Dafeng Port Heshun Technology Company Limited
大豐港和順科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8310)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

FINANCIAL HIGHLIGHTS

The Group's revenue generated from continuing operations increased by approximately 29.3% to approximately HK$4,169.5 million for the year ended 31 December 2018 (the "**Year**") (2017: approximately HK$3,225.4 million). The increase in revenue was mainly attributable to the increase in revenue of the Group's trading business.

The Group's cost of sales generated from continuing operations increased by approximately 32.7% to approximately HK$4,205.9 million for the Year (2017: approximately HK$3,170.0 million). The increase in cost was mainly driven by the increase in cost of the trading business and the increase of material cost from repairing and upgrading of existing fire services in accordance with requirements of safety regulations and environment protection authorities.

With the combined effects of revenue and cost of sales, the Company's gross profit margin generated from continuing operations decreased to approximately -0.9% for the Year (2017: approximately 1.7%), which was mainly attributable to increased purchasing costs of goods due to changes in global market, while the selling prices remained stable.

The Group's finance costs incurred on continuing operations amounted to approximately HK$31.4 million for the Year (2017: HK$16.9 million), mainly included interest on bank loans, overdrafts, other borrowings and interest on amounts due to connected companies. The increase in finance cost was mainly attributable to the placing of the unlisted secured bonds of US$50 million.

The Group recorded loss for the Year of approximately HK$174.0 million (2017: profit of approximately HK$1.4 million). The increase in loss for the Year was also driven by the impairment losses of approximately HK$45.6 million made on the carrying amounts of assets under the petrochemical products storage business segment. The loss attributable to the equity holders of the Company was approximately HK$155.6 million (2017: profit of approximately HK$0.2 million) and the basic loss per share was HK cents 12.08 (2017: basic earnings per share of HK cents 0.01).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000 (re-presented)
Continuing operations			
Revenue	4	**4,169,489**	3,225,426
Cost of sales		**(4,205,948)**	(3,170,025)
Gross (loss) profit		**(36,459)**	55,401
Other income	5	**28,389**	8,428
Administrative expenses		**(72,708)**	(52,399)
Finance costs	7	**(31,445)**	(16,861)
Impairment loss on goodwill		**(14,844)**	–
Impairment loss on property, plant and equipment		**(23,804)**	–
Impairment loss on prepaid lease payments		**(6,906)**	–
Gain on disposal of a subsidiary		**261**	12,844
(Loss) Profit before taxation from continuing operations	6	**(157,516)**	7,413
Taxation	8	**(59)**	(2,490)
(Loss) Profit for the year from continuing operations		**(157,575)**	4,923
Discontinued operations			
Loss for the year from discontinued operations		**(16,435)**	(3,530)
(Loss) Profit for the year		**(174,010)**	1,393
Other comprehensive (loss) income			
Items that are reclassified or may be reclassified to profit or loss in subsequent periods:			
Exchange difference arising from translation of foreign operations		**(15,047)**	3,416
Release upon disposal of a subsidiary		**–**	482
		(15,047)	3,898
Total comprehensive (loss) income for the year		**(189,057)**	5,291

	Note	**2018**	2017
		HK$'000	*HK$'000*
			(re-presented)
(Loss) Profit attributable to equity holders of the Company:			
— from continuing operations		**(147,097)**	3,604
— from discontinued operations		**(8,533)**	(3,429)
		(155,630)	175
(Loss) Profit attributable to non-controlling interests:			
— from continuing operations		**(10,478)**	1,319
— from discontinued operations		**(7,902)**	(101)
		(18,380)	1,218
Total comprehensive (loss) income attributable to:			
— Equity holders of the Company		**(168,081)**	3,070
— Non-controlling interests		**(20,976)**	2,221
		(189,057)	5,291
(Loss) Earnings per share attributable to equity holders of the Company			
Basic and diluted			
— from continuing operations	*9*	**(11.42) HK cents**	0.28 HK cents
— from discontinued operations	*9*	**(0.66) HK cents**	(0.27) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**960,685**	123,677
Goodwill		**225,151**	16,213
Prepaid lease payments		**34,135**	44,322
Sea use right payments		**2,848**	–
Prepayments in relation to property, plant and equipment		**500**	16,796
Security deposit for loan from a third party		**3,416**	3,602
Interests in associates		**–**	6,005
		1,226,735	210,615
Current assets			
Available-for-sale financial assets		**–**	8,806
Financial asset at fair value through profit or loss		**7,971**	–
Prepaid lease payments		**989**	1,043
Sea use right payments		**72**	–
Inventories		**16,720**	6,716
Trade and other receivables	*11*	**1,090,644**	666,799
Pledged bank deposits		**307,449**	312,936
Bank balances and cash		**64,588**	61,703
		1,488,433	1,058,003
Disposal group classified as held for sale	*15*	**54,566**	–
		1,542,999	1,058,003
Current liabilities			
Trade and other payables	*12*	**1,946,976**	394,925
Current portion of bank and other borrowings		**140,633**	585,475
Taxation		**177**	2,709
		2,087,786	983,109

