



# **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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

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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 SUMMARY

The Group's total revenue for the six months ended 30 June 2018 (the "**Period**") was approximately HK\$2,091.7 million, representing an increase of approximately 41.4% as compared with the total revenue of approximately HK\$1,479.5 million for the corresponding period in 2017.

Loss before taxation for the Period was approximately HK\$59.8 million, representing a decrease of approximately 866.7% as compared with the profit before taxation of approximately HK\$7.8 million for the corresponding period in 2017.

Loss attributable to the equity holders of the Company for the Period was approximately HK\$52.4 million, representing a decrease of approximately 4,863.6% as compared with the profit attributable to the equity holders of the Company of approximately HK\$1.1 million for the corresponding period in 2017.

Loss per share for the Period was approximately HK4.66 cents (the corresponding period in 2017: the earnings per share was approximately HK0.43 cents).

The board of Directors of the Company (the “**Board**”) is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2018 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2017 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2018

|                                                                        |      | Unaudited Three months<br>ended 30 June |           | Unaudited Six months<br>ended 30 June |             |
|------------------------------------------------------------------------|------|-----------------------------------------|-----------|---------------------------------------|-------------|
|                                                                        |      | 2018                                    | 2017      | 2018                                  | 2017        |
|                                                                        | Note | HK\$'000                                | HK\$'000  | HK\$'000                              | HK\$'000    |
| <b>Revenue</b>                                                         | 4    | <b>1,294,053</b>                        | 784,186   | <b>2,091,707</b>                      | 1,479,462   |
| Cost of sales                                                          |      | <b>(1,298,163)</b>                      | (760,041) | <b>(2,088,084)</b>                    | (1,441,484) |
| Gross profit                                                           |      | <b>(4,110)</b>                          | 24,145    | <b>3,623</b>                          | 37,978      |
| Other income                                                           | 5    | <b>585</b>                              | 3,218     | <b>2,530</b>                          | 9,581       |
| Administrative expenses                                                |      | <b>(25,502)</b>                         | (26,673)  | <b>(51,308)</b>                       | (47,840)    |
| Finance costs                                                          | 6    | <b>(8,943)</b>                          | (3,282)   | <b>(14,326)</b>                       | (4,232)     |
| Gain (loss) on disposal of subsidiaries                                |      | <b>–</b>                                | 12,844    | <b>–</b>                              | 12,844      |
| Share of results of associates                                         |      | <b>187</b>                              | (90)      | <b>(341)</b>                          | (519)       |
| <b>Profit/(Loss) before taxation</b>                                   | 6    | <b>(37,783)</b>                         | 10,613    | <b>(59,822)</b>                       | 7,812       |
| Taxation                                                               | 7    | <b>(146)</b>                            | (1,944)   | <b>(146)</b>                          | (2,318)     |
| <b>Profit/(loss) for the period</b>                                    |      | <b>(37,929)</b>                         | 8,219     | <b>(59,968)</b>                       | 5,494       |
| <b>Other comprehensive income/(loss):</b>                              |      |                                         |           |                                       |             |
| Item that may be reclassified to profit or loss in subsequent periods: |      |                                         |           |                                       |             |
| Exchange difference arising from translation of foreign operations     |      | <b>(6,717)</b>                          | 2,489     | <b>(2,598)</b>                        | 1,893       |
| <b>Total comprehensive income/(loss) for the period</b>                |      | <b>(44,646)</b>                         | 10,708    | <b>(62,566)</b>                       | 7,387       |

|                                                                                  |      | Unaudited Three months<br>ended 30 June<br>2018 |                  | Unaudited Six months<br>ended 30 June<br>2018 |                  |
|----------------------------------------------------------------------------------|------|-------------------------------------------------|------------------|-----------------------------------------------|------------------|
|                                                                                  | Note | HK\$'000                                        | 2017<br>HK\$'000 | HK\$'000                                      | 2017<br>HK\$'000 |
| <b>Profit/(loss) attributable to:</b>                                            |      |                                                 |                  |                                               |                  |
| Equity holders of the Company                                                    |      | <b>(33,000)</b>                                 | 3,679            | <b>(52,442)</b>                               | 1,076            |
| Non-controlling interests                                                        |      | <b>(4,929)</b>                                  | 4,450            | <b>(7,526)</b>                                | 4,418            |
|                                                                                  |      | <b>(37,929)</b>                                 | 8,219            | <b>(59,968)</b>                               | 5,494            |
| <b>Total comprehensive income/<br/>(loss) attributable to:</b>                   |      |                                                 |                  |                                               |                  |
| Equity holders of the Company                                                    |      | <b>(38,082)</b>                                 | 6,258            | <b>(54,279)</b>                               | 2,969            |
| Non-controlling interests                                                        |      | <b>(6,564)</b>                                  | 4,450            | <b>(8,287)</b>                                | 4,418            |
|                                                                                  |      | <b>(44,646)</b>                                 | 10,708           | <b>(62,566)</b>                               | 7,387            |
| <b>Profit/(loss) per share attributable to<br/>equity holders of the Company</b> |      |                                                 |                  |                                               |                  |
| Basic and diluted (HK cents)                                                     | 9    | <b>(2.94)</b>                                   | 0.64             | <b>(4.66)</b>                                 | 0.43             |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

|                                                              |       | Unaudited<br>As at<br>30 June<br>2018<br>HK\$'000 | Audited<br>As at<br>31 December<br>2017<br>HK\$'000 |
|--------------------------------------------------------------|-------|---------------------------------------------------|-----------------------------------------------------|
|                                                              | Note  |                                                   |                                                     |
| <b>Non-current assets</b>                                    |       |                                                   |                                                     |
| Property, plant and equipment                                | 10    | 145,986                                           | 123,677                                             |
| Goodwill                                                     |       | 16,213                                            | 16,213                                              |
| Prepaid lease payment                                        |       | 42,116                                            | 44,322                                              |
| Prepayments for purchase of property,<br>plant and equipment |       | 11,541                                            | 16,796                                              |
| Security deposit for loan from a third party                 |       | 3,556                                             | 3,602                                               |
| Interests in associates                                      |       | 5,664                                             | 6,005                                               |
|                                                              |       | <b>225,076</b>                                    | 210,615                                             |
| <b>Current assets</b>                                        |       |                                                   |                                                     |
| Available-for-sale financial assets                          |       | 9,334                                             | 8,806                                               |
| Prepaid lease payments                                       |       | 1,030                                             | 1,043                                               |
| Inventories                                                  |       | 49,379                                            | 6,716                                               |
| Trade and other receivables                                  | 11    | 674,952                                           | 666,799                                             |
| Pledged bank deposits                                        | 12(a) | –                                                 | 312,936                                             |
| Bank balances and cash                                       | 12    | 105,888                                           | 61,703                                              |
|                                                              |       | <b>840,583</b>                                    | 1,058,003                                           |
| <b>Current liabilities</b>                                   |       |                                                   |                                                     |
| Trade and other payables                                     | 13    | 426,098                                           | 394,925                                             |
| Current portion of interest-bearing borrowings               | 14    | 43,728                                            | 585,475                                             |
| Taxation                                                     |       | (13,891)                                          | 2,709                                               |
|                                                              |       | <b>455,935</b>                                    | 983,109                                             |
| <b>Net current assets</b>                                    |       | <b>384,648</b>                                    | 74,894                                              |
| <b>Total assets less current liabilities</b>                 |       | <b>609,724</b>                                    | 285,509                                             |

