallocated corporate assets				76,559
Consolidated total assets				160,317
LIABILITIES				
Segment liabilities	(48,776)	(2,569)	(2,054)	(53,399)
Unallocated corporate liabilities				(2,176)
Consolidated total liabilities				(55,575)
For the year ended 31 December 2015				
OTHER INFORMATION				
Capital additions	3,527	108	11	3,646
Depreciation	6,116	18	3	6,137
Depreciation (unallocated)	–	–	–	6
Finance costs	469	–	–	469
Interest income	32	–	–	32
Interest income (unallocated)	–	–	–	278

Geographical information

Geographical segment

The Group operates and derives revenue in two principal geographical areas: Hong Kong and Mainland China.

The following table sets out the revenue derived from geographical areas which are based on the geographical location of the customers:

	2016	2015
	HK$'000	*HK$'000*
Revenue from external customers:		
Hong Kong	**448,662**	193,770
Mainland China	**114,927**	62,330
Others *(Note)*	**119**	4,295
	563,708	260,395

**Note:* The locations of others include Europe, U.S.A., Asia (other than Hong Kong and Mainland China), 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 for purchase of property, plant and equipment, prepaid lease payments and deposit for sale and leaseback arrangement, and the location of the operation, in the case of interests in associates and goodwill. The analysis of the Group's non-current assets by geographical location is as follows:

	2016	2015
	HK$'000	*HK$'000*
Property, plant and equipment		
Hong Kong	**6,622**	5,286
Mainland China	**138,148**	8,122
	144,770	13,408
Interests in associates		
Hong Kong	**6,744**	7,634
Mainland China	**–**	1,094
	6,744	8,728
Prepayments for purchase of property, plant and equipment		
Mainland China	**8,372**	–
Goodwill		
Mainland China	**14,844**	–
Prepaid lease payments		
Mainland China	**42,176**	–
Pledged deposit for finance lease arrangement		
Mainland China	**4,236**	–
Total non-current assets	**221,142**	22,136

Information about major customers

For the year ended 31 December 2016, revenue from Customer A (trading business segment) and Customer B (trading business segment) of approximately HK$96,617,000 (2015: Nil) and HK$85,095,000 (2015: Nil), individually accounted for over 10% of the total revenue of the Group.

No customer of the Group had individually accounted for 10% or more of the Group's total revenue for the year ended 31 December 2015.

4. REVENUE

	2016	2015
	HK$'000	*HK$'000*
Income from provision of integrated logistics freight services	**231,935**	235,748
Income from provision of fuel cards	**26,496**	24,103
Income from trading business	**303,760**	–
Petrochemical storage service income	**936**	–
Tractor repair and maintenance services and insurance agency fee	**581**	544
	563,708	260,395

5. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**303**	310
Exchange gain	**2,390**	433
Gain on bargain purchase *(note 13(f))*	**727**	–
Gain on disposal of property, plant and equipment	**4,310**	4,694
Gain on derecognition of a subsidiary	**–**	5,021
Gain on disposal of associates	**–**	1,399
Management fee income	**427**	348
Sundry income	**304**	1,079
Subsidy income *(note)*	**1,906**	–
	10,367	13,284

Note: During the year, the Group received one off tax refund of RMB1,521,000 (approximately HK$1,774,000) (2015: Nil) and employment subsidy of RMB113,000 (approximately HK$132,000) (2015: Nil) respectively from the local government of Dafeng district in Jiangsu Province, the PRC. These subsidies are granted to encourage the Group to boost the economy within Dafeng district.

6. LOSS BEFORE TAXATION

	2016	2015
	HK\$'000	*HK\$'000*
This is stated after charging (crediting):		
Staff costs		
Share-based payment	**3,063**	–
Salaries, allowances and other short-term employee benefits including directors' emoluments	**75,414**	58,022
Contributions to defined contribution plans	**5,285**	3,123
	83,762	61,145
Other items		
Auditors' remuneration		
— Audit-related assurance services	**1,300**	920
— Other services	**550**	100
Amortisation of prepaid lease payments	**84**	–
Cost of inventories	**305,369**	–
Depreciation	**16,582**	6,143
Equipment rental income (included in revenue)	**(2,425)**	(4,088)
Gain on bargain purchase *(note 13(f))*	**(727)**	–
Gain on disposal of property, plant and equipment, net	**(4,280)**	(4,694)
Impairment loss of property, plant and equipment	**3,084**	–
Loss on disposal of an associate	**1,141**	–
Operating lease payments on premises	**12,245**	11,070
Operating lease payments on vehicles	**2,160**	–
Provision for committed minimum tonnage arrangement	**–**	6,380