	Note	2018 HK$'000	2017 HK$'000
Liabilities associated with disposal group classified as held for sale	*15*	**46,429**	–
		2,134,215	983,109
Net current (liabilities) assets		**(591,216)**	74,894
Total assets less current liabilities		**635,519**	285,509
Non-current liabilities			
Non-current portion of bank and other borrowings		**611,492**	85,429
Deferred tax liabilities		**7,100**	3,619
		618,592	89,048
NET ASSETS		**16,927**	196,461
Capital and reserves			
Share capital	*13*	**12,880**	12,880
Reserves		**(19,233)**	148,247
Total equity attributable to equity holders of the Company		**(6,353)**	161,127
Non-controlling interests		**23,280**	35,334
TOTAL EQUITY		**16,927**	196,461

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

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

	Attributable to equity holders of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Statutory reserve *HK$'000*	Other reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2018	12,880	201,419	(7,337)	(239)	826	(9,151)	(37,271)	161,127	35,334	196,461
Effect on adopting of Hong Kong Financial Reporting Standard 9	–	–	–	–	–	–	601	601	–	601
At 1 January 2018 (restated)	12,880	201,419	(7,337)	(239)	826	(9,151)	(36,670)	161,728	35,334	197,062
Loss for the year	–	–	–	–	–	–	(155,630)	(155,630)	(18,380)	(174,010)
Other comprehensive loss										
Exchange difference arising from translation of foreign operations	–	–	–	(12,451)	–	–	–	(12,451)	(2,596)	(15,047)
Total comprehensive loss	–	–	–	(12,451)	–	–	(155,630)	(168,081)	(20,976)	(189,057)
Transactions with owners										
Changes in ownership interests										
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	8,416	8,416
Disposal of a subsidiary	–	–	–	–	–	–	–	–	506	506
Contributions and distributions										
Appropriation to statutory reserve	–	–	–	–	5	–	(5)	–	–	–
Total transactions with owners	–	–	–	–	5	–	(5)	–	8,922	8,922
At 31 December 2018	12,880	201,419	(7,337)	(12,690)	831	(9,151)	(192,305)	(6,353)	23,280	16,927

1. BASIS OF PRESENTATION

Basis of preparation

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

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in note 2 below.

Going concern

As at 31 December 2018, the Group had net current liabilities of approximately HK$591,216,000. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis taking into account of the following measures:

(i) financial support obtained from a substantial shareholder and a connected company;

(ii) the unutilised banking facilities readily available to the Group amounted to approximately HK$49,994,000 at 31 December 2018; and

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

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. ADOPTION OF NEW/REVISED HKFRSs

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Amendments to HKFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

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

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss
- FVOCI: fair value through other comprehensive income
- Designated FVOCI: equity instruments measured at FVOCI
- Mandatory FVOCI: debt instruments measured at FVOCI

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

    (i) the determination of the business model within which a financial asset is held;

    (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

    (iii) the de-designation of financial assets or financial liabilities at FVPL.

    The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial assets and financial liabilities, except for the changes arising from the measurement of equity instruments.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

As at 1 January 2018

Measurement category under HKAS 39	Carrying amount under HKAS 39	Measurement category and carrying amount under HKFRS 9		
		FVPL	At amortised costs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At amortised cost				
Security deposit for loan from a third parties *(note 1)*	3,602	–	3,602	3,602
Trade and other receivables *(note 1)*	338,183	–	338,183	338,183
Pledged bank deposits *(note 1)*	312,936	–	312,936	312,936
Bank balances and cash *(note 1)*	61,703	–	61,703	61,703
	716,424	–	716,424	716,424
Available-for-sale financial assets				
Unlisted equity securities *(note 2)*	8,806	9,407	–	9,407
	725,230	9,407	716,424	725,831

Note 1:

These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these items to collect contractual cash flows and their contractual cash flows are solely payments of principals and interest.

Note 2:

The equity securities that were previously classified as available-for-sale financial assets amounted to HK$8,806,000 are now classified as FVPL since, at the date of initial application, these investments are not designated or not eligible to be designated as Designated FVOCI.

Related fair value gains of HK$601,000 as at 1 January 2018 were recognised directly in accumulated losses on 1 January 2018.

Impact of the new impairment requirements

The adoption of the new impairment requirements under HKFRS 9 did not have significant impact on the Group's consolidated financial statements.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 January 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 January 2018 in accordance with the transitional provisions therein.

The adoption of this standard does not have a significant impact on the measurement and recognition of revenue of the Group but additional disclosures have been made throughout these consolidated financial statements.

3. SEGMENT INFORMATION

The executive directors of the Company are identified collectively as the chief operating decision maker. An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Company's executive directors in order to allocate resources and assess performance of the segment.