|                                                               |      | <b>Unaudited<br/>As at<br/>30 June<br/>2018<br/>HK\$'000</b> | <b>Audited<br/>As at<br/>31 December<br/>2017<br/>HK\$'000</b> |
|---------------------------------------------------------------|------|--------------------------------------------------------------|----------------------------------------------------------------|
|                                                               | Note |                                                              |                                                                |
| <b>Non-current liabilities</b>                                |      |                                                              |                                                                |
| Non-current portion of<br>interest-bearing borrowings         | 14   | <b>471,765</b>                                               | 85,429                                                         |
| Deferred tax liabilities                                      |      | <b>1,268</b>                                                 | 3,619                                                          |
|                                                               |      | <b>473,033</b>                                               | 89,048                                                         |
| <b>NET ASSETS</b>                                             |      | <b>136,691</b>                                               | 196,461                                                        |
| <b>Capital and reserves</b>                                   |      |                                                              |                                                                |
| Share capital                                                 | 15   | <b>12,880</b>                                                | 12,880                                                         |
| Reserves                                                      |      | <b>94,496</b>                                                | 148,247                                                        |
| Total equity attributable to equity holders of<br>the Company |      | <b>107,376</b>                                               | 161,127                                                        |
| Non-controlling interests                                     |      | <b>29,315</b>                                                | 35,334                                                         |
| <b>TOTAL EQUITY</b>                                           |      | <b>136,691</b>                                               | 196,461                                                        |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the six months ended 30 June 2018

|                                                                          | Total equity attributable to equity holders of the Company |                              |                                |                                 |                                  |                              |                                                   |                                    |                   |                                              |                             |
|--------------------------------------------------------------------------|------------------------------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|------------------------------|---------------------------------------------------|------------------------------------|-------------------|----------------------------------------------|-----------------------------|
|                                                                          | Share<br>capital<br>HK\$'000                               | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Statutory<br>reserve<br>HK\$'000 | Other<br>reserve<br>HK\$'000 | Share-<br>based<br>payment<br>reserve<br>HK\$'000 | Accumulated<br>profits<br>HK\$'000 | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>equity<br>HK\$'000 |
| At 1 January 2017 (audited)                                              | 12,880                                                     | 201,419                      | (7,337)                        | (3,134)                         | 303                              | (6,857)                      | 3,063                                             | (36,923)                           | 163,414           | 200                                          | 163,614                     |
| Loss for the period                                                      | –                                                          | –                            | –                              | –                               | –                                | –                            | –                                                 | 1,076                              | 1,076             | 4,418                                        | 5,494                       |
| Exchange difference arising<br>from translation of foreign<br>operations | –                                                          | –                            | –                              | 1,893                           | –                                | –                            | –                                                 | –                                  | 1,893             | –                                            | 1,893                       |
| Total comprehensive income for<br>the period                             | –                                                          | –                            | –                              | 1,893                           | –                                | –                            | –                                                 | 1,076                              | 2,969             | 4,418                                        | 7,387                       |
| Share-based payment                                                      | –                                                          | –                            | –                              | –                               | –                                | –                            | (3,063)                                           | –                                  | (3,063)           | –                                            | (3,063)                     |
| Partial disposal of interest<br>in subsidiaries                          | –                                                          | –                            | (2,294)                        | –                               | –                                | –                            | –                                                 | –                                  | (2,294)           | 21,497                                       | 19,203                      |
| Disposal of a subsidiary                                                 | –                                                          | –                            | –                              | –                               | –                                | –                            | –                                                 | –                                  | –                 | 11,270                                       | 11,270                      |
| At 30 June 2017 (unaudited)                                              | 12,880                                                     | 201,419                      | (9,631)                        | (1,241)                         | 303                              | (6,857)                      | –                                                 | (35,847)                           | 161,026           | 37,385                                       | 198,411                     |

|                                                                    | Attributable to equity holders of the Company |                           |                             |                              |                               |                           |                                         |                                 |                   |                                       |                          |
|--------------------------------------------------------------------|-----------------------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|---------------------------|-----------------------------------------|---------------------------------|-------------------|---------------------------------------|--------------------------|
|                                                                    | Share capital<br>HK\$'000                     | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 | Other reserve<br>HK\$'000 | Share-based payment reserve<br>HK\$'000 | Accumulated profits<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total Equity<br>HK\$'000 |
| At 1 January 2018 (audited)                                        | 12,880                                        | 201,419                   | (7,337)                     | (239)                        | 826                           | (9,151)                   | –                                       | (37,271)                        | 161,127           | 35,334                                | 196,461                  |
| Loss for the period                                                | –                                             | –                         | –                           | –                            | –                             | –                         | –                                       | (52,442)                        | (52,442)          | (7,526)                               | (59,968)                 |
| Exchange difference arising from translation of foreign operations | –                                             | –                         | –                           | (1,837)                      | –                             | –                         | –                                       | –                               | (1,837)           | (761)                                 | (2,598)                  |
| <b>Total comprehensive income for the period</b>                   | –                                             | –                         | –                           | (1,837)                      | –                             | –                         | –                                       | (52,442)                        | (54,279)          | (8,287)                               | (62,566)                 |
| Revaluation reserve of available-for-sale financial assets         | –                                             | –                         | –                           | –                            | –                             | 528                       | –                                       | –                               | 528               | –                                     | 528                      |
| Acquisition of a subsidiary                                        | –                                             | –                         | –                           | –                            | –                             | –                         | –                                       | –                               | –                 | 2,268                                 | 2,268                    |
| <b>At 30 June 2018 (unaudited)</b>                                 | 12,880                                        | 201,419                   | (7,337)                     | (2,076)                      | 826                           | (8,623)                   | –                                       | (89,713)                        | 107,376           | 29,315                                | 136,691                  |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

|                                                               | <b>Unaudited</b>                |          |
|---------------------------------------------------------------|---------------------------------|----------|
|                                                               | <b>Six months ended 30 June</b> |          |
|                                                               | <b>2018</b>                     | 2017     |
|                                                               | <b>HK\$'000</b>                 | HK\$'000 |
| <b>Cash used in operations</b>                                | <b>(394,550)</b>                | (53,688) |
| <b>Interest paid</b>                                          | <b>(7,534)</b>                  | (3,819)  |
| <b>Tax paid</b>                                               | <b>(1,738)</b>                  | (4,373)  |
| <b>Net cash used in operating activities</b>                  | <b>(403,822)</b>                | (61,880) |
| <b>Net cash (used in) generated from investing activities</b> | <b>(13,573)</b>                 | 17,685   |
| <b>Net cash generated from financing activities</b>           | <b>475,046</b>                  | 144,901  |
| <b>Net increase in cash and cash equivalents</b>              | <b>57,651</b>                   | 100,706  |
| <b>Cash and cash equivalents at beginning of the period</b>   | <b>61,703</b>                   | 36,070   |
| <b>Effect on exchange rate changes</b>                        | <b>(13,466)</b>                 | 277      |
| <b>Cash and cash equivalents at end of the period</b>         | <b>105,888</b>                  | 137,053  |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 1. CORPORATION INFORMATION

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

## 2. BASIS OF PREPARATION

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

The Interim Financial Statements have been prepared on a basis consistent with the accounting policies adopted in the Group's audited financial statements for the year ended 31 December 2017.

### Adoption of new/revised HKFRS

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

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

### 3. SEGMENT INFORMATION

The chief operating decision maker has been identified collectively as the executive Directors. 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 Group'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                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| — Trading business                                                       | — Trading of textile, wood logs, scrap metal, electronic products, petrochemical products etc.<br>— Provision of supply chain management services<br>— Manufacturing and trading of tin wires                                                                                              |
| — Integrated logistics freight services                                  | — Provision of ocean freight and land transportation and container drayage services<br>— Provision of ocean freight forwarding services<br>— Provision of air freight forwarding services<br>— Provision of feeder container storage facilities and hiring services of barges and vehicles |
| — Provision of fuel cards                                                | — Provision of fuel cards                                                                                                                                                                                                                                                                  |
| — Tractor repairs and maintenance services and insurance agency services | — Tractor repair and maintenance<br>— Provision of insurance agency services                                                                                                                                                                                                               |
| — Petrochemical products storage business                                | — Provision of storage services for petrochemical products                                                                                                                                                                                                                                 |

For the purposes of assessing segment performance and allocating resources between segments, the Company's senior executive management monitors 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 six months ended 30 June 2018

|                                      | Integrated<br>logistics<br>freight<br>services<br>HK\$'000 | Provision of<br>fuel cards<br>HK\$'000 | Tractor<br>repair and<br>maintenance<br>services and<br>insurance<br>agency<br>services<br>HK\$'000 | Trading<br>business<br>HK\$'000 | Petrochemical<br>Products<br>storage<br>business<br>HK\$'000 | Inter-<br>segment<br>elimination<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------|------------------------------------------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------|----------------------------------------------|-------------------|
| Revenue (from external customers)    | 65,630                                                     | 15,901                                 | 76                                                                                                  | 2,005,900                       | 4,200                                                        | -                                            | 2,091,707         |
| — Inter-segment revenue              | 10,610                                                     | 2,048                                  | 780                                                                                                 | -                               | -                                                            | (13,438)                                     | -                 |
| Total revenue                        | 76,240                                                     | 17,949                                 | 856                                                                                                 | 2,005,900                       | 4,200                                                        | (13,438)                                     | 2,091,707         |
| <b>Results</b>                       |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              |                   |
| Segment result                       | (3,987)                                                    | 1,002                                  | (25)                                                                                                | (35,611)                        | (5,311)                                                      | -                                            | (43,932)          |
| Share of result of associates        |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | (341)             |
| Other unallocated corporate income   |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | 332               |
| Other unallocated corporate expenses |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | (15,881)          |
| Loss before taxation                 |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | (59,822)          |
| Taxation                             |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | (146)             |
| Loss for the period                  |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | (59,968)          |

**For the six months ended 30 June 2017**

|                                      | Integrated<br>logistics<br>freight<br>services<br>HK\$'000 | Provision of<br>fuel cards<br>HK\$'000 | Tractor<br>repair and<br>maintenance<br>services and<br>insurance<br>agency<br>services<br>HK\$'000 | Trading<br>business<br>HK\$'000 | Petrochemical<br>Products<br>storage<br>business<br>HK\$'000 | Inter-<br>segment<br>elimination<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------|------------------------------------------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------|----------------------------------------------|-------------------|
| Revenue (from external customers)    | 139,882                                                    | 15,007                                 | 150                                                                                                 | 1,313,098                       | 11,325                                                       | –                                            | 1,479,462         |
| — Inter-segment revenue              | 11,190                                                     | 2,063                                  | 740                                                                                                 | –                               | –                                                            | (13,993)                                     | –                 |
| Total revenue                        | 151,072                                                    | 17,070                                 | 890                                                                                                 | 1,313,098                       | 11,325                                                       | (13,993)                                     | 1,479,462         |
| <b>Results</b>                       |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              |                   |
| Segment result                       | (1,902)                                                    | 933                                    | (358)                                                                                               | 8,252                           | (2,267)                                                      | –                                            | 4,656             |
| Share of results of associates       |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | (519)             |
| Other unallocated corporate income   |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | 12,844            |
| Other unallocated corporate expenses |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | (9,169)           |
| Profit before taxation               |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | 7,812             |
| Taxation                             |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | (2,318)           |
| Profit for the period                |                                                            |                                        |                                                                                                     |                                 |                                                              |                                              | 5,494             |

#### 4. REVENUE

Revenue, which represents income from provision of integrated logistics freight services, provision of fuel cards, tractor repair and maintenance services and insurance agency services, trading business and petrochemical products storage business is analysed by category as follows:

|                                                                           | <b>Unaudited</b>          |          | <b>Unaudited</b>        |           |
|---------------------------------------------------------------------------|---------------------------|----------|-------------------------|-----------|
|                                                                           | <b>Three months ended</b> |          | <b>Six months ended</b> |           |
|                                                                           | <b>30 June</b>            |          | <b>30 June</b>          |           |
|                                                                           | <b>2018</b>               | 2017     | <b>2018</b>             | 2017      |
|                                                                           | <b>HK\$'000</b>           | HK\$'000 | <b>HK\$'000</b>         | HK\$'000  |
| Income from provision of integrated logistics freight services            | <b>27,879</b>             | 73,128   | <b>65,630</b>           | 139,882   |
| Income from provision of fuel cards                                       | <b>6,834</b>              | 7,979    | <b>15,901</b>           | 15,007    |
| Tractor repair and maintenance services and insurance agency services fee | <b>60</b>                 | 29       | <b>76</b>               | 150       |
| Income from trading business                                              | <b>1,256,262</b>          | 697,541  | <b>2,005,900</b>        | 1,313,098 |
| Income from provision of petrochemical products storage business          | <b>3,018</b>              | 5,509    | <b>4,200</b>            | 11,325    |
|                                                                           | <b>1,294,053</b>          | 784,186  | <b>2,091,707</b>        | 1,479,462 |

## 5. OTHER INCOME

|                                                      | Unaudited<br>Three months ended<br>30 June |                  | Unaudited<br>Six months ended<br>30 June |                  |
|------------------------------------------------------|--------------------------------------------|------------------|------------------------------------------|------------------|
|                                                      | 2018<br>HK\$'000                           | 2017<br>HK\$'000 | 2018<br>HK\$'000                         | 2017<br>HK\$'000 |
| Bank interest income                                 | <b>553</b>                                 | 50               | <b>585</b>                               | 99               |
| Exchange gain/(loss)                                 | <b>(506)</b>                               | 2,336            | <b>1,004</b>                             | 779              |
| Gain on disposal of property,<br>plant and equipment | <b>125</b>                                 | 498              | <b>125</b>                               | 4,903            |
| Management fee income                                | <b>100</b>                                 | 150              | <b>250</b>                               | 300              |
| Sundry income                                        | <b>313</b>                                 | 184              | <b>566</b>                               | 3,500            |
|                                                      | <b>585</b>                                 | 3,218            | <b>2,530</b>                             | 9,581            |

## 6. PROFIT/(LOSS) BEFORE TAXATION

|                                                                                                            | Unaudited<br>Three months ended<br>30 June |                  | Unaudited<br>Six months ended<br>30 June |                  |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------|------------------------------------------|------------------|
|                                                                                                            | 2018<br>HK\$'000                           | 2017<br>HK\$'000 | 2018<br>HK\$'000                         | 2017<br>HK\$'000 |
| <b>Finance costs</b>                                                                                       |                                            |                  |                                          |                  |
| Interest on bank loans,<br>overdrafts and other<br>borrowings wholly<br>repayable within five years        | <b>8,877</b>                               | 2,264            | <b>14,156</b>                            | 2,947            |
| Finance charge on obligations<br>under finance leases                                                      | <b>66</b>                                  | 1,018            | <b>170</b>                               | 1,285            |
|                                                                                                            | <b>8,943</b>                               | 3,282            | <b>14,326</b>                            | 4,232            |
| <b>Other items</b>                                                                                         |                                            |                  |                                          |                  |
| Cost of inventories                                                                                        | <b>1,263,037</b>                           | 682,722          | <b>2,013,732</b>                         | 1,292,377        |
| Depreciation                                                                                               | <b>3,577</b>                               | 10,168           | <b>7,684</b>                             | 15,931           |
| Operating lease payments<br>on premises                                                                    | <b>1,761</b>                               | 4,173            | <b>4,038</b>                             | 4,777            |
| <b>Staff costs</b>                                                                                         |                                            |                  |                                          |                  |
| Salaries, allowance and<br>the other short-term<br>employee benefits<br>including Directors'<br>emoluments | <b>16,451</b>                              | 23,892           | <b>37,843</b>                            | 42,375           |
| Contributions to defined<br>contribution plans                                                             | <b>978</b>                                 | 2,450            | <b>2,293</b>                             | 3,862            |
|                                                                                                            | <b>17,429</b>                              | 26,342           | <b>40,136</b>                            | 46,237           |

## 7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) of the estimated assessable profits for the period. The People's Republic of China (the "PRC") Enterprise Income Tax is calculated at the prevailing tax rate at 25% (2017: 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.

|                                                  | Unaudited<br>Three months ended<br>30 June<br>2018<br>HK\$'000 |          | Unaudited<br>Six months ended<br>30 June<br>2018<br>HK\$'000 |          |
|--------------------------------------------------|----------------------------------------------------------------|----------|--------------------------------------------------------------|----------|
|                                                  | 2018                                                           | 2017     | 2018                                                         | 2017     |
|                                                  | HK\$'000                                                       | HK\$'000 | HK\$'000                                                     | HK\$'000 |
| <b>Current tax</b>                               |                                                                |          |                                                              |          |
| Hong Kong Profits Tax                            |                                                                |          |                                                              |          |
| — Current period                                 | <b>97</b>                                                      | —        | <b>97</b>                                                    | —        |
| PRC Enterprise Income Tax                        |                                                                |          |                                                              |          |
| — Current period                                 | —                                                              | 1,532    | —                                                            | 1,906    |
| — Under-provision in<br>prior period             | <b>49</b>                                                      | 412      | <b>49</b>                                                    | 412      |
|                                                  | <b>49</b>                                                      | 1,944    | <b>49</b>                                                    | 2,318    |
| Total income tax recognized<br>in profit or loss | <b>146</b>                                                     | 1,944    | <b>146</b>                                                   | 2,318    |

## 8. DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (2017: Nil).

## 9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share for the three months and six months ended 30 June 2018 and 2017 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.

|                                                                | Unaudited<br>Three months ended<br>30 June |                  | Unaudited<br>Six months ended<br>30 June |                  |
|----------------------------------------------------------------|--------------------------------------------|------------------|------------------------------------------|------------------|
|                                                                | 2018<br>HK\$'000                           | 2017<br>HK\$'000 | 2018<br>HK\$'000                         | 2017<br>HK\$'000 |
| Profit/(loss) attributable to<br>equity holders of the Company | (37,929)                                   | 8,219            | (59,968)                                 | 5,494            |
| Weighted average number of<br>ordinary shares in issue         | 1,288,000,000                              | 1,288,000,000    | 1,288,000,000                            | 1,288,000,000    |
| Basic profit/(loss) per share (HK cents)                       | (2.94)                                     | 0.64             | (4.66)                                   | 0.43             |

Basic and diluted earnings/(loss) per share are the same as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of plant and machinery with a cost of approximately HK\$29.1 million (2017: approximately HK\$6.1 million). Items of plant and machinery with a net book value of approximately HK\$0.6 million were disposed of during the Period (2017: approximately HK\$0.9 million), resulting in a gain on disposal of approximately HK\$0.1 million (2017: approximately HK\$4.9 million).

## 11. TRADE AND OTHER RECEIVABLES

|                                                                      |       | Unaudited<br>30 June<br>2018<br>HK\$'000 | Audited<br>31 December<br>2017<br>HK\$'000 |
|----------------------------------------------------------------------|-------|------------------------------------------|--------------------------------------------|
|                                                                      | Note  |                                          |                                            |
| <b>Trade and bills receivables</b>                                   |       |                                          |                                            |
| — Third parties                                                      |       | <b>337,911</b>                           | 303,471                                    |
| — Related parties                                                    |       | —                                        | 12                                         |
|                                                                      |       | <b>337,911</b>                           | 303,483                                    |
| <b>Other receivables</b>                                             |       |                                          |                                            |
| Deposits, prepayments and other debtors                              |       | <b>225,008</b>                           | 29,271                                     |
| VAT refundable for export sales                                      |       | <b>93,148</b>                            | 97,139                                     |
| Advanced payment to suppliers                                        |       | <b>17,958</b>                            | 229,042                                    |
| Refundable prepayment                                                |       | <b>20</b>                                | —                                          |
| Due from associates                                                  | 11(a) | <b>903</b>                               | 1,212                                      |
| Due from a connected company                                         |       | <b>4</b>                                 | 2,402                                      |
| Consideration receivable for disposal of<br>interest in a subsidiary |       | —                                        | 4,250                                      |
|                                                                      |       | <b>337,041</b>                           | 363,316                                    |
|                                                                      |       | <b>674,952</b>                           | 666,799                                    |

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

|                                  | <b>Unaudited</b><br><b>30 June</b><br><b>2018</b><br><b>HK\$'000</b> | Audited<br>31 December<br>2017<br>HK\$'000 |
|----------------------------------|----------------------------------------------------------------------|--------------------------------------------|
| Outstanding balances which aged: |                                                                      |                                            |
| 90 days or below                 | <b>288,155</b>                                                       | 258,003                                    |
| 91–180 days                      | <b>48,495</b>                                                        | 39,342                                     |
| 181–365 days                     | <b>1,110</b>                                                         | 6,009                                      |
| More than 365 days               | <b>151</b>                                                           | 129                                        |
|                                  | <b>337,911</b>                                                       | 303,483                                    |

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

The ageing analysis of trade receivables which are past due but not impaired is as follows:

|                               | <b>Unaudited</b><br><b>30 June</b><br><b>2018</b><br><b>HK\$'000</b> | Audited<br>31 December<br>2017<br>HK\$'000 |
|-------------------------------|----------------------------------------------------------------------|--------------------------------------------|
| Neither past due nor impaired | <b>280,698</b>                                                       | 193,260                                    |
| Within 90 days                | <b>54,862</b>                                                        | 71,879                                     |
| 91–180 days                   | <b>1,708</b>                                                         | 37,772                                     |
| 181–365 days                  | <b>492</b>                                                           | 443                                        |
| More than 365 days            | <b>151</b>                                                           | 129                                        |
| Past due but not impaired     | <b>57,213</b>                                                        | 110,223                                    |
|                               | <b>337,911</b>                                                       | 303,483                                    |

Included in the Group's trade receivables balance are debtors with carrying amounts of approximately HK\$57.2 million as at 30 June 2018 (31 December 2017: approximately HK\$110.2 million) which are past due at the end of the reporting period but which the Group has not impaired as there have not been any significant changes in credit quality and the Directors believe that the amounts are fully recoverable. The management had reviewed the subsequent settlement status and repayment history of these customers and no provision for doubtful debt is considered necessary. The Group does not hold any collateral over these balances.

Receivables that were neither past due nor impaired as at 30 June 2018 and 31 December 2017 relate to a wide range of customers for whom there was no history of default.

#### **11(a) DUE FROM ASSOCIATES**

The amounts due are unsecured, interest-free and have no fixed term of repayment.

#### **12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS**

|                        | <b>Unaudited</b> | Audited     |
|------------------------|------------------|-------------|
|                        | <b>30 June</b>   | 31 December |
|                        | <b>2018</b>      | 2017        |
|                        | <b>HK\$'000</b>  | HK\$'000    |
| Bank balances and cash | <b>105,888</b>   | 61,703      |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

#### **12(a) PLEDGED BANK DEPOSITS**

At 30 June 2018 and 31 December 2017, pledged bank deposits of the Group mainly represent bank deposits pledged to a bank against the general banking facilities as mentioned in note 17 to the unaudited Interim Financial Statements.

### 13. TRADE AND OTHER PAYABLES

|                                                                         |       | Unaudited<br>30 June<br>2018<br>HK\$'000 | Audited<br>31 December<br>2017<br>HK\$'000 |
|-------------------------------------------------------------------------|-------|------------------------------------------|--------------------------------------------|
|                                                                         | Note  |                                          |                                            |
| <b>Trade payables</b>                                                   |       | <b>244,818</b>                           | 134,276                                    |
| <b>Other payables</b>                                                   |       |                                          |                                            |
| Accrued charges and other creditors                                     |       | <b>154,737</b>                           | 39,725                                     |
| Advanced receipts from customers                                        |       | <b>14,099</b>                            | 184,589                                    |
| Construction costs payable                                              |       | –                                        | 1,990                                      |
| Salaries and bonus payable                                              |       | <b>2,289</b>                             | 3,981                                      |
| Amounts due to ex-shareholders of<br>Zhongnanhui                        |       | –                                        | 1,014                                      |
| Amounts due to an ex-director of<br>Zhongnanhui                         |       | –                                        | 15,589                                     |
| Due to associates                                                       | 13(a) | <b>4,157</b>                             | 5,157                                      |
| Loan interest payable                                                   |       | <b>998</b>                               | 2,403                                      |
| Deposit received for disposal of<br>available for sale financial assets |       | <b>5,000</b>                             | 5,000                                      |
| Consideration payable in respect of<br>acquisition of a subsidiary      |       | –                                        | 1,201                                      |
|                                                                         |       | <b>181,280</b>                           | 260,649                                    |
|                                                                         |       | <b>426,098</b>                           | 394,925                                    |

The ageing analysis of trade payables is as follows:

|                  | <b>Unaudited</b> | Audited     |
|------------------|------------------|-------------|
|                  | <b>30 June</b>   | 31 December |
|                  | <b>2018</b>      | 2017        |
|                  | <b>HK\$'000</b>  | HK\$'000    |
| 90 days or below | <b>235,866</b>   | 133,465     |
| 91–180 days      | <b>8,673</b>     | 811         |
| 181–365 days     | <b>279</b>       | –           |
|                  | <b>244,818</b>   | 134,276     |

### **13(a) DUE TO ASSOCIATES**

The amounts are unsecured, interest-free and repayable on demand.

## 14. BANK AND OTHER BORROWINGS

|                                                                           | Unaudited<br>30 June<br>2018<br>HK\$'000 | Audited<br>31 December<br>2017<br>HK\$'000 |
|---------------------------------------------------------------------------|------------------------------------------|--------------------------------------------|
| <b>Interest-free</b>                                                      |                                          |                                            |
| Bank loan                                                                 | –                                        | 312,587                                    |
| <b>Interest-bearing</b>                                                   |                                          |                                            |
| Bank loan                                                                 | 46,235                                   | 50,434                                     |
| Loan from third parties                                                   | 447,034                                  | 60,827                                     |
| Loan from connected companies                                             | 10,119                                   | 236,908                                    |
| Obligations under finance leases                                          | 12,105                                   | 10,148                                     |
|                                                                           | <b>515,493</b>                           | 670,904                                    |
| Current portion                                                           |                                          |                                            |
| Portion of bank and other borrowings due for<br>repayment within one year |                                          |                                            |
| — Obligations under finance leases                                        | 3,994                                    | 3,012                                      |
| — Loan from connected companies                                           | 10,119                                   | 236,908                                    |
| — Bank loans                                                              | 5,928                                    | 322,194                                    |
| — Loan from a third party                                                 | 23,687                                   | 23,361                                     |
| Total current portion of bank and other borrowings                        | <b>43,728</b>                            | 585,475                                    |
| Non-current portion                                                       |                                          |                                            |
| — Loan from a third party                                                 | 423,347                                  | 37,466                                     |
| — Bank loans                                                              | 40,307                                   | 40,827                                     |
| — Obligations under finance leases                                        | 8,111                                    | 7,136                                      |
| Total non-current portion of bank<br>and other borrowings                 | <b>471,765</b>                           | 85,429                                     |
| Total bank and other borrowings                                           | <b>515,493</b>                           | 670,904                                    |
| <b>Analysed as follows:</b>                                               |                                          |                                            |
| Secured                                                                   | 28,754                                   | 383,562                                    |
| Secured and guaranteed                                                    | 445,839                                  | 50,434                                     |
| Unsecured                                                                 | 40,900                                   | 236,908                                    |
|                                                                           | <b>515,493</b>                           | 670,904                                    |

## 15. SHARE CAPITAL

|                                         | 30 June 2018        |                              | 31 December 2017    |                              |
|-----------------------------------------|---------------------|------------------------------|---------------------|------------------------------|
|                                         | Number of<br>shares | Nominal<br>value<br>HK\$'000 | Number of<br>shares | Nominal<br>value<br>HK\$'000 |
| <b>Ordinary shares of HK\$0.01 each</b> |                     |                              |                     |                              |
| <b>Authorised</b>                       |                     |                              |                     |                              |
| At 1 January 2018/2017                  | 10,000,000,000      | 100,000                      | 10,000,000,000      | 100,000                      |
| At 30 June 2018/31 December 2017        | 10,000,000,000      | 100,000                      | 10,000,000,000      | 100,000                      |
| <b>Issued and fully paid:</b>           |                     |                              |                     |                              |
| At 1 January 2018/2017                  | 1,288,000,000       | 12,880                       | 1,288,000,000       | 12,880                       |
| Placing of new shares                   | –                   | –                            | –                   | –                            |
| At 30 June 2018/31 December 2017        | 1,288,000,000       | 12,880                       | 1,288,000,000       | 12,880                       |

## 16. RELATED PARTY TRANSACTIONS

During the Period, save as disclosed elsewhere in the Interim Financial Statements, the Group had the following transactions with related parties:

### (a) Related party transactions

|                                             |     | Unaudited<br>30 June<br>2018<br>HK\$'000 | Unaudited<br>30 June<br>2017<br>HK\$'000 |
|---------------------------------------------|-----|------------------------------------------|------------------------------------------|
| <b>Ocean freight income received from:</b>  |     |                                          |                                          |
| Echo Chain Shipping Limited                 | (a) | 2,365                                    | 3,167                                    |
| <b>Ocean freight charge paid to:</b>        |     |                                          |                                          |
| Echo Chain Shipping Limited                 | (a) | 39                                       | 31                                       |
| <b>Management fee income received from:</b> |     |                                          |                                          |
| Full & Fame Oil Product Agency Limited      | (a) | 250                                      | 300                                      |
| <b>Equipment rental received from:</b>      |     |                                          |                                          |
| Vanco Logistics Limited                     | (a) | 104                                      | 125                                      |
| Echo Chain Shipping Limited                 | (a) | 175                                      | 201                                      |

|                                             |          | <b>Unaudited<br/>30 June<br/>2018<br/>HK\$'000</b> | <b>Unaudited<br/>30 June<br/>2017<br/>HK\$'000</b> |
|---------------------------------------------|----------|----------------------------------------------------|----------------------------------------------------|
|                                             | Note     |                                                    |                                                    |
| <b>Fuel and oil fee received from:</b>      |          |                                                    |                                                    |
| Vanco Logistics Limited                     | (a)      | <b>271</b>                                         | 205                                                |
| <b>Insurance income from:</b>               |          |                                                    |                                                    |
| Echo Chain Shipping Limited                 | (a)      | –                                                  | 133                                                |
| <b>Vehicle Rental Services fee paid to:</b> |          |                                                    |                                                    |
| Dafeng Supply Chain                         | (b), (c) | –                                                  | 1,872                                              |
| <b>Logistics Service fee received from:</b> |          |                                                    |                                                    |
| Dafeng Harbour Port                         | (b), (c) | –                                                  | 21,490                                             |
| <b>Repair Service paid to:</b>              |          |                                                    |                                                    |
| Dafeng Harbour Port                         | (b), (c) | –                                                  | 3,778                                              |
| <b>Fuel cost paid to:</b>                   |          |                                                    |                                                    |
| Yancheng Dafeng Oil                         | (b), (c) | –                                                  | 6,728                                              |
| <b>Interest fee paid to:</b>                |          |                                                    |                                                    |
| Haijing Factoring                           | (b)      | <b>3,073</b>                                       | 2,947                                              |
| Jiangsu Dafeng                              |          | <b>596</b>                                         | –                                                  |
| Dafeng Port Beijing                         | (b)      | <b>657</b>                                         | –                                                  |

Notes:

- a. Echo Chain Shipping Limited, Vanco Logistics Limited, Full & Fame Oil Product Agency Limited and Earnward Warehouse Limited are associates of the Group.
- b. Dafeng Supply Chain (大豐海港港口供應鏈管理有限公司), Dafeng Harbour Port (大豐海港港口有限責任公司), Yancheng Dafeng Oil (鹽城市大豐港成品油有限公司), Haijing Factoring (海晶商業保理有限公司) and Dafeng Port Beijing (大豐港融資租賃(北京)有限責任公司) are controlled by a substantial shareholder.
- c. These related party transactions also constitute continuing connected transactions under the GEM Listing Rules.

**(b) Key management personnel remuneration**

The remuneration of Directors, who are also identified as key management personnel of the Group, during the period is as follows:

|                                                                | <b>Unaudited</b>                  |          | <b>Unaudited</b>                |          |
|----------------------------------------------------------------|-----------------------------------|----------|---------------------------------|----------|
|                                                                | <b>Three months ended 30 June</b> |          | <b>Six months ended 30 June</b> |          |
|                                                                | <b>2018</b>                       | 2017     | <b>2018</b>                     | 2017     |
|                                                                | <b>HK\$'000</b>                   | HK\$'000 | <b>HK\$'000</b>                 | HK\$'000 |
| Salaries, allowance and the other short-term employee benefits | <b>405</b>                        | 1,095    | <b>860</b>                      | 2,400    |
| Contribution to defined contribution plans                     | <b>29</b>                         | 3        | <b>33</b>                       | 6        |
|                                                                | <b>434</b>                        | 1,098    | <b>893</b>                      | 2,406    |

## 17. PLEDGE OF ASSETS/BANKING FACILITIES

The details of pledge of assets and the banking facilities granted to the Group are summarized as follows:

|                                               | <b>Unaudited<br/>30 June<br/>2018<br/>HK\$'000</b> | <b>Audited<br/>31 December<br/>2017<br/>HK\$'000</b> |
|-----------------------------------------------|----------------------------------------------------|------------------------------------------------------|
| Total banking facilities granted to the Group | <b>59,275</b>                                      | 382,627                                              |
| Total utilised banking facilities             | <b>46,235</b>                                      | 363,391                                              |

As the end of the reporting period, the Group had obtained several banking facilities amount of approximately HK\$59.3 million (31 December 2017: approximately HK\$382.6 million).

- (a) pledged bank deposits as shown in the note 12(a) to the Interim Financial Statements;
- (b) HK\$10,000,000 facilities are cross-guaranteed among certain subsidiaries of the Group as at 30 June 2018 (31 December 2017: HK\$10,000,000).

## 18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 10 August 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the Period, the Group was 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 Period:

### 1. Trading business

The Group engages in the business of trading, importing and exporting of electronic products, petrochemical products and various other products. During the Period, the Group's trading business recorded revenue of approximately HK\$2,005.9 million (2017: approximately HK\$1,313.1 million). The increase in revenue was mainly attributable to the acquisition 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**") on 30 June 2017 and 深圳市泛海控股有限公司 (Shenzhen Fanhai Holdings Limited\*) ("**Shenzhen Fanhai**") on 12 December 2017, and the increase of customers of the trading business, the new business of electrolytic copper which 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited\*) ("**Heshun Trading**") is engaged in and the trading business of subsidiaries maintained a growth rate exceeding that of the corresponding period of last year.

### 2. Integrated logistics freight services

During the Period, the Group's revenue in integrated logistics freight services recorded a decrease of approximately 53.1% to approximately HK\$65.6 million (2017: approximately HK\$139.9 million). The decrease in revenue was mainly attributable to the disposal 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**") on 13 June 2017.

### **3. Supporting services**

The Group's revenue from supporting services which comprised provision of fuel cards and tractor repair and maintenance services and insurance agency services, increased from approximately HK\$15.2 million for the six months ended 30 June 2017 to approximately HK\$16.0 million for the Period.

#### **(a) Provision of fuel cards**

During the Period, the increase in the Group's supporting services revenue was mainly driven by the increase in revenue from provision of fuel cards. The relevant revenue increased by approximately 6.0% to approximately HK\$15.9 million (2017: approximately HK\$15.0 million). The Group will continue to increase its 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 Period. The relevant revenue decreased by approximately 49.3% to approximately HK\$76,000 during the Period (2017: approximately HK\$150,000).

### **4. Petrochemical Products Storage Business**

The Group engages in petrochemical products storage business through 江蘇中南滙石化倉儲有限公司 (Jiangsu Zhongnanhui Petrochemical Storage Company Limited\*). During the Period, the Group's petrochemical products storage business recorded revenue decreased by approximately 62.9% to approximately HK\$4.2 million (2017: approximately HK\$11.3 million). The decrease in revenue was mainly attributable to the construction of additional petrochemical storage tanks which interfered with the normal operation of some storage tanks around.

## FINANCIAL REVIEW

The Group's revenue increased by approximately 41.4% to approximately HK\$2,091.7 million for the Period (2017: approximately HK\$1,479.5 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 44.9% to approximately HK\$2,088.1 million for the Period (2017: approximately HK\$1,441.5 million). The increase in cost was mainly attributable to the increase in cost of the Group's trading business.

With the combined effects of revenue and cost of sales, the Group's gross profit margin decreased to approximately 0.2% for the Period (2017: approximately 2.6%), which was mainly due to the change of international market, which leads to the increase of purchasing cost of goods, while the selling prices maintain stability.

The Group's other income decreased by approximately 88.7% to approximately HK\$2.5 million (2017: approximately HK\$22.4 million). The decrease in other income was mainly attributable to the one-off subsidies received from the government, the one-off gain recognised from the disposal of certain of the Group's property, plant and equipment and the one-off gain recognised from the disposal of Dafeng Logistics for the corresponding periods in 2017, whereas no such gain was recognised for the Period.

The Group's finance costs increased by approximately 240.4% to approximately HK\$14.3 million for the Period (2017: approximately HK\$4.2 million), the finance costs consist of interests on bank loans, overdrafts, other borrowings and interest on amounts due to connected companies as well as the finance charge on the obligations under finance leases. The increase in finance cost was mainly attributable to the placing of the unlisted secured bonds of US\$50 million.

The Group recorded the loss for the Period of approximately HK\$60.0 million (2017: profit of approximately HK\$5.5 million). The loss attributable to the equity holders of the Company was approximately HK\$52.4 million (2017: profit of approximately HK\$1.1 million) and the loss per share was approximately 4.66 HK cents (2017: earnings per share was approximately 0.43 HK cents).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group adopted financial management policy and has a healthy financial position.

As at 30 June 2018, the Group had net current assets of approximately HK\$384.6 million (31 December 2017: approximately HK\$74.9 million) including bank balances and cash equivalents of approximately HK\$105.9 million (31 December 2017: approximately HK\$61.7 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 30 June 2018 was approximately 1.84 (31 December 2017: 1.08).

As at 30 June 2018, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately 373.2% (31 December 2017: 182.3%).

## **CAPITAL STRUCTURE**

As at 30 June 2018, the Group's total equity attributable to equity holders of the Company amounted to approximately HK\$107.4 million (31 December 2017: HK\$161.1 million). The capital of the Company mainly comprised ordinary share capital, share premium and capital reserves.

## **DIVIDEND**

The Board did not recommend the payment of any interim dividend in respect of the Period (2017: Nil).

## **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\$60.7 million as at 30 June 2018 (31 December 2017: approximately HK\$75.4 million), prepaid lease payments of approximately HK\$43.1 million as at 30 June 2018 (31 December 2017: approximately HK\$45.4 million) and security deposit for loan from a third party of approximately HK\$3.6 million as at 30 June 2018 (31 December 2017: approximately HK\$3.6 million).

The US\$50.0 million of the secured and guaranteed borrowings are secured and guaranteed by all of Dafeng Port Overseas' right, title and interest from time to time in and to each Secured Account, the Deposit and all related rights in relation thereto.

## **PLACING OF UNLISTED SECURED BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF UP TO US\$50,000,000 AND ACCOUNT CHARGE BY CONTROLLING SHAREHOLDER**

On 27 March 2018, the Company, as issuer, 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited\*) ("**Jiangsu Dafeng**"), as guarantor, and Industrial Bank Co., Ltd. Hong Kong Branch (the "**Placing Agent**"), entered into a placing agreement pursuant to which the Company agreed to appoint the Placing Agent as a placing agent for the purpose of procuring, and to use its best efforts, the subscription of the bonds of up to an aggregate principal amount of US\$50 million (the "**Placing**").

大豐港海外投資控股有限公司 (Dafeng Port Overseas Investment Holdings Limited\*) ("**Dafeng Port Overseas**"), a controlling shareholder of the Company, entered into a deed of account charge (the "**Account Charge**") with the security trustee on 29 March 2018, pursuant to which Dafeng Port Overseas assigned and agreed to assign to the security trustee, as trustee for the bondholders, all of Dafeng Port Overseas' right, title and interest from time to time in and to each secured account, which represented approximately 57.46% of the total issued Shares as at 29 March 2018, as security for the payment and discharge of the secured obligations.

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

The proceeds will be used to satisfy the needs of the Group's continual business development. The Group is considering utilising the net proceeds for future expansion of and investment in the Group's main businesses.

For further details, please refer to the announcements of the Company dated 27 March 2018 and 29 March 2018 in relation to the Placing.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

### **The proposed acquisition of the entire equity in Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited**

On 29 May 2018, Heshun Trading (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, as purchaser, and (i) Jiangsu Dafeng and (ii) 江蘇華海投資有限公司 (Jiangsu Huahai investment Company Limited\*) (the "**Sellers**"), as vendors, entered into the framework equity purchase agreement and together with any supplemental agreement thereto (the "**Framework Equity Purchase Agreement**") , pursuant to which the Purchaser conditionally agreed to purchase and each of the Sellers conditionally agreed to sell 60% and 40% of their respective equity interest in 江蘇海融大豐港油品化工碼頭股份有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited\*) (the "**Target Company**") at the aggregate consideration of RMB405.9 million in cash (the "**Acquisition**").

For further details, please refer to (1) the announcement of the Company dated 29 May 2018, and (2) the circular of the Company dated 29 June 2018 in relation to the Acquisition.

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

## **OUTLOOKS**

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 view of the decline of the land and ocean freight services business, the Group intends to carry out the provision of petrochemical products terminal handling services which would enable the Group to strengthen its logistics business and generate synergies with the Group's principal business.

## **FOREIGN CURRENCY EXPOSURE**

The income and expenditure of the Group are mainly carried in Hong Kong Dollars and Renminbi. Besides the US\$50.0 million of unlisted secured bonds were denominated in US dollars, the assets and liabilities of the Group were mainly denominated in Hong Kong Dollars and Renminbi. The Group does not expect significant exposure to foreign exchange fluctuations, therefore, currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider exchange rate hedging arrangement when necessary.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2018, the Group employed a total of 282 employees (31 December 2017: 294 employees) based in Hong Kong and the PRC. During the Period, the total staff costs, including Directors' emoluments, amounted to approximately HK\$40.1 million (2017: approximately HK\$46.2 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 30 June 2018, the Group had no material contingent liabilities (31 December 2017: Nil).

## OTHER INFORMATION

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

As at 30 June 2018, none of the Directors or 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) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

### **SHARE OPTION SCHEME**

The Company operates a share option scheme (the “**Scheme**”) for the purpose of providing incentives, recognising and acknowledging the contributions that eligible persons had made or may make to the Group. The Scheme was adopted pursuant to the written resolutions of the sole shareholder of the Company passed on 3 August 2013. The expiry date of the Scheme is 2 August 2023. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options were granted, exercised or cancelled by the Company under the Scheme during the Period and there were no outstanding share options under the Scheme as at 30 June 2018 and as at the date of this announcement.

### **DIRECTORS' PARTICULARS**

#### **Appointment of Directors**

Mr. Miao Zhibin was appointed as an non-executive Director on 26 June 2018.

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

As at 30 June 2018, 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/<br>Nature of interests   | Number of<br>shares held<br>(Note 1) | % of<br>the Company's<br>issued<br>share capital<br>(Approximate) |
|-------------------------------------------------------------------------|------------------------------------|--------------------------------------|-------------------------------------------------------------------|
| Dafeng Port Overseas (Note 2)                                           | Beneficial owner                   | 740,040,000 (L)/(S)                  | 57.46%                                                            |
| Jiangsu Dafeng (Note 3)                                                 | Interest of controlled corporation | 740,040,000 (L)/(S)                  | 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)/(S)                  | 57.46%                                                            |
| China Water Industry Group Limited                                      | Beneficial owner                   | 69,750,000 (L)                       | 5.42%                                                             |

Notes:

1. The letter "L" denotes a long position in the interest in the issued share capital of the Company. The letter "S" denotes a short position in the interest in the issued share capital of the Company.
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 of the Company held by Dafeng Port Overseas under the SFO.

Save as disclosed above, as at 30 June 2018, 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 Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPETING INTERESTS**

Due to 鹽城大豐碧港貿易有限公司 (Yancheng Dafeng Bi Port Trading Limited\*) ("**Dafeng Bi Port**") has ceased its business, Jiangsu Dafeng, a controlling shareholder of the Company, has only two indirect wholly-owned subsidiaries, namely 大豐海融國際貿易有限公司 (Dafeng Hairong International Trading Limited\*) ("**Dafeng Hairong**") and 鹽城市港城商業管理有限公司 (Yancheng City Gangcheng Commercial Management Co., Ltd\*) ("**Yancheng Commercial**") and, 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 whollyowned subsidiary of the Company, and its subsidiaries, and 前海明天供應鏈(深圳)有限公司 (Qianhai Mingtian Supply Chain(Shenzhen) Company Limited\*) ("**Qianhai Mingtian**") and its subsidiary. 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.

Other than Mr. Ni Xiangrong 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 of association of the Company, a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting; and (ii) the Directors are fully aware of their fiduciary duties owing to the shareholders of the respective companies and their duty to avoid conflicts to the shareholders of the respective companies and their duty to avoid conflicts of interests in carrying out their respective duties as directors of the relevant companies.

Save as disclosed above, as at 30 June 2018, none of the Directors, controlling shareholders of the Company or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **CORPORATE GOVERNANCE CODE**

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

## AUDIT COMMITTEE

An audit committee of the Company (the “**Audit Committee**”) has been established on 3 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. As at 30 June 2018, the members of the Audit Committee comprise Mr. Lau Hon Kee (Chairman), Dr. Bian Zhaoxiang and Mr. Zhang Fangmao, all of whom are independent non-executive Directors. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures of the Group.

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

## APPRECIATION

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

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

Hong Kong, 10 August 2018

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

| <i>Executive Directors</i>           | <i>Non-executive Directors</i> | <i>Independent Non-executive Directors</i> |
|--------------------------------------|--------------------------------|--------------------------------------------|
| Mr. Ni Xiangrong ( <i>Chairman</i> ) | Mr. Ji Longtao                 | Dr. Bian Zhaoxiang                         |
| Mr. Shum Kan Kim                     | Mr. Yang Yue Xia               | Mr. Lau Hon Kee                            |
| Mr. Pan Jian                         | Mr. Miao Zhibin                | 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](http://www.hkgem.com) for a minimum period of 7 days from the date of its publication and on the Company’s website at [www.dfport.com.hk](http://www.dfport.com.hk).*

\* For identification purpose only