7. TAXATION

	2016	2015
	HK\$'000	*HK\$'000*
Current tax:		
Hong Kong Profits Tax		
— Current year	**916**	905
— Over-provision in prior year	**(468)**	(244)
	448	661
PRC Enterprise Income Tax		
— Current year	**3,616**	285
— Under-provision in prior year	**82**	75
	3,698	360
Deferred tax expense/(credit)	**426**	(119)
Total income tax expenses recognised in profit or loss	**4,572**	902

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the Group's estimated assessable profits arising from Hong Kong during the year.

(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.

One of the Company's subsidiaries in the PRC is qualified as an eligible entity for enjoying a preferential EIT rate of 15% pursuant to the Notice on Guidelines for Preferential Corporate Income Tax in Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, which becomes effective since 1 January 2014.

Pursuant to the rules and regulations of the British Virgin Islands ("**BVI**"), the Cayman Islands and the Marshall Islands, the Group is not subject to any taxation under those jurisdictions.

Reconciliation of tax expenses

The tax charge for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Loss before taxation	**(32,522)**	(30,371)
Income tax at applicable tax rate of 16.5%	**(5,366)**	(5,011)
Effects of different tax rates of subsidiaries operating in other jurisdictions	**(1,070)**	288
Effect of preferential tax rate of a subsidiary	**(34)**	–
Non-deductible expenses	**3,956**	2,627
Tax exempt revenue	**(272)**	(1,692)
Tax effect of share of results of associates	**110**	398
Utilisation of previously unrecognised tax losses	**(61)**	(354)
Unrecognised temporary differences	**5,489**	108
Over-provision in prior year, net	**(386)**	(169)
Tax effect of tax loss not recognised	**2,175**	4,677
Others	**31**	30
Tax expense for the year	**4,572**	902

Tax exempt revenue mainly included profits not taxed in Hong Kong under S.23B of the Inland Revenue Ordinance for being carriage shipped outside Hong Kong, bank interest income and unrealised foreign exchange differences arising from foreign currencies denominated monetary assets and liabilities which are non-trading in nature. Non-deductible expenses mainly included loss not allowable in Hong Kong under S.23B of the Inland Revenue Ordinance for being carriage shipped outside Hong Kong, cost incurred for share-based payment and those operating expenses incurred by non-revenue generating group companies.

8. LOSS PER SHARE

Basic loss per share for the years ended 31 December 2016 and 2015 are calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	2016	2015
Loss attributable to equity holders of the Company *(HK$'000)*	**(36,959)**	(24,108)
Weighted average number of ordinary shares in issue	**1,219,147,541**	1,120,000,000
Basic loss per share	**(3.03) HK cents**	(2.15) HK cents

Basic and diluted loss per share are the same as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2016 and 2015.

9. DIVIDENDS

The board does not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

10. TRADE AND OTHER RECEIVABLES

	2016 ***HK$'000***	2015 *HK$'000*
Trade and bills receivables		
— Third parties	**220,216**	43,994
— Related parties	**4,730**	–
	224,946	43,994
Other receivables		
Deposits, prepayments and other debtors	**28,576**	16,054
Advanced payments to suppliers	**19,535**	–
VAT refundable for export sales	**30,269**	–
Refundable prepayment	**14,949**	–
Loan receivable from a third party	**10,941**	–
Due from associates	**882**	1,404
	105,152	17,458
	330,098	61,452

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

	2016 *HK$'000*	2015 *HK$'000*
Outstanding balances which aged:		
90 days or below	**204,088**	40,313
91–180 days	**19,987**	3,540
181–365 days	**57**	1
More than 365 days	**814**	140
	224,946	43,994

The Group allows a credit period of 0 to 90 days to its trade debtors.

11. TRADE AND OTHER PAYABLES

	Note	2016 *HK$'000*	2015 *HK$'000*
Trade payables		**156,784**	26,348
Other payables			
Accrued charges and other creditors		**23,213**	10,507
Advanced receipts from customers		**13,377**	–
Construction costs payable		**8,628**	–
Salaries and bonus payable		**10,301**	3,050
Deposits received in respect of asset held for sale		**2,600**	–
Amounts due to ex-shareholders of Zhongnanhui	*13(b)*	**65,163**	–
Amount due to an ex-director of Zhongnanhui	*13(b)*	**11,155**	–
Other loans from a third party		**37,400**	–
Due to associates		**6,813**	8,006
Consideration payable in respect of acquisition of Dafeng Logistics	*13(e)*	**31,541**	–
		210,191	21,563
		366,975	47,911

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

	2016 *HK$'000*	2015 *HK$'000*
90 days or below	**148,406**	22,664
91–180 days	**8,378**	3,684
	156,784	26,348

12. SHARE CAPITAL

	Note	2016 Number of shares	2016 Nominal value HK$'000	2015 Number of shares	2015 Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.01 each		**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:					
At beginning of year		**1,120,000,000**	**11,200**	1,120,000,000	11,200
Placing of new shares	*(a)*	**168,000,000**	**1,680**	–	–
At end of year		**1,288,000,000**	**12,880**	1,120,000,000	11,200

Note a:

On 30 May 2016, 168,000,000 ordinary shares of HK$0.01 each were issued by way of placing at a price of HK$0.58 per share for cash consideration of HK$97,440,000. The excess of placing price over the par value of the share issued, net of placing expenses of HK$512,000, was credited to share premium account.

13. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of 100% of 大豐海港港口物流有限公司 (Dafeng Harbour Port Logistics Company Limited*) ("**Dafeng Logistics**") ("**Dafeng Logistics Acquisition**")

On 8 July 2016, 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited) ("**Dafeng Heshun Trading**"), as the buyer and 大豐海港港口有限責任公司 (Dafeng Harbour Port Limited Liability Company*) ("**Dafeng Harbour Port**"), a subsidiary of a substantial shareholder, 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("**Jiangsu Dafeng**"), as the seller entered into an equity transfer agreement (the "**Equity Transfer Agreement A**") to acquire the entire equity interest in Dafeng Logistics.

Dafeng Logistics is principally engaged in, amongst others, providing land freight services for the customers in Dafeng port, Jiangsu Province, the PRC. Dafeng Logistics has benefited from the development of Dafeng port, its wharfs and other facilities, which has significantly increased the cargo-handling capacity and container throughput of Dafeng port in the recent years.

All terms and conditions under the Equity Transfer Agreement A were completed and fulfilled on 13 July 2016 and the transfer of the equity interest in Dafeng Logistics has been successfully registered with the industry and commerce administration authority in the PRC on 13 July 2016. Following the completion of the equity transfer, Dafeng Logistics became an indirect wholly-owned subsidiary of the Company. Dafeng Logistics Acquisition constitutes connected transaction under the GEM Listing Rules.

(b) Acquisition of 100% of 江蘇中南滙石化倉儲有限公司(Jiangsu Zhongnanhui Petrochemical Storage Company Limited*) ("**Zhongnanhui**") ("**Zhongnanhui Acquisition**")

On 11 October 2016, the Equity Purchase and Debt Settlement Agreement was entered into among Zhongnanhui Dafeng Heshun Trading, three independent third-party vendors (the "**Sellers**", namely 珠海華信成投資策劃有限公司(Zhuhai Huaxincheng Investment Planning Company Limited*) ("**Zhuhai Huaxincheng**"), 珠海恒逸商務有限公司 (Zhuhai Hengyi Commercial Company Limited*) ("**Zhuhai Hengyi Commercial**") and 珠海富誠投資有限公司 (Zhuhai Fucheng Investment Company Limited*)), 珠海恒逸投資有限公司 (Zhuhai Hengyi Investment Company Limited*) ("**Zhuhai Hengyi Investment**") and Mr. He Han, pursuant to which Dafeng Heshun Trading has conditionally agreed to acquire and the Sellers have conditionally agreed to sell, the entire equity interest of Zhongnanhui at the consideration of RMB40 million (equivalent to HK$46.7 million) and the parties thereunder have agreed to a debt settlement arrangement regarding the debt owed by Zhuhai Hengyi Investment to Zhongnanhui in the amount of RMB8,058,000 and the debts owed by Zhongnanhui to Zhuhai Huaxincheng, Zhuhai Hengyi Commercial and Mr. He Han in the aggregate amount of RMB79,526,000.

As at 31 December 2016, the unsettled balances due to Zhuhai Huaxincheng and Zhuhai Hengyi Commercial (ex-shareholders of Zhongnanhui) amounted in aggregate of RMB58,369,000 (approximately HK$65,163,000) and balance due to Mr. He Han (ex-director of Zhongnanhui) amounted RMB9,992,000 (approximately HK$11,155,000). These balances are unsecured, interest-free and repayable within one year after the completion of acquisition.

The acquisition was completed on 22 November 2016. The directors of the Company consider that Zhongnanhui Acquisition is in line with the Group's long-term expansion plan and would diversify its core business by providing a more integrated logistics freight services and broaden the Group's revenue stream, thereby enhancing the competitiveness of the Group.

(c) The following summarises the consideration paid and the fair value of the identifiable assets acquired and liabilities assumed, as well as acquisition-related costs at the respective date of acquisitions:

	Dafeng Logistics Acquisition *HK$'000*	**Zhongnanhui Acquisition** *HK$'000*	**Total** *HK$'000*
Consideration paid in cash	21,274	46,756	68,030
Consideration payable *(note 13(e))*	39,509	–	39,509
Total	60,783	46,756	107,539
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Property, plant and equipment	52,415	98,178	150,593
Prepayments for purchase of property, plant and equipment	–	8,801	8,801
Prepaid lease payments	–	45,260	45,260
Inventories	46	–	46
Deposit for sale and leaseback arrangement	4,435	–	4,435
Trade and other receivables	71,665	1,961	73,626
Tax recoverable	12	–	12
Bank balances and cash	1,146	619	1,765
Deferred tax assets	–	5,108	5,108
Deferred tax liabilities	–	(7,462)	(7,462)
Trade and other payables	(24,619)	(98,344)	(122,963)
Bank borrowings	–	(22,209)	(22,209)
Obligations under finance leases	(43,590)	–	(43,590)
Total identifiable net assets	61,510	31,912	93,422
Goodwill arising on acquisition	–	14,844	14,844
Gain on bargain purchase *(note 13(f))*	(727)	–	(727)
	60,783	46,756	107,539
Net cash outflow on acquisition of subsidiaries			
Consideration paid in cash	(21,274)	(46,756)	(68,030)
Bank balances and cash acquired from the subsidiaries	1,146	619	1,765
	(20,128)	(46,137)	(66,265)
Acquisition-related costs	793	2,018	2,811

(d) The goodwill is attributable to the synergies of the acquired businesses expected to arise after the Group's acquisitions. 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.

Acquisition-related costs have been excluded from the consideration transferred and have been included in "administrative expenses" in the consolidated statement of comprehensive income.

Included in the revenue for the year ended 31 December 2016 are approximately HK$55,917,000 and HK$936,000 attributable to the additional business generated by Dafeng Logistics and Zhongnanhui respectively. Loss for the year includes loss of approximately HK$10,625,000 and HK$132,000 incurred by Dafeng Logistics and Zhongnanhui respectively.

If the business combinations effected during the year had been taken place at the beginning of the year, the revenue and loss for the Group would have been HK$649,400,000 and HK$31,018,000 respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2016.

(e) Pursuant to the Equity Transfer Agreement A in respect of the acquisition of Dafeng Logistics, Dafeng Heshun Trading was required to pay Dafeng Harbour Port 35% of the total consideration, i.e. RMB18,200,000 (approximately HK$21,274,000), within three business days and the remaining 65%, i.e. RMB33,800,000 (approximately HK$39,509,000 as at the date of acquisition and HK$38,418,000 as at 31 December 2016) no later than one year after the completion of acquisition. The outstanding consideration payable is interest bearing at 4.35% per annum.

(f) The gain on bargain purchase was the variance between the consideration and the net asset value acquired after commercial negotiation with the seller, Dafeng Harbour Port.

(g) The fair value of trade and other receivables at the date of acquisitions amounted to HK$73,626,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$73,626,000 at the date of acquisitions, of which no balance is expected to be uncollectible.

BUSINESS REVIEW

During the Year, the Group is principally engaged in the provision of integrated logistics freight services and the relevant supporting services in Hong Kong, the Pearl River Delta region and the Yangtze River Delta region and is also engaged in trading business and petrochemical products storage business.

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

1. Integrated Logistics Freight Services

Integrated logistics freight services composed as the core business of the Group. During the Year, the Group's revenue in integrated logistics freight services recorded a decrease of approximately 1.6% to approximately HK$231.9 million (2015: HK$235.7 million).

During the Year, the Group completed the acquisition of the entire equity interest in 大豐海港港口物流有限公司(Dafeng Harbour Port Logistics Company Limited*)("**Dafeng Logistics**"). Dafeng Logistics is principally engaged in providing land freight services for the customers in Dafeng port, Jiangsu Province, the PRC ("**Dafeng Port**"), which enables the Group to effectively expand its integrated logistics freight services to the Yangtze River Delta region.

2. Supporting Services

The Group's income from supporting services, which comprised provision of fuel cards, tractor repair and maintenance services and insurance agency services, increased from approximately HK$24.6 million for the year ended 31 December 2015 to approximately HK$27.1 million for the Year.

(a) Provision of fuel cards

During the Year, the increase in the Group's supporting services income was mainly driven by the increase in income from provision of fuel cards of approximately 9.9%. The Group will continue to increase marketing efforts for the promotion discount offered to our clients.

(b) Tractor repair and maintenance services and insurance agency services

Tractor repair and maintenance services and insurance agency services, albeit their contribution to our Group's revenue being relatively insignificant, served as major types of value-added-services to our land and ocean freight clients during the Year. The relevant revenue increased by approximately 6.8% during the Year as compared with the last year.

3. Trading Business

On 19 May 2016, the Company established 前海明天供應鏈(深圳)有限公司(Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) ("**Qianhai Mingtian**") in Shenzhen, the PRC, which principally engages in the business of trading, importing and exporting of electronic products.

During the Year, the Group's trading business recorded revenue of approximately HK$303.8 million (2015: Nil).

4. **Petrochemical Products Storage Business**

On 22 November 2016, the Company completed the acquisition of the entire equity interest in 江蘇中南匯石化倉儲有限公司 (Jiangsu Zhongnanhui Petrochemical Storage Company Limited*) ("**Zhongnanhui**"), which is principally engaged in, among others, providing warehouse storage services for petrochemical products to the customers in Dafeng Port.

During the Year, the Group's petrochemical products storage business recorded revenue of approximately HK$936,000 (2015: Nil).

OUTLOOKS

Reference is made to the composite document issued by Dafeng Port Overseas Investment Holdings Limited ("**Dafeng Port Overseas**") and the Company (formerly known as Gamma Logistics Corporation) on 18 February 2015. After completion of the acquisition of the controlling interest in the shares (the "**Shares**") of the Company, Dafeng Port Overseas has conducted a detailed review of the operations of the Group with a view of developing suitable business strategy to enhance the growth of its business and asset base as well as to broaden its income scheme. Based on such review, the Group decided to implement the strategy of expanding its scope of business and diversifying its core business by providing a more integrated logistics freight services and enhancing its capacity in providing such services. Such expansion will be done by relying on Dafeng Port Overseas' expertise and knowledge which included the injection of assets and businesses into the Group by Dafeng Port Overseas.

During the Year, the Group has completed the acquisition of the entire equity interest in Dafeng Logistics. Dafeng Logistics is principally engaged in providing land freight services for the customers in Dafeng Port, which enables the Group to effectively expand its integrated logistics freight services to the Yangtze River Delta region. The Company has also completed the acquisition of the entire equity interest in Zhongnanhui. Zhongnanhui is principally engaged in providing warehouse storage services for petrochemical products to the customers in Dafeng Port. Having regard to the promising market outlook and that the existing petrochemical storage tanks of Zhongnanhui are close to their full capacities, the Group has contracted to construct four additional groups of petrochemical storage tanks of total 80,000 M^3 in January 2017. During the Year, the Group established Qianhai Mingtian in May 2016, which is principally engaged in the trading, importing and exporting of electronic products.

Looking forward, the Group will continue to engage in the integrated logistics freight services and expanding its trading business. In this regard, the Group intends to venture into the petrochemical products trading business, with a view to diversifying the revenue stream and business portfolio of the Group, and to enhance the interest of the shareholders of the Company.

FINANCIAL REVIEW

The Group's revenue increased by approximately 116.5% to approximately HK$563.7 million for the Year (2015: HK$260.4 million). The increase in revenue was mainly attributable to the increase in revenue of the Group's trading business.

The Group's cost of sales increased by approximately 136.0% to approximately HK$524.6 million for the Year (2015: HK$222.3 million), which was mainly driven by the increase in cost of the trading business, the new business developed by the Group during the Year.

With the combined effects of revenue and cost of sales, the Group's gross profit margin decreased to approximately 6.9% for the Year from approximately 14.6% for the last year due to the low profit margin of the Group's trading business.

The Group's finance costs amounted to approximately HK$2.2 million for the Year (2015: HK$469,000), the finance costs consist of interests on bank loans, overdrafts and other borrowings as well as the finance charge on obligations under finance leases.

The Group recorded the loss for the Year of approximately HK$37.1 million (2015: HK$31.3 million). The loss attributable to the equity holders of the Company was approximately HK$37.0 million (2015: HK$24.1 million) and the loss per Share was 3.03 HK cents (2015: 2.15 HK cents).

Liquidity and financial resources

As at 31 December 2016, the Group had net current liabilities of approximately HK$11.6 million (2015: net current assets of approximately HK$85.3 million) including bank balances and cash equivalents of approximately HK$36.1 million (2015: HK$73.6 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 2016 was approximately 0.97 (2015: 2.61).

As at 31 December 2016, the Group's gearing ratio (defined as the ratio of total interest bearing borrowings to total equity) was approximately 37.2% (2015: 4.8%).

Capital structure

As at 31 December 2016, the Group's total equity attributable to equity holders of the Company amounted to approximately HK$163.4 million (2015: HK$104.4 million). The capital of the Company mainly comprised ordinary share capital, share premium and capital reserves.

Placing of new Shares under general mandate

On 30 May 2016, the Group completed a placing of new Shares (the "**Placing Shares**") under general mandate (the "**Placing**"). An aggregate of 168,000,000 Placing Shares (representing approximately 13.04% of the issued share capital of the Company as enlarged by 168,000,000 Placing Shares) have been allotted and issued to not less than six placees at the placing price of HK$0.58 per Placing Share. The gross proceeds from the Placing of 168,000,000 Placing Shares at the placing price of HK$0.58 per Placing Share are approximately HK$97.44 million and the net proceeds, after deducting the placing commission payable to the placing agent and other expenses incurred in the Placing, are approximately HK$96.93 million. Upon the completion of the Placing, the total number of Shares in issue of the Company is 1,288,000,000. The Directors considered that the Placing would allow the Company to raise capital for the Group and widen its capital and shareholder base. Details of the Placing are set out in the announcements of the Company dated 12 May 2016 and 30 May 2016.

As at 31 December 2016, approximately HK$21.27 million of the net proceeds of the Placing was used for the acquisition of Dafeng Logistics and approximately HK$46.76 million of the net proceeds of the Placing was used for the acquisition of Zhongnanhui, and the remaining net proceeds of approximately HK$28.90 million of the Placing was used for the general working capital of the Group.

Dividend

The Board did not recommend the payment of any final dividend in respect of the Year (2015: Nil).

Significant investment, material acquisitions and disposals

Save as the establishment of Qianhai Mingtian and the acquisitions of Dafeng Logistics and Zhongnanhui, the Group had no significant investment and material acquisitions and disposals of subsidiaries and associated companies during the Year.

Winding up petition

As disclosed in the Company's announcement dated 21 January 2016, on 24 September 2015 and 4 December 2015, a winding up petition (the "**Winding Up Petition**") was respectively filed and re-filed with the High Court of Hong Kong (the "**Court**") against Global Cargo International Limited ("**Global Cargo**") by Golden Fame Insurance Services Limited (the "**Petitioner**"), a wholly owned subsidiary of the Company. The Winding Up Petition was based on a claim by the Petitioner in the sum of HK$20,780.14 for services provided by the Petitioner to Global Cargo.

Global Cargo was subsequently wound up by the Court on 9 December 2015, and Messrs. Huen Ho Yin and Huen Yuen Fun have been appointed as the joint and several provisional liquidators of Global Cargo by the Official Receiver.

As a result of the Winding Up Petition, the net liabilities of Global Cargo were derecognised in the consolidated financial statements of the Group.

Pledge of assets

The Group used bank 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$44.3 million as at 31 December 2016 (2015: HK$4.0 million), prepaid lease payments of approximately HK$43.1 million (2015: Nil) and pledged bank deposits of approximately HK$1.3 million as at 31 December 2016 (2015: HK$3.2 million).

Foreign currency exposure

The Directors considered the Group's foreign exchange risk to be insignificant. During the Year, the Group did not use any financial instruments for hedging purposes.

Employees and emolument policy

As at 31 December 2016, the Group employed a total of 270 employees (2015: 257 employees) based in Hong Kong and the PRC. During the Year, the total staff costs, including Directors' emoluments, amounted to approximately HK$83.8 million (2015: HK$61.1 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 2016, the Group had no material contingent liabilities (2015: Nil).

EVENTS AFTER THE REPORTING PERIOD

Major transaction in relation to disposal of 49% equity interests in Qianhai Mingtian and termination of the Subscription Agreement

On 6 March 2017, 大豐港和順國際投資有限公司 (Dafeng Port Heshun International Investment Limited*) ("**Heshun International**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with 深圳市正億企業管理有限公司 (Shenzhen Zhengyi Enterprise Management Company Limited*) ("**Zhengyi Enterprise**"). According to the Equity Transfer Agreement, Zhengyi Enterprise agreed to purchase, and Heshun International agreed to sell 49% of the equity interest in Qianhai Mingtian (the "**Disposal**") in consideration of Mr. Wu Heng ("**Mr. Wu**") entering into a deed of termination (the "**Deed of Termination**"), pursuant to which, among other things, the Company is released from its obligations to allot new Shares to Mr. Wu under a subscription agreement (the "**Subscription Agreement**") dated 19 June 2016 upon completion of the Disposal.

For further details, please refer to (1) the announcements of the Company dated 19 June 2016 and 20 June 2016 in relation to the establishment of Qianhai Mingtian and the Subscription Agreement; and (2) the announcement of the Company dated 6 March 2017 in relation to the Disposal and the Deed of Termination.

Major transaction in relation to disposal of 49% of the issued share capital in Gamma Logistics (B.V.I.) Corporation ("Gamma Logistics")

On 13 March 2017, the Company and Wharf Limited entered into a disposal agreement, pursuant to which, the Company has conditionally agreed to sell, and Wharf Limited has conditionally agreed to purchase, 49% of the issued share capital of Gamma Logistics at a consideration of HK$8,500,000 (the "**Gamma Disposal**").

For further details, please refer to the announcement of the Company dated 13 March 2017 in relation to the Gamma Disposal.

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

As at 31 December 2016, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and to recognise and acknowledge the contributions that eligible persons had made or may make to our Group. The Scheme has been adopted pursuant to the written resolutions of the sole shareholder of the Company passed on 3 August 2013. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options were granted, exercised or cancelled by the Company under the Scheme and there were no outstanding share options under the Scheme as at 31 December 2016 and as at the date of this announcement.

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

As at 31 December 2016, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	**Capacity/Nature of interests**	**Number of Shares held** *(Note 1)*	**% of the Company's issued share capital (Approximate)**
Dafeng Port Overseas *(Note 2)*	Beneficial owner	740,040,000 (L)	57.46%
江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("**Jiangsu Dafeng**")*(Note 3)*	Interest of controlled corporation	740,040,000 (L)	57.46%
大豐區人民政府 (the People's Government of Dafeng District*) ("**PGDD**") *(Note 3)*	Interest of controlled 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, a company incorporated in Hong Kong with limited liability, and is owned as to 40% by Jiangsu Dafeng, which in turn is wholly-owned by PGDD.

3. Jiangsu Dafeng and PGDD are deemed to be interested in the Shares held by Dafeng Port Overseas under the SFO.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

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*), 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 Group, through its indirect wholly-owned subsidiaries, namely, 鹽城大豐和順國際貿易有限公司 (Yangcheng Dafeng Heshun International Trading Company Limited*) and Qianhai Mingtian, has also developed the business of trading of electronic products and various other products. Accordingly, the businesses of Jiangsu Dafeng and its subsidiaries (the "**Jiangsu Dafeng Group**") may be construed as businesses competing with or are likely to compete with one of the core principal activities of the Group. The Board considered that the businesses of the Jiangsu Dafeng Group do not pose material competitive threat to the Group because the Group and Jiangsu Dafeng Group have different focuses on the type of products offered which target at different customers in the market.

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.

NON-COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE GEM LISTING RULES

Non-compliance with the Corporate Governance Code

The Company is committed to maintain a high standard of corporate governance. The Company has complied with all the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules for the Year except the following:

(1) Pursuant to code provision I(f) of the CG Code and Rule 5.05A of the GEM Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board; pursuant to Rule 5.05(2) of the GEM Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; pursuant to Rule 5.28 of the GEM Listing Rules, every issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate

professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules. The majority of the audit committee members must be independent non-executive directors of the issuer. The audit committee must be chaired by an independent non-executive director. As disclosed in the Company's announcement dated 4 March 2016, Mr. Luk Chi Shing resigned as an independent non-executive Director with effect from 7 March 2016. Following the resignation of Mr. Luk, the Company was not in compliance with Rules 5.05(2), 5.05A and 5.28 of the GEM Listing Rules. Mr. Lau Hon Kee was appointed as an independent non-executive Director on 31 May 2016. Following his appointment, the Company is in compliance with the requirements under Rules 5.05(2), 5.05A and 5.28 of the GEM Listing Rules.

(2) Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and non-executive directors should attend general meetings. However, certain non-executive Directors and independent non-executive Directors were unable to attend the general meetings of the Company due to their other prior engagements.

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 of the Company.

Non-compliance with the GEM Listing Rules

Reference is made to the announcement of the Company dated 9 November 2016 in relation to the failure of the Company to comply with (1) Rule 20.34 of the GEM Listing Rules to enter into a written agreement for both of the vehicle repair services and the logistics services provided by/to Dafeng Harbour Port and/or its subsidiaries; and (2) Rule 20.33 of the GEM Listing Rules to announce the continuing connected transactions as soon as practicable after terms have been agreed. Such delay was mainly due to the non-awareness of the obligation of disclosure by certain management staff of Dafeng Logistics handling the transactions.

As soon as the Company became aware of the non-compliance, the Company immediately procured the relevant parties to enter into a framework agreement and publish the announcement. The Company has also:

(a) undertaken a thorough review of its internal control procedures for handling similar transactions;

(b) formulated plans to implement a series of enhanced control measures to proactively ensure timely compliance with the GEM Listing Rules in the future, including:

    (i) engaging external advisers from time to time to provide training on the GEM Listing Rules to the managerial staff of the Group (including those at the subsidiary level) who may be involved in handling similar transactions;

    (ii) ensuring that all proposed transactions of the Group be reviewed by and discussed among the financial controller and the secretary of the Company, and the executive Directors to enable cross-checking compliance safeguard;

(iii) putting a procedure in place to require pre-transaction sign-off in writing from the company secretarial department of the Group to ensure continuous compliance; and

(iv) arranging for the directors and senior management of the Group to attend appropriate continuous professional development training in respect of compliance with the GEM Listing Rules.

In light of the review of its internal procedures and the series of enhanced control measures that will be implemented by the Company to proactively prevent any possible non-compliance of the GEM Listing Rules, the Company is confident that the risk of non-compliance with the GEM Listing Rules in the future could be minimised.

Audit Committee

An audit committee (the "**Audit Committee**") has been established on 3 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. 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 procedures of the Group.

During the Year, the Audit Committee reviewed the quarterly, interim and annual results of the Group. 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 compliance matters and the findings reported from the legal compliance committee of the Company.

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 2016.

The figures in respect of the preliminary announcement of the Group's results for the Year 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 the preliminary announcement.

By order of the Board
Dafeng Port Heshun Technology Company Limited
Ni Xiangrong
Chairman

Hong Kong, 24 March 2017

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

Executive Directors	*Non-executive Directors*	*Independent Non-executive Directors*
Mr. Ni Xiangrong *(Chairman)*	Mr. Ji Longtao	Dr. Bian Zhaoxiang
Mr. Wang Yijun	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Mr. Shum Kan Kim		Mr. Yu Xugang
Mr. Yu Xingmin		Mr. Zhang Fangmao
Mr. Pan Jian		

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*