For management purposes, the Group is currently organised into the following operating segments:

Operating segments	**Principal activities**
— Integrated logistics handling services	— Provision of ocean freight and land transportation and container drayage services — Provision of ocean freight forwarding services — Provision of air freight forwarding services — Provision of feeder container storage facilities and hiring services of barges and vehicles — Provision of terminal handling services
— Provision of fuel cards	— Provision of fuel cards
— Tractor repair and maintenance services and insurance agency services	— Tractor repair and maintenance — Provision of insurance agency services
— Trading business	— Trading of textile, wood logs, scrap metal, electronic products, petrochemical products etc. — Provision of supply chain management services — Manufacturing and trading of tin wires
— Petrochemical products storage business	— Provision of storage services for petrochemical products

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segments assets include all assets except for corporate assets which are managed on a group basis. All liabilities are allocated to reportable segment liabilities other than unallocated head office and corporate liabilities which are managed on a group basis and certain other payables and accrued charges.

Revenues and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment results is profit/loss before taxation without allocation of share of results of associates and other unallocated corporate expenses and income.

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

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

Operating segments

Segment information is presented below:

For the year ended 31 December 2018

	Continuing operations			Discontinued operations*				
	Trading business *HK$'000*	Petro-chemical products storage business *HK$'000*	Integrated logistics handling services *HK$'000*	Integrated logistics handling services *HK$'000*	Provision of fuel cards *HK$'000*	Tractor repair and maintenance services and insurance agency services *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue (from external customers)	4,160,007	8,789	693	160,664	39,595	152	–	4,369,900
— Inter-segment revenue	–	555	–	27,104	5,625	1,943	(35,227)	–
Total revenue	4,160,007	9,344	693	187,768	45,220	2,095	(35,227)	4,369,900
Results								
Segment results	(71,220)	(53,677)	(2,136)	445	(2,890)	(1,834)	–	(131,312)
Share of results of associates by disposal group								(591)
Other unallocated corporate income								9,778
Other unallocated corporate expenses								(40,614)
Impairment loss on disposal group classified as held for sale								(10,837)
Gain on disposal of a subsidiary								261
Loss before taxation								(173,315)
Taxation								(695)
Loss for the year								(174,010)

* The operations of Gamma Logistics (B.V.I.) Corporation ("**Gamma Logistics**") and its subsidiaries ("**Gamma Logistics Group**") are classified as discontinued operations as detailed in note 15.

For the year ended 31 December 2017

	Continuing operations			Discontinued operations*				
	Trading business *HK$'000*	Petro-chemical products storage business *HK$'000*	Integrated logistics handling services# *HK$'000*	Integrated logistics handling services *HK$'000*	Provision of fuel cards *HK$'000*	Tractor repair and maintenance services and insurance agency services *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue (from external customers)	3,147,923	13,179	64,324	165,222	33,691	267	–	3,424,606
— Inter-segment revenue	–	–	–	24,148	4,396	1,671	(30,215)	–
Total revenue	3,147,923	13,179	64,324	189,370	38,087	1,938	(30,215)	3,424,606
Results								
Segment results	12,374	(2,415)	(2,911)	(687)	263	(761)	–	5,863
Share of results of associates								(519)
Other unallocated corporate income								1,135
Other unallocated corporate expenses								(13,694)
Gain on disposal of a subsidiary								12,844
Profit before taxation								5,629
Taxation								(4,236)
Profit for the year								1,393

The figures included the amounts recognised by 大豐海港港口物流有限公司 (Dafeng Habour Port Logistics Company Limited*) ("**Dafeng Logistics**"), a then subsidiary disposed of in 2017.

As at 31 December 2018

	Continuing operations			Discontinued operations*			
	Trading business *HK$'000*	Petro-chemical products storage business *HK$'000*	Integrated logistics handling services *HK$'000*	Integrated logistics handling services *HK$'000*	Provision of fuel cards *HK$'000*	Tractor repair and maintenance services and insurance agency services *HK$'000*	Total *HK$'000*
ASSETS							
Segment assets	971,974	162,682	1,546,055	–	–	–	2,680,711
Unallocated corporate assets	–	–	–	–	–	–	34,457
Disposal group held for sale	–	–	–	30,884	16,156	1,766	48,806
Unallocated assets in disposal group classified as held for sale	–	–	–	–	–	–	5,760
Consolidated total assets							2,769,734
LIABILITIES							
Segment liabilities	(1,131,275)	(92,213)	(1,085,209)	–	–	–	(2,308,697)
Unallocated corporate liabilities	–	–	–	–	–	–	(397,681)
Liabilities associated with disposal group held for sale	–	–	–	(42,399)	(2,663)	(1,340)	(46,402)
Unallocated liabilities associated with disposal group classified as held for sale	–	–	–	–	–	–	(27)
Consolidated total liabilities							(2,752,807)

For the year ended 31 December 2018

	Continuing operations			**Discontinued operations***			
	Trading business *HK$'000*	**Petro-chemical products storage business** *HK$'000*	**Integrated logistics handling services** *HK$'000*	**Integrated logistics handling services** *HK$'000*	**Provision of fuel cards** *HK$'000*	**Tractor repair and maintenance services and insurance agency services** *HK$'000*	**Total** *HK$'000*
OTHER INFORMATION							
Amortisation	**–**	**1,028**	**7**	**–**	**–**	**–**	**1,035**
Capital additions	**1,290**	**47,517**	**–**	**2,877**	**–**	**10**	**51,694**
Capital additions through acquisition of subsidiaries	**–**	**–**	**841,136**	**–**	**–**	**–**	**841,136**
Depreciation	**1,548**	**5,350**	**2,192**	**3,545**	**–**	**6**	**12,641**
Depreciation (unallocated)	**–**	**–**	**–**	**–**	**–**	**–**	**10**
Finance costs	**16,230**	**127**	**170**	**462**	**–**	**–**	**16,989**
Finance costs (unallocated)	**–**	**–**	**–**	**–**	**–**	**–**	**14,918**
Impairment loss on goodwill	**–**	**14,844**	**–**	**–**	**–**	**–**	**14,844**
Impairment loss on property, plant and equipment	**–**	**23,804**	**–**	**–**	**–**	**–**	**23,804**
Impairment loss on prepaid lease payment	**–**	**6,906**	**–**	**–**	**–**	**–**	**6,906**
Interest income	**6,695**	**45**	**121**	**–**	**–**	**–**	**6,861**
Interest income (unallocated)	**–**	**–**	**–**	**–**	**–**	**–**	**137**

As at 31 December 2017

	Continuing operations		Discontinued operations*			
	Trading business *HK$'000*	Integrated logistics handling services *HK$'000*	Integrated logistics handling services *HK$'000*	Provision of fuel cards *HK$'000*	Tractor repair and maintenance services and insurance agency services *HK$'000*	Total *HK$'000*
ASSETS						
Segment assets	977,504	195,415	50,852	13,127	1,944	1,238,842
Unallocated corporate assets						29,776
Consolidated total assets						1,268,618
LIABILITIES						
Segment liabilities	(873,004)	(143,278)	(42,873)	(3,015)	(1,641)	(1,063,811)
Unallocated corporate liabilities						(8,346)
Consolidated total liabilities						(1,072,157)

For the year ended 31 December 2017

	Continiung operations			Discontinued operations*			
	Trading business *HK$'000*	Petrochemical products storage business *HK$'000*	Integrated logistics handling services# *HK$'000*	Integrated logistics handling services *HK$'000*	Provision of fuel cards *HK$'000*	Tractor repair and maintenance services and insurance agency services *HK$'000*	Total *HK$'000*
OTHER INFORMATION							
Amortisation	–	1,004	–	–	–	–	1,004
Capital additions	4,854	10,344	75	8,457	–	3	23,733
Capital additions through acquisition of subsidiaries	9	–	–	–	–	–	9
Depreciation	387	4,698	10,384	4,981	–	13	20,463
Depreciation (unallocated)	–	–	–	–	–	–	9
Finance costs	15,728	–	1,133	376	–	–	17,237
Gain (Loss) on disposal of property, plant and equipment, net	(60)	181	–	5,844	–	–	5,965
Impairment loss of property, plant and equipment	–	–	–	1,416	–	–	1,416
Interest income	2,778	19	–	9	–	–	2,806
Interest income (unallocated)	–	–	–	–	–	–	1

Geographical information

Geographical segment

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

	2018 *HK$'000*	2017 *HK$'000* (re-presented)
Revenue from external customers — continuing operations:		
Hong Kong	**2,353,433**	1,416,632
The People's Republic of China (the "**PRC**")	**1,718,455**	1,756,011
Others *(Note)*	**97,601**	52,783
	4,169,489	3,225,426

Note: The locations of others include Europe, the United States of America ("**U.S.A.**"), Asia (other than Hong Kong and the PRC), South Africa and others.

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

	Continuing operations	
	2018	2017
	HK$'000	*HK$'000*
Property, plant and equipment		
The PRC	**960,685**	112,525
Prepayments in relation to property, plant and equipment		
The PRC	**500**	16,796
Goodwill		
The PRC	**225,151**	16,213
Prepaid lease payments		
The PRC	**34,135**	44,322
Sea use right payments		
The PRC	**2,848**	–
Total non-current assets	**1,223,319**	189,856

Information about major customers

For the year ended 31 December 2018, revenue from Customer A (trading business segment) and Customer B (trading business segment) of approximately HK$954,171,000 and HK$786,102,000 respectively, accounted for over 10% of the total revenue of the Group.

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

4. REVENUE

	2018	2017
	HK$'000	*HK$'000*
		(re-presented)
Continuing operations		
Revenue from contracts with customers within HKFRS 15		
Income from provision of integrated logistics handling services	**693**	64,324
Income from trading business	**4,160,007**	3,147,923
Petrochemical storage service	**8,789**	13,179
	4,169,489	3,225,426
Timing of revenue recognition		
At a point in time	**4,160,700**	3,212,247
Over time	**8,789**	13,179
	4,169,489	3,225,426

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

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
		(re-presented)
Continuing operations		
Bank interest income	**6,998**	2,798
Commission income	**–**	301
Exchange gain, net	**10,996**	–
Gain on disposal of property, plant and equipment	**–**	181
Sundry income	**1,266**	56
Subsidy income	**112**	2,778
Write-back of interest payable	**–**	708
Late payment penalty received from a customer	**2,331**	846
Write-back of accrued directors' salaries	**–**	760
Write-back of long outstanding other payable	**6,686**	–
	28,389	8,428

6. (LOSS) PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

	2018	2017
	HK$'000	*HK$'000*
		(re-presented)
This is stated after charging (crediting):		
Staff costs		
Salaries, allowances and other short-term employee benefits including directors' emoluments	**26,232**	30,382
Contributions to defined contribution plans	**2,833**	3,815
	29,065	34,197
Other items		
Auditors' remuneration		
— Audit-related assurance services	**2,200**	1,850
— Other services	**455**	835
Amortisation of prepaid lease payments	**1,028**	1,004
Amortisation of sea use right payments	**7**	–
Cost of inventories	**4,189,606**	3,092,848
Depreciation	**9,100**	15,478
Gain on disposal of a subsidiary	**(261)**	(12,844)
Loss/(Gain) on disposal of property, plant and equipment, net	**104**	(181)
Exchange (gain)/loss, net	**(10,996)**	10,133
Impairment loss on disposal group classified as held for sale	**10,837**	–
Impairment loss on goodwill	**14,844**	–
Impairment loss of property, plant and equipment	**23,804**	–
Impairment loss on prepaid lease payments	**6,906**	–
Operating lease payments on premises	**6,332**	2,313
Operating lease payments on vehicles	**–**	4,123

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
		(re-presented)
Continuing operations		
Interest on borrowings wholly repayable within five years	**6,506**	6,027
Finance charge on obligations under finance leases	**–**	1,133
Effective interest on unlisted secured bond *(Note)*	**24,183**	–
Other interest to a third party	**660**	–
Interest on amounts due to connected companies	**6,368**	14,728
	37,717	21,888
Less: Borrowing costs capitalised into property, plant and equipment at weighted average capitalisation rate of 5.8% (2017: 5.7%)	**(6,272)**	(5,027)
	31,445	16,861

Note: Unlisted secured bonds

On 29 March 2018, the Group issued 3-year unlisted secured bonds of US$50,000,000 (equivalent to HK$390,395,000) with coupon rate at 7.5% per annum of (the "**Bonds**") and the interest is payable on every 29th of September and March. The proceeds from issuance of the Bonds to independent third parties after the issuance costs were HK$383,277,000.

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 Company's total issued shares as at 29 March 2018, as security for the payment and discharge of the secured obligations.

Based on the deed of guarantee dated 29 March 2018, the Bonds are guaranteed by 江蘇大豐海港控股集團有限公司(Jiangsu Dafeng Habour Holdings Limited*, "**Jiangsu Dafeng**").

8. TAXATION

	2018	2017
	HK$'000	*HK$'000*
		(re-presented)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax		
Current year	**185**	2,423
Under-provision in prior year	**74**	262
	259	2,685
Deferred tax	**(200)**	(195)
Total income tax expenses for continuing operations	**59**	2,490
Discontinued operations		
Current tax	**636**	1,250
Deferred tax	**–**	496
	636	1,746
Total income tax expenses recognised in profit or loss	**695**	4,236

(i) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK$2 million of estimated assessable profits of the Group will be lowered to 8.25% while the estimated assessable profits above HK$2 million will continued to be subject to the rate of 16.5% for corporations.

(ii) Income taxes outside Hong Kong

The Company's subsidiaries in the PRC are subject to Enterprise Income Tax ("**EIT**"). PRC EIT is calculated at the prevailing tax rate at 25% on taxable income determined in accordance with the relevant laws and regulations in the PRC.

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

9. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share for the years ended 31 December 2018 and 2017 are calculated by dividing the (loss) earnings attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	2018	2017
(Loss) Profit operations attributable to equity holders of the Company *(HK$'000)*		
— Continuing operations *(HK$'000)*	**(147,097)**	3,604
— Discontinued operations *(HK$'000)*	**(8,533)**	(3,429)
Weighted average number of ordinary shares in issue	**1,288,000,000**	1,288,000,000
Basic (loss) earnings per share		
— Continuing operations (HK cents)	**(11.42)**	0.28
— Discontinued operations (HK cents)	**(0.66)**	(0.27)

Basic and diluted (loss) earnings per share are the same as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2018 and 2017.

10. DIVIDENDS

The board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: Nil).

11. TRADE AND OTHER RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables		
Third parties	**418,688**	303,471
Related parties	**–**	12
	418,688	303,483
Other receivables		
Deposits, prepayments and other debtors	**38,988**	28,126
Advanced payments to suppliers	**49,722**	229,042
Interest receivable	**5,461**	487
Value added tax refundable	**142,435**	97,797
Due from associates	**–**	1,212
Due from connected companies	**435,350**	2,402
Consideration receivable for disposal of interests in a subsidiary	**–**	4,250
	671,956	363,316
	1,090,644	666,799

Due from connected companies

	Note	2018 *HK$'000*	2017 *HK$'000*
Jiangsu Dafeng	*(i)*	**435,321**	–
大豐鑫港置業有限公司	*(ii)*	**29**	–
江蘇大豐港工程技術發展有限公司		**–**	2,402
		435,350	2,402

(i) The amount represents advances to Jiangsu Dafeng, which has a 40% equity interest in Dafeng Port Overseas, of RMB382,296,000 (approximately HK$435,321,000) (2017: Nil) from 江蘇海融大豐港油品化工碼頭有限公司 (Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited*) ("**Jiangsu Hairong**") (before acquisition) to Jiangsu Dafeng. The amounts are unsecured and have no fixed terms of repayment. Included in the amounts are balances of RMB142,500,000 (approximately HK$162,265,000) bear annual interest at rate ranged from 5-year RMB benchmark loan interest rate of the People's Bank of China to 110% of 5-year RMB benchmark loan interest rate of the People's Bank of China. The remaining balances of RMB239,796,000 (approximately HK$273,256,000) are interest-free.

(ii) The amount represents advance to a company controlled by a substantial shareholder. The amount is unsecured, interest-free and has no fixed terms of repayment.

12. TRADE AND OTHER PAYABLES

	Note	2018 HK$'000	2017 HK$'000
Trade and bills payables			
Trade payables		**324,794**	134,276
Bills payables		**321,244**	–
		646,038	134,276
Other payables			
Accrued charges and other creditors		**37,449**	39,725
Advanced receipts from customers		**17,800**	184,589
Construction costs payable		**11,260**	1,990
Salaries and bonus payable		**2,727**	3,981
Amounts due to ex-shareholders of Zhongnanhui		**–**	1,014
Amount due to an ex-director of Zhongnanhui		**–**	15,589
Amount due to connected companies		**1,231,702**	–
Due to associates		**–**	5,157
Loan interest payable		**–**	2,403
Deposit received for disposal of available for sale financial assets		**–**	5,000
Consideration payable in respect of acquisition of a subsidiary	*14*	**–**	1,201
		1,300,938	260,649
		1,946,976	394,925

Trade and bills payables

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

	2018 HK$'000	2017 HK$'000
90 days or below	**645,740**	133,465
91–180 days	**298**	811
	646,038	134,276

13. SHARE CAPITAL

	2018 Number of shares	2018 Nominal value HK$'000	2017 Number of shares	2017 Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid (HK$0.01 each):				
At beginning of year and at end of the year	**1,288,000,000**	**12,880**	1,288,000,000	12,880

14. ACQUISITION OF A SUBSIDIARY

On 29 May 2018, 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited* "**Heshun Trading**") entered into the framework equity purchase agreement and together with any supplemental agreement thereto (the "**Framework Equity Purchase Agreement**") with two connected persons (the "**Sellers**"), pursuant to which Heshun Trading conditionally agreed to purchase and each of the Sellers conditionally agreed to sell their respective equity interests in Jiangsu Hairong, a company incorporated in the PRC which engaged in provision of terminal handling and berthing services at the aggregate consideration of RMB405,900,000 (equivalent to HK$462,198,000). The acquisition was completed on 21 December 2018 (the "**Acquisition**").

The following summarises the consideration paid and the recognised accounts of the identifiable assets acquired and liabilities assumed, as well as acquisition-related costs at the date of acquisition:

	HK$'000
Consideration:	
Cash paid	138,659
Consideration payable	323,539
Total consideration in accordance with the Framework Equity Purchase Agreement	462,198
Prepayments regarding Dafeng Harbour Properties *(Note)*	9,004
Total consideration	471,202

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	841,136
Sea use right payments	2,927
Prepayments in relation to property, plant and equipment	500
Cash and cash equivalents	218
Trade and other receivables	52,359
Due from Jiangsu Dafeng	435,321
Trade and other payables	(919)
Due to Jiangsu Dafeng	(908,063)
Bank and other borrowings	(170,805)
Deferred tax liabilities	(5,254)
Total identifiable net assets	247,420
Goodwill arising on acquisition	223,782
	471,202

The goodwill is attributable to the growth and profit potential as a result of benefiting from the growing demand of the acquired business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs of HK$2,540,000 have been excluded from the consideration transferred and have been included in "administrative expenses" in the consolidation statement of comprehensive income.

Since acquisition, the acquired business made no significant contribution to revenue and results of the Group.

Note: Prepayments regarding Dafeng Harbour Port Limited Liability Company's properties

The Group has entered into an agreement with 大豐海港港口有限責任公司 (Dafeng Harbour Port Limited Liability Company* ,"**Dafeng Harbour Port**"), pursuant to which the Group agreed to assist Dafeng Harbour to complete construction works of certain Dafeng Harbour's properties (the "**Follow-up Works**") on the five storage tanks and other facilities including the on-shore properties (the "**Dafeng Harbour Port Properties**"). The costs of the Follow-up Works paid by the Group, which were recognised as prepayment for purchase of property, plant and equipment, amounted to RMB7,499,000 (equivalent to approximately HK$9,004,000) as at 31 December 2017 (the "**Prepayment**").

Since the Dafeng Harbour Properties formed part of the property, plant and equipment of Jiangsu Hairong after the completion of transferring assets from Dafeng Harbour Port to Jiangsu Hairong on 30 June 2017, the Group has obtained the right to use the properties related to the Follow-up Works upon completion of the Acquisition and therefore, the Prepayment was deemed as part of the consideration for the Acquisition. The directors consider the carrying amount of the Prepayment approximates to its fair value at the date of the Acquisition.

15. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 28 December 2018, the Company entered into a share transfer agreement with a third party, to dispose of all its remaining 51% equity interests in Gamma Logistics at a consideration of HK$4,150,000. The transaction was approved by the directors of the Company at a directors' meeting held on 28 December 2018. The disposal transaction was completed on 10 January 2019.

Management considers the Gamma Logistics Group's operations had been discontinued and thereby constituted discontinued operations. Accordingly, certain comparative figures in the consolidated statement of comprehensive income have been re-presented to separately reflect the results of the continuing operations and discontinued operations.

The major classes of assets and liabilities of Gamma Logistics Group (i.e. the disposal group) held for sale measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period are as follows:

	Carrying amount as remeasured immediately before classification as held for sale	**Impairment loss**	**Carrying amount after allocation of impairment loss**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Property, plant and equipment	10,414	(7,195)	3,219
Interest in associates	5,272	(3,642)	1,630
Trade and other receivables	43,826	–	43,826
Amount due from associates	1,155	–	1,155
Cash and bank balances	4,736	–	4,736
Assets classified as held for sale — disposal group	65,403	(10,837)	54,566
Liabilities			
Trade and other payables	29,154		29,154
Amount due to associates	3,946		3,946
Tax payables	1,046		1,046
Deferred tax liabilities	1,471		1,471
Interest bearing borrowing	10,812		10,812
Liabilities directly associated with disposal group held for sale	46,429		46,429
Net assets attributable to the assets held for sale — disposal group	18,974		8,137

BUSINESS REVIEW

During the Year, the Group is principally engaged in trading business, the provision of integrated logistics handling and the relevant supporting services business as well as petrochemical products storage business.

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

1. Trading Business

The Group is engaged in the trading and import and export businesses of electronic products, petrochemical products and other products. During the Year, the Group's trading business recorded revenue of approximately HK$4,160.0 million (2017: approximately HK$3,147.9 million). The increase in revenue was mainly attributable to the acquisition of 深圳市泛海控股有限公司 (Shenzhen Fanhai Holdings Limited*) ("**Shenzhen Fanhai**") on 12 December 2017 and the increase in number of customers of the trading business, the new business of electrolytic copper which Heshun Trading is engaged , and the trading business of 前海明天供應鏈(深圳)有限公司 (Qianhai Mingtian Supply Chain(Shenzhen) Company Limited*)("**Qianhai Mingtian**") maintained a growth rate exceeding that of the corresponding period of last year.

2. Integrated Logistics Handling and The Relevant Supporting Services Business

Integrated Logistics Handling Services of the Group provided ocean freight services and local land transportation services in the Pearl River Delta, Yangtze River Delta and Hong Kong. To complement the Group's logistics handling services, the Group also offers tractor repair and maintenance services and insurance agency services to customers with a view to enhance customers' satisfaction. The Company also provides fuel cards to logistics companies and ordinary individual customers to enhance the Company's reputation and increase its marketing efforts.

During the Year, the Group's aggregated revenue from business of integrated logistics handling and the relevant supporting services business ("**Integrated Logistics Handling Business**") amounted to approximately HK$201.1 million, of which revenue of approximately HK$0.7 million was generated from the continuing operations, and revenue of approximately HK$200.4 million was generated from the discontinuing operations (2017: approximately HK$263.5 million, which was generated from the discontinuing operations).

In the background of intensified trade war between China and the U.S.A. and the emerging world trade protectionism, significant loss incurred during the year due to intensified competition resulting from low entry threshold of industry of stevedoring and freight service for containers and break-bulk cargoes. As a result the Group streamlined its logistics handling for containers and break-bulk cargoes and expanded its annual throughout capacity to provide logistics handling to 6.6 million tonnes of petrochemical products.

On 28 December 2018, the Company and Great Panorama International Limited entered into an agreement to dispose 51% of the issued share capital of Gamma Logistics (B.V.I.) Corporation ("**Gamma Logistics**") ("**Gamma Logistics Disposal Agreement**"), pursuant to which the Company conditionally agreed to sell, and Great Panorama International Limited conditionally agreed to purchase 51% of the issued share capital of Gamma Logistics at the consideration of HK$4,150,000 (the "**Gamma Disposal**"). The Gamma Disposal was completed on 10 January 2019. Following the completion of the Gamma Disposal, Gamma Logistics ceased to be a subsidiary of the Company.

On 29 May 2018, Heshun Trading, an indirect wholly-owned subsidiary of the Company, as the purchaser and (i) Jiangsu Dafeng and (ii) 江蘇華海投資有限公司 (Jiangsu Huahai investment Company Limited*) ("**Jiangsu Huahai**") as the sellers entered into the framework equity purchase agreement and together with any supplemental agreement thereto (the "**Framework Equity Purchase Agreement**"), pursuant to which Heshun Trading conditionally agreed to purchase and Jiangsu Dafeng and Jiangsu Huahai conditionally agreed to sell 60% and 40% of their respective equity interests in Jiangsu Hairong at the aggregate consideration of RMB405.9 million (the "**Acquisition**"). Jiangsu Hairong has been principally engaged in the provision of terminal handling and berthing services in an integrated petrochemical terminal complex, being the only berthing dock for oil vessels in Dafeng Port, a national first-class open port located in Jiangsu Province, the PRC. The Acquisition of Jiangsu Hairong was completed on 21 December 2018. Following the Acquisition, Jiangsu Hairong has become an indirect wholly-owned subsidiary of the Company.

3. Petrochemical Products Storage Business

The Group is engaged in petrochemical products storage business through 江蘇中南匯石化倉儲有限公司 (Jiangsu Zhongnanhui Petrochemical Storage Company Limited*) ("**Zhongnanhui**"). During the Year, the Group's petrochemical products storage business recorded decrease in revenue of 33.3% to approximately HK$8.8 million (2017: approximately HK$13.2 million). The decrease in revenue was mainly attributable to prolonged suspension of operation of the majority of storage tanks due to construction of new petrochemical storage tanks and the repairing and upgrading of existing fire services in accordance with safety regulations and environment protection authorities.

OUTLOOKS

Considering the current condition of Dafeng Port Economic Development Zone, the Group believes that it is beneficial for the Group to further develop our port facilities.

Taking advantage of its unique geographical advantage, the Group will diversified into a conglomerate operating with integrated logistics handling services, petrochemical product storage services and trading business through strategic development of Jiangsu Hairong located in Dafeng Port.

FINANCIAL REVIEW

The Group's revenue generated from continuing operations increased by approximately 29.3% to approximately HK$4,169.5 million for the Year (2017: approximately HK$3,225.4 million). The increase in revenue was mainly attributable to the increase in revenue of the Group's trading business.

The Group's cost of sales generated from continuing operations increased by approximately 32.7% to approximately HK$4,205.9 million for the Year (2017: approximately HK$3,170.0 million). The increase in cost was mainly driven by the surge in cost of the trading business and the higher material cost from repairing and upgrading of existing fire services in accordance with the requirements of safety regulations and environment protection authorities.

With the combined effects of revenue and cost of sales, the Company's gross profit margin generated from continuing operations decreased to approximately -0.9% for the Year (2017: approximately 1.7%), which was mainly attributable to increased purchasing costs of goods due to changes in global market, while the selling prices remained stable.

The Group's finance costs incurred on continuing operations amounted to approximately HK$31.4 million for the Year (2017: HK$16.9 million), mainly included interest on bank loans, overdrafts, other borrowings and interest on amounts due to connected companies as well as the finance charge on obligations under finance leases. The increase in finance cost was mainly attributable to the placing of the unlisted secured bonds of US$50 million.

The Group recorded loss for the Year of approximately HK$174.0 million (2017: profit of approximately HK$1.4 million). The increase in losses for the Year was also driven by the impairment loss of approximately HK$45.6 million made on the carrying amounts of assets under the petrochemical products storage business segment. The loss attributable to the equity holders of the Company was approximately HK$155.6 million (2017: profit of approximately HK$0.2 million) and the basic loss per share was HK cents 12.08 (2017: basic earnings per share of HK cents 0.01).

Liquidity and financial resources

As at 31 December 2018, the Group had net current liabilities of approximately HK$591.2 million (2017: net current assets of approximately HK$74.9 million), including bank balances and cash equivalents of approximately HK$64.6 million (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 31 December 2018 was approximately 0.72 (2017: 1.08).

As at 31 December 2018, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately 4,443.3% (2017: 182.3%).

The directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis taking into account of the following measures:

(i) financial support obtained from a substantial shareholder and a connected company;

(ii) the unutilised banking facilities readily available to the Group amounted to approximately HK$49,994,000 at 31 December 2018; and

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

Capital structure

As at 31 December 2018, the Group's total equity attributable to equity holders of the Company amounted to approximately HK$-6.4 million (2017: approximately HK$161.1 million). The capital of the Company mainly comprises ordinary share capital, share premium and capital reserves.

Unlisted secured bonds and account charge by controlling shareholder

On 27 March 2018, the Company, as issuer, Jiangsu Dafeng, as guarantor, and Industrial Bank Co., Ltd. Hong Kong Branch (the "**Placing Agent**"), entered into a placing agreement pursuant to which the Company agreed to appoint the Placing Agent as a placing agent for the purpose of procuring, and to use its best efforts, the subscription of the bonds of up to an aggregate principal amount of US$50 million (the "**Placing**").

Dafeng Port Overseas 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 absolutely to the security trustee, as trustee for the bondholders, all of Dafeng Port Overseas' right, title and interest from time to time in and to each secured account, which is interested in 740,040,000 shares (the "**Shares**") of the Company, representing approximately 57.46% of the total issued Shares as at 29 March 2018, as security for the payment and discharge of the secured obligations.

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

The proceeds has been used in construction and repairing of petrochemical storage tanks and upgrading the supporting facilities, acquisition of Jiangsu Hