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 2017

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

FINANCIAL HIGHLIGHTS

The Group's revenue increased by approximately 507.5% to approximately HK$3,424.6 million for the year ended 31 December 2017 (the "**Year**") (2016: approximately HK$563.7 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 534.8% to approximately HK$3,330.1 million for the Year (2016: approximately HK$524.6 million), which was mainly driven by the increase in cost of the trading business.

With the combined effects of revenue and cost of sales, the Company's gross profit margin decreased to approximately 2.8% for the Year (2016: approximately 6.9%), which was mainly attributable to the low profit margin of the Group's trading business.

The Group's finance costs amounted to approximately HK$17.2 million for the Year (2016: approximately HK$2.2 million), including interest on bank loans, overdrafts, other borrowings and interest on amounts due to connected companies as well as the finance charge on obligations under finance leases.

The Group recorded profit for the Year of approximately HK$1.4 million (2016: Loss of approximately HK$37.1 million). The profit attributable to the equity holders of the Company was approximately HK$0.2 million (2016: Loss of approximately HK$37.0 million) and the earnings per Share was HK cents 0.01 (2016: Loss per Share of HK cents 3.03).

The Board did not recommend the payment of any final dividend in respect of the Year (2016: Nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	4	**3,424,606**	563,708
Cost of sales		**(3,330,128)**	(524,630)
Gross profit		**94,478**	39,078
Other income	5	**15,770**	10,367
Administrative expenses		**(99,707)**	(79,070)
Finance costs		**(17,237)**	(2,230)
Gain on disposal of a subsidiary		**12,844**	–
Share of results of associates		**(519)**	(667)
Profit (Loss) before taxation	6	**5,629**	(32,522)
Taxation	7	**(4,236)**	(4,572)
Profit (Loss) for the year		**1,393**	(37,094)
Other comprehensive income (loss)			
Items that are reclassified or may be reclassified to profit or loss in subsequent periods:			
Exchange difference arising from translation of foreign operations		**3,416**	(4,025)
Release upon disposal of a subsidiary		**482**	–
		3,898	(4,025)
Total comprehensive income (loss) for the year		**5,291**	(41,119)
Profit (Loss) attributable to:			
Equity holders of the Company		**175**	(36,959)
Non-controlling interests		**1,218**	(135)
		1,393	(37,094)
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		**3,070**	(40,984)
Non-controlling interests		**2,221**	(135)
		5,291	(41,119)
Earnings (Loss) per share attributable to equity holders of the Company			
Basic and diluted	8	**0.01 HK cents**	(3.03) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**123,677**	144,770
Goodwill		**16,213**	14,844
Prepaid lease payments		**44,322**	42,176
Prepayments in relation to property, plant and equipment		**16,796**	8,372
Pledged deposit for finance lease arrangement		**–**	4,236
Security deposit for loan from a third party		**3,602**	–
Interests in associates		**6,005**	6,744
		210,615	221,142
Current assets			
Available-for-sale financial assets		**8,806**	8,806
Prepaid lease payments		**1,043**	970
Inventories		**6,716**	43
Trade and other receivables	*10*	**666,799**	330,098
Pledged bank deposits		**312,936**	1,270
Bank balances and cash		**61,703**	36,070
		1,058,003	377,257
Assets classified as held for sale		**–**	149
		1,058,003	377,406
Current liabilities			
Trade and other payables	*11*	**394,925**	366,975
Current portion of bank and other borrowings		**585,475**	18,159
Taxation		**2,709**	3,868
		983,109	389,002

	Note	2017 HK$'000	2016 HK$'000
Net current assets (liabilities)		**74,894**	(11,596)
Total assets less current liabilities		**285,509**	209,546
Non-current liabilities			
Non-current portion of bank and other borrowings		**85,429**	42,771
Deferred tax liabilities		**3,619**	3,161
		89,048	45,932
NET ASSETS		**196,461**	163,614
Capital and reserves			
Share capital	*12*	**12,880**	12,880
Reserves		**148,247**	150,534
Total equity attributable to equity holders of the Company		**161,127**	163,414
Non-controlling interests		**35,334**	200
TOTAL EQUITY		**196,461**	163,614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to equity holders of the Company										
	Share capital	**Share premium**	**Capital reserve**	**Exchange reserve**	**Statutory reserve**	**Other reserve**	**Share-based payment reserve**	**Accumulated profits (losses)**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000 *(Note 12)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
At 1 January 2017	**12,880**	**201,419**	**(7,337)**	**(3,134)**	**303**	**(6,857)**	**3,063**	**(36,923)**	**163,414**	**200**	**163,614**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**175**	**175**	**1,218**	**1,393**
Other comprehensive income											
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**2,413**	**–**	**–**	**–**	**–**	**2,413**	**1,003**	**3,416**
Release upon disposal of a subsidiary	**–**	**–**	**–**	**482**	**–**	**–**	**–**	**–**	**482**	**–**	**482**
	–	**–**	**–**	**2,895**	**–**	**–**	**–**	**–**	**2,895**	**1,003**	**3,898**
Total comprehensive income	**–**	**–**	**–**	**2,895**	**–**	**–**	**–**	**175**	**3,070**	**2,221**	**5,291**
Transaction with owners											
Changes in ownership interests											
Disposals of interests in subsidiaries without loss of control	**–**	**–**	**–**	**–**	**–**	**(2,294)**	**(3,063)**	**–**	**(5,357)**	**13,857**	**8,500**
Acquisitions of subsidiaries *(note 13)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,416**	**11,416**
Contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,640**	**7,640**
Contributions and Distributions											
Appropriation to statutory reserve	**–**	**–**	**–**	**–**	**523**	**–**	**–**	**(523)**	**–**	**–**	**–**
Total transaction with owners	**–**	**–**	**–**	**–**	**523**	**(2,294)**	**(3,063)**	**(523)**	**(5,357)**	**32,913**	**27,556**
At 31 December 2017	**12,880**	**201,419**	**(7,337)**	**(239)**	**826**	**(9,151)**	**–**	**(37,271)**	**161,127**	**35,334**	**196,461**

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 HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 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.

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 7: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

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

Annual Improvements 2014-2016 Cycle: HKFRS 12 — Clarification of the scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

The adoption of the amendments 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, petrochemical products etc. — Provision of supply chain management services — Manufacturing and trading of tin wires
— 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 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 2017

	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)	229,546	33,691	267	3,147,923	13,179	–	3,424,606
— Inter-segment revenue	24,148	4,396	1,671	–	–	(30,215)	–
Total revenue	253,694	38,087	1,938	3,147,923	13,179	(30,215)	3,424,606
Results							
Segment results	(3,598)	263	(761)	12,374	(2,415)	–	5,863
Share of results of associates							(519)
Other unallocated corporate income							1,135
Other unallocated corporate expenses							(13,694)
Gain on disposal of a subsidiary							12,844
Profit before taxation							5,629
Taxation							(4,236)
Profit for the year							1,393

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)

As at 31 December 2017

	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	**50,852**	**13,127**	**1,944**	**977,504**	**195,415**	**1,238,842**
Unallocated corporate assets						**29,776**
Consolidated total assets						**1,268,618**
LIABILITIES						
Segment liabilities	**(42,873)**	**(3,015)**	**(1,641)**	**(873,004)**	**(143,278)**	**(1,063,811)**
Unallocated corporate liabilities						**(8,346)**
Consolidated total liabilities						**(1,072,157)**
For the year ended 31 December 2017						
OTHER INFORMATION						
Amortisation	**–**	**–**	**–**	**–**	**1,004**	**1,004**
Capital additions	**8,532**	**–**	**3**	**4,854**	**10,344**	**23,733**
Capital additions through acquisitions of subsidiaries	**–**	**–**	**–**	**9**	**–**	**9**
Depreciation	**15,365**	**–**	**13**	**387**	**4,698**	**20,463**
Depreciation (unallocated)	**–**	**–**	**–**	**–**	**–**	**9**
Finance costs	**1,509**	**–**	**–**	**15,728**	**–**	**17,237**
Gain (Loss) on dipsosal of property, plant and equipment, net	**5,844**	**–**	**–**	**(60)**	**181**	**5,965**
Impairment loss of property, plant and equipment	**1,416**	**–**	**–**	**–**	**–**	**1,416**
Interest income	**9**	**–**	**–**	**2,778**	**19**	**2,806**
Interest income (unallocated)	**–**	**–**	**–**	**–**	**–**	**1**

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 acquisitions 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

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:

	2017	2016
	HK$'000	*HK$'000*
Revenue from external customers:		
Hong Kong	**1,584,575**	448,662
Mainland China	**1,787,248**	114,927
Others *(Note)*	**52,783**	119
	3,424,606	563,708

**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 in relation to property, plant and equipment, prepaid lease payments and pledged deposit for finance lease arrangement and loan from a third party, 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:

	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment		
Hong Kong	**11,152**	6,622
Mainland China	**112,525**	138,148
	123,677	144,770
Interests in associates		
Hong Kong	**6,005**	6,744
Prepayments in relation to property, plant and equipment		
Mainland China	**16,796**	8,372
Goodwill		
Mainland China	**16,213**	14,844
Prepaid lease payments		
Mainland China	**44,322**	42,176
Security deposit for loan from a third party		
Mainland China	**3,602**	–
Pledged deposit for finance lease arrangement		
Mainland China	**–**	4,236
Total non-current assets	**210,615**	221,142

Information about major customers

For the year ended 31 December 2017, revenue from Customer A (trading business segment) of approximately HK$381,642,000, accounted for over 10% of the total revenue of the Group.

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 and HK$85,095,000 respectively, individually accounted for over 10% of the total revenue of the Group.

4. REVENUE

	2017	2016
	HK$'000	*HK$'000*
Income from provision of integrated logistics freight services	**229,546**	231,935
Income from provision of fuel cards	**33,691**	26,496
Income from trading business	**3,147,923**	303,760
Petrochemical storage service income	**13,179**	936
Tractor repair and maintenance services and insurance agency fee	**267**	581
	3,424,606	563,708

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**2,807**	303
Commission income	**300**	–
Exchange gain, net	**701**	2,390
Gain on bargain purchase	**–**	727
Gain on disposal of property, plant and equipment	**6,046**	4,310
Management fee income	**402**	427
Sundry income	**422**	304
Subsidy income *(note)*	**2,778**	1,906
Write-back of interest payable	**708**	–
Late payment penalty received from customers	**846**	–
Write-back of accrued directors' salaries	**760**	–
	15,770	10,367

Note: During the Year, the Group received one-off tax refund of RMB2,451,000 (approximately HK$2,778,000) (2016: one-off tax refund of approximately HK$1,774,000 and employment subsidy of approximately HK$132,000 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, Jiangsu Province.

6. PROFIT (LOSS) BEFORE TAXATION

	2017 *HK$'000*	2016 *HK$'000*
This is stated after charging (crediting):		
Finance costs		
Interest on borrowings wholly repayable within five years	**6,027**	80
Finance charge on obligations under finance leases	**1,509**	1,435
Interest on consideration payable in respect of acquisition of a subsidiary	**–**	715
Interest on amounts due to connected companies	**14,728**	–
Less: Borrowing costs capitalised into property, plant and equipment at weighted-average capitalisation rate of 5.7% *(2016: Nil)*	**(5,027)**	–
	17,237	2,230
Staff costs		
Share-based payment	**–**	3,063
Salaries, allowances and other short-term employee benefits including directors' emoluments	**76,027**	75,414
Contributions to defined contribution plans	**5,801**	5,285
	81,828	83,762
Other items		
Auditors' remuneration		
— Audit-related assurance services	**1,850**	1,300
— Other services	**835**	550
Amortisation of prepaid lease payments	**1,004**	84
Cost of inventories	**3,092,848**	305,369
Depreciation	**20,472**	16,582
Equipment rental income (included in revenue)	**(13,831)**	(2,425)
Gain on bargain purchase	**–**	(727)
Gain on disposal of a subsidiary	**(12,844)**	–
Gain on disposal of property, plant and equipment, net	**(5,965)**	(4,280)
Impairment loss of property, plant and equipment	**1,416**	3,084
Loss on disposal of an associate	**–**	1,141
Operating lease payments on premises	**8,867**	12,245
Operating lease payments on vehicles	**4,123**	2,160

7. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax		
— Current year	**962**	916
— Over-provision in prior year	**(19)**	(468)
	943	448
PRC Enterprise Income Tax		
— Current year	**2,526**	3,616
— Under-provision in prior year	**466**	82
	2,992	3,698
Deferred tax expense	**301**	426
Total income tax expenses recognised in profit or loss	**4,236**	4,572

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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 (the "**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 profit (loss) per the consolidated statement of comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit (Loss) before taxation	**5,629**	(32,522)
Income tax at applicable tax rate of 16.5%	**929**	(5,366)
Effects of different tax rates of subsidiaries operating in other jurisdictions	**(421)**	(1,070)
Effect of preferential tax rate of a subsidiary	**(136)**	(34)
Non-deductible expenses	**2,619**	3,956
Tax exempt revenue	**(2,132)**	(272)
Tax effect of share of results of associates	**86**	110
Utilisation of previously unrecognised tax losses	**(262)**	(61)
Unrecognised temporary differences	**(337)**	5,489
Under(Over)-provision in prior year, net	**447**	(386)
Tax effect of tax loss not recognised	**3,332**	2,175
Others	**111**	31
Tax expense for the year	**4,236**	4,572

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 and gain on disposal of interest in a subsidiary 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, impairment loss of property, plant and equipment and those operating expenses incurred by non-revenue generating group companies.

8. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share for the years ended 31 December 2017 and 2016 are calculated by dividing the profit (loss) attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	2017	2016
Profit (Loss) attributable to equity holders of the Company *(HK$'000)*	**175**	(36,959)
Weighted average number of ordinary shares in issue	**1,288,000,000**	1,219,147,541
Basic earnings (loss) per share	**0.01 HK cents**	(3.03) HK cents

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 2017 and 2016.

9. DIVIDENDS

The board did not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

10. TRADE AND OTHER RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade and bills receivables		
— Third parties	**303,471**	220,216
— Related parties	**12**	4,730
	303,483	224,946
Other receivables		
Deposits, prepayments and other debtors	**29,271**	28,576
Advanced payments to suppliers	**229,042**	19,535
VAT refundable for export sales	**97,139**	30,269
Refundable prepayment	**–**	14,949
Loan receivable from a third party	**–**	10,941
Due from associates	**1,212**	882
Due from a connected company	**2,402**	–
Consideration receivable for disposal of interest in a subsidiary	**4,250**	–
	363,316	105,152
	666,799	330,098

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

	2017 *HK$'000*	2016 *HK$'000*
Outstanding balances which aged:		
90 days or below	**258,003**	204,088
91–180 days	**39,342**	19,987
181–365 days	**6,009**	57
More than 365 days	**129**	814
	303,483	224,946

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

11. TRADE AND OTHER PAYABLES

	Note	2017 HK$'000	2016 HK$'000
Trade payables		**134,276**	156,784
Other payables			
Accrued charges and other creditors		**39,725**	23,213
Advanced receipts from customers		**184,589**	13,377
Construction costs payable		**1,990**	8,628
Salaries and bonus payable		**3,981**	10,301
Deposits received in respect of asset held for sale		**–**	2,600
Amounts due to ex-shareholders of Zhongnanhui		**1,014**	65,163
Amount due to an ex-director of Zhongnanhui		**15,589**	11,155
Other loans from a third party		**–**	37,400
Due to associates		**5,157**	6,813
Consideration payable in respect of acquisition of Dafeng Harbour Port Logistics Company Limited ("Dafeng Logistics")		**–**	31,541
Loan interest payable		**2,403**	–
Deposit received for disposal of available for sale financial assets		**5,000**	–
Consideration payable in respect of acquisition of a subsidiary	*13(d)*	**1,201**	–
		260,649	210,191
		394,925	366,975

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

	2017 HK$'000	2016 HK$'000
90 days or below	**133,465**	148,406
91–180 days	**811**	8,378
	134,276	156,784

12. SHARE CAPITAL

	2017		2016	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		HK$'000		*HK$'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 (HK$0.01 each):				
At beginning of year	**1,288,000,000**	**12,880**	1,120,000,000	11,200
Placing of new shares	**–**	**–**	168,000,000	1,680
At end of year	**1,288,000,000**	**12,880**	1,288,000,000	12,880

13. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of 51% of 天津聯企成石油製品銷售有限公司 (Tianjin Lian Qi Cheng Petroleum Products Trading Company Limited*, "Tianjin Lian Qi Cheng") ("Tianjin Lian Qi Cheng Acquisition")

On 22 May 2017, Yancheng Dafeng Heshun International Trading Company Limited (鹽城大豐和順國際貿易有限公司) ("**Heshun Trading**") entered into an equity transfer agreement with two independent persons ("**Tianjin Lian Qi Cheng Sellers**") pursuant to which Heshun Trading agreed to acquire and Tianjin Lian Qi Cheng Sellers agreed to transfer 51% equity interests in Tianjin Lian Qi Cheng, a company incorporated in the PRC which engaged in trading of petrochemical products at a consideration of Heshun Trading injecting capital of RMB10,200,000 (equivalent to HK$11,730,000) to Tianjin Lian Qi Cheng. The acquisition was completed on 30 June 2017.

(b) Acquisition of 100% of 珠海恒豐和順石化有限公司 (Zhuhai Heng Feng Heshun Petrochemical Company Limited *, "Zhuhai Heng Feng") ("Zhuhai Heng Feng Acquisition")

On 20 February 2017, Heshun Trading entered into an equity transfer agreement with two independent persons ("**Zhuhai Heng Feng Sellers**") pursuant to which Heshun Trading agreed to acquire and Zhuhai Heng Feng Sellers agreed to dispose entire equity interests in Zhuhai Heng Feng, a company incorporated in the PRC which engaged in trading of petrochemical products at a consideration of RMB800,000 (equivalent to HK$904,000). The acquisition was completed on 28 February 2017.

(c) Acquisition of 51% of 深圳市泛海控股有限公司 (Shenzhen Fan Hai Holdings Limited*, "Shenzhen Fan Hai") ("Shenzhen Fan Hai Acquisition")

On 5 December 2017, Heshun Trading entered into an equity transfer agreement with two independent persons ("**Shenzhen Fan Hai Sellers**") pursuant to which Heshun Trading agreed to acquire and Shenzhen Fan Hai Sellers agreed to dispose 51% equity interests in Shenzhen Fan Hai, a company incorporated in the PRC which engaged in trading of petrochemical products at a consideration of RMB1,000,000 (equivalent to HK$1,181,000). The acquisition was completed on 12 December 2017 .

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

(d) 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:

	Tianjin Lian Qi Cheng Acquisition *HK$'000*	**Zhuhai Heng Feng Acquisition and Shenzhen Fan Hai Acquisition** *HK$'000*	**Total** *HK$'000*
Consideration paid in cash	11,730	904	12,634
Elimination of amount due from Tianjin Lian Qi Cheng upon acquisition	32,200	–	32,200
Consideration payable	–	1,181	1,181
Total	43,930	2,085	46,015
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Property, plant and equipment	9	–	9
Inventories	28,559	–	28,559
Trade and other receivables	970	2	972
Bank balances and cash	25,517	1,021	26,538
Trade and other payables	–	(16)	(16)
Total identifiable net assets	55,055	1,007	56,062
Goodwill arising on acquisition	74	1,295	1,369
Non-controlling interests	(11,199)	(217)	(11,416)
	43,930	2,085	46,015
Net cash inflow on acquisition of subsidiaries			
Consideration paid in cash	(11,730)	(904)	(12,634)
Bank balances and cash acquired from the subsidiaries	25,517	1,021	26,538
	13,787	117	13,904

(e) The goodwill is attributable to the growth and profit potential as a result of benefiting from the growing demand of the acquired businesses. 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 2017 are approximately HK$543,566,000 and HK$293,838,000 attributable to the additional business generated by Zhuhai Heng Feng and Tianjin Lian Qi Cheng respectively.

Profit for the Year includes profit of approximately HK$887,000 generated by Tianjin Lian Qi Cheng and losses of approximately HK$32,000 and HK$18,000 incurred by Zhuhai Heng Feng and Shenzhen Fan Hai respectively.

If the business combination effected during the year had been taken place at the beginning of the Year, the revenue and profit for the Group would have been approximately HK$3,424,606,000 and HK$1,202,000 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 2017.

(f) The fair value of trade and other receivables at the date of acquisitions amounted to HK$972,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$972,000 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 trading business, the provision of integrated logistics freight services and the relevant supporting services as well as petrochemical products storage business.

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

1. Trading Business

The Group is engaged in the trading and import and export businesses of electronic products, petrochemical products and other products. During the Year, the Group's trading business recorded revenue of approximately HK$3,147.9 million (2016: approximately HK$303.8 million). The increase in revenue was mainly attributable to the acquisitions of Tianjin Lian Qi Cheng and Zhuhai Heng Feng, and the trading business of subsidiaries maintained a growth rate exceeding that of the corresponding period of last year.

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**"). Pursuant to the Equity Transfer Agreement, Zhengyi Enterprise agreed to purchase and Heshun International agreed to sell 49% of the equity interest in 前海明天供應鏈(深圳)有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) ("**Qianhai Mingtian**") at a consideration of Mr. Wu Heng (吳衡) ("**Mr. Wu**") entering into a deed of termination (the "**Deed of Termination**"), pursuant to which, among other things, the Company was released from its obligations to allot new shares of the Company to Mr. Wu under a subscription agreement dated 19 June 2016 (the "**Subscription Agreement**") upon completion of the Qianhai Mingtian Disposal. The Qianhai Mingtian Disposal was completed on 16 May 2017. Upon completion of the Disposal, Qianhai Mingtian became an indirect non-wholly owned subsidiary of the Company.

On 22 May 2017, Heshun Trading, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement for acquisition of 51% of the equity interest in Tianjin Lian Qi Cheng with Mr. Shang Dezhao and Mr. Shang Deli by injecting RMB10,200,000 (equivalent to HK$11,730,000). Tianjin Lian Qi Cheng is principally engaged in (among others) selling petrol, kerosene, diesel, coal tar, liquefied petroleum gas without storage operations, petrochemical products and raw materials, and lubricants, etc. As at the reporting date, Heshun Trading and Mr. Shang Dezhao currently beneficially own 51% and 49% equity interest in Tianjing Lian Qi Cheng, respectively. Tianjin Lian Qi Cheng is still a subsidiary of the Company.

2. Integrated Logistics Freight Services

During the Year, the Group's revenue from integrated logistics freight services recorded a decrease of approximately 1.03% to approximately HK$229.5 million (2016: approximately HK$231.9 million).

In view of the substantial losses incurred by the integrated logistics freight services over the years, the Group intends to shift its focus from integrated logistics freight services to the expanding trading business and petrochemical products storage business.

On 13 March 2017, the Company and Wharf Limited entered into an agreement (the "**Gamma Disposal Agreement**") for disposal of 49% of the issued share capital of Gamma Logistics, 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$8.5 million. The Gamma Disposal was completed on 11 April 2017. Upon completion of the Gamma Disposal, Gamma Logistics became a direct non-wholly owned subsidiary of the Company.

On 13 June 2017, Heshun Trading, an indirect wholly-owned subsidiary of the Company, and 大豐市新潤通物流有限公司 (Dafeng City Xin Run Tong Logistics Company Limited*) ("**Dafeng City Xin Run Tong**"), among others, entered into an agreement for the disposal of the entire equity interest of Dafeng Logistics, pursuant to which Heshun Trading has conditionally agreed to sell, and Dafeng City Xin Run Tong has conditionally agreed to purchase, the entire equity interest in Dafeng Logistics at a consideration of RMB52 million. The Dafeng Logistics Disposal was completed on 30 June 2017. Upon completion of the Dafeng Logistics Disposal, Dafeng Logistics ceased to be a subsidiary of the Company. A gain on disposal of HK$12,844,000 was recorded in profit or loss during the Year.

3. 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$27.1 million for the year ended 31 December 2016 to approximately HK$34 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 27.2% to approximately HK$33.7 million (2016: approximately HK$26.5 million). 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 the 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 decreased by approximately 54.0% to approximately HK$267,000 (2016: approximately HK$581,000) during the year as compared with last year.

4. Petrochemical Products Storage Business

The Group is engaged in petrochemical products storage business through Zhongnanhui. During the Year, the Group's petrochemical products storage business recorded revenue of approximately HK$13.2 million (2016: approximately HK$936,000). The increase in revenue was mainly attributable to the increase in capacity of petrochemical storage tanks and the full load operation with the facilities.

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 to 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. Such expansion depends on the expertise and knowledge of Dafeng Port Overseas as well as the assets and businesses injected into the Group by Dafeng Port Overseas.

During the Year, the Group completed the disposal of 49% equity interest in Qianhai Mingtian, 49% of the issued share capital of Gamma Logistics and the entire equity interest of Dafeng Logistics, and the acquisition of 51% equity interest in Tianjin Lian Qi Cheng. The Group has also entered into a memorandum of understanding with two companies respectively in relation to the proposed acquisition of a PRC corporation. Considering the current status of Dafeng Port Economic Development Zone, the Group believes that it is beneficial for the Group to further invest in the development of port facilities. In this regard, the Group entered into a contract in February 2018 for the construction and repair of a group of petrochemical storage tanks of total 80,000 M^3 and various fire services upgrade.

In view of the substantial losses incurred by the integrated logistics freight services over the years, the Group intends to shift its focus from integrated logistics freight services to the expanding trading business and petrochemical products storage business. In this regard, the Group has tapped into the petrochemical products trading business and commenced the construction of new storage facilities for petrochemical products, with a view to diversifying the revenue stream and business portfolio of the Group.

The Group will also review and assess potential projects or investments on a reliable basis to strengthen its performance and enhance the interests of the shareholders of the Company.

FINANCIAL REVIEW

The Group's revenue increased by approximately 507.5% to approximately HK$3,424.6 million for the Year (2016: approximately HK$563.7 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 534.8% to approximately HK$3,330.1 million for the Year (2016: approximately HK$524.6 million), which was mainly driven by the increase in cost of the trading business.

With the combined effects of revenue and cost of sales, the Company's gross profit margin decreased to approximately 2.8% for the Year (2016: approximately 6.9%), which was mainly attributable to the low profit margin of the Group's trading business.

The Group's finance costs amounted to approximately HK$17.2 million for the Year (2016: HK$2.2 million), including interest on bank loans, overdrafts, other borrowings and interest on amounts due to connected companies as well as the finance charge on obligations under finance leases.

The Group recorded profit for the Year of approximately HK$1.4 million (2016: Loss of approximately HK$37.1 million). The profit attributable to the equity holders of the Company was approximately HK$0.2 million (2016: Loss of approximately HK$37.0 million) and the earnings per Share was HK cents 0.01 (2016: Loss per Share of HK cents 3.03).

Liquidity and financial resources

As at 31 December 2017, the Group had net current assets of approximately HK$74.9 million (2016: net current liabilities of approximately HK$11.6 million), including bank balances and cash equivalents of approximately HK$61.7 million (2016: approximately HK$36.1 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 2017 was approximately 1.08 (2016: 0.97).

As at 31 December 2017, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately 182.3% (2016: 37.2%).

Capital structure

As at 31 December 2017, the Group's total equity attributable to equity holders of the Company amounted to approximately HK$161.1 million (2016: approximately HK$163.4 million). The capital of the Company mainly comprises ordinary share capital, share premium and capital reserves.

Dividend

The Board did not recommend the payment of any dividend in respect of the Year (2016: Nil).

Significant investment, material acquisitions and disposals

On 11 January 2017, Zhongnanhui entered into the Construction Agreement with 中國核工業第五建設有限公司 (China Nuclear Industry Fifth Construction Company Limited) for the construction of four groups of petrochemical storage tanks of total 80,000 M^3 for a total consideration of approximately RMB43.20 million. During the Year, the Company did not carry out other material investment save for the above.

Save and except for the aforesaid completion of the disposal of 49% equity interest in Qianhai Mingtian, 49% of the issued share capital of Gamma Logistics and the entire equity interest of Dafeng Logistics and the acquisition of 51% equity interest in Tianjin Lian Qi Cheng, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the Year.

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$75.4 million as at 31 December 2017 (31 December 2016: approximately HK$44.3 million), prepaid lease payments of approximately HK$45.4 million (31 December 2016: approximately HK$43.1 million), security deposit for loan from a third party of approximately HK$3.6 million (31 December 2016: Nil) and pledged bank deposits of approximately HK$312.9 million as at 31 December 2017 (31 December 2016: approximately HK$1.3 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 2017, the Group employed a total of 294 employees (2016: 270 employees) based in Hong Kong and the PRC. During the Year, the total staff costs, including Directors' emoluments, amounted to approximately HK$81.8 million (2016: approximately HK$83.8 million).

The decrease in the total staff costs was mainly attributable to Ni Xiangrong, Wang Yijun and Pan Jian, the executive Directors of the Group, signed an agreement to waive their Directors' emoluments as of 31 December 2017. Yu Xingmin resigned on 10 November 2017 and agreed to waive all unpaid remuneration. The total emoluments waived by these four Directors were approximately HK$3,600,000.

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 2017, the Group had no material contingent liabilities (2016: Nil).

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

As at 31 December 2017, 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, recognising and acknowledging the contributions that eligible persons had made or may make to the Group. The Scheme was adopted pursuant to the written resolution passed by the sole shareholder of the Company on 3 August 2013. The expiry date of the scheme is 2 August 2023. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options have been granted, exercised or cancelled by the Company under the Scheme and there were no outstanding share options under the Scheme as at 31 December 2017 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 2017, 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%
Mr. Jiang Wen *(Note 4)*	Beneficial owner, interest of controlled corporation and interest of spouse	65,340,000 (L)	5.07%
Ms. Li Qiu Hua *(Note 5)*	Beneficial owner and interest of spouse	65,340,000 (L)	5.07%

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 Jiangsu Dafeng, which in turn is wholly owned by PGDD.

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

4. Mr. Jiang Wen, the director of Qianhai Mingtian which is an indirect subsidiary of the Company, directly and beneficially owns 48,220,000 Shares. Ms. Li Qiu Hua, the spouse of Mr. Jiang Wen, directly and beneficially owns 3,520,000 Shares. Kingkee (Holdings) Limited, a company wholly-owned by Mr. Jiang Wen, directly and beneficially owns 13,600,000 Shares. As such, under the SFO, Mr. Jiang Wen is deemed, or taken to be, interested in 65,340,000 Shares.

5. Ms. Li Qiu Hua directly and beneficially owns 3,520,000 Shares. As Mr. Jiang Wen's spouse, she is, under the SFO, deemed to be, or taken to be, interested in the same number of Shares in which Mr. Jiang Wen is interested.

Save as disclosed above, as at 31 December 2017, 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 Guangcheng Commercial Management Co., Ltd.*) ("**Yancheng Commercial**"), which are engaged in trading of various goods including coals, metal ores, non-metallic ores, non-ferrous metal, chemical products, non-metal construction materials, scrap steel and wood. Whereas the Company has also developed the business of trading of electronic products, petrochemical products and various other products through Heshun Trading, an indirect wholly-owned subsidiary of the Company, and its subsidiaries, and Qianhai Mingtian and its subsidiary. Accordingly, the businesses of Jiangsu Dafeng and its subsidiaries (the "**Jiangsu Dafeng Group**") may be construed as businesses which compete with or are likely to compete with one of the core principal activities of the Group. The Board considered that the businesses of the Jiangsu Dafeng Group do not pose material competitive threat to the Group because the Group and Jiangsu Dafeng Group have different focuses on the type of products offered which target at different customers in the market.

Other than Mr. Ni Xiangrong, Mr. Wang Yijun (resigned as an executive Director on 15 March 2018) and Mr. Pan Jian who are the directors of Jiangsu Dafeng, there is no overlap in the directorships among the Company, Jiangsu Dafeng, Dafeng Hairong and Yancheng Commercial. The Directors consider that the Board can operate independently from Jiangsu Dafeng, because (i) pursuant to the Articles, a Director shall not vote on any board resolutions approving any contract or arrangement or any other proposal in which such Director or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting; and (ii) the Directors are fully aware of their fiduciary duties owing to the shareholders of the respective companies and their duty to avoid conflicts with the shareholders of the respective companies and their duty to avoid conflicts of interests in carrying out their respective duties as directors of the relevant companies.

Save as disclosed above, during the Year, none of the Directors, controlling shareholders of the Company or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

Audit Committee

An Audit Committee (the "**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 reports 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 2017.

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, 23 March 2018

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. Shum Kan Kim	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Mr. Pan Jian		Mr. Yu Xugang
Mr. Sun Lin		Mr. Zhang Fangmao

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

* *For identification purposes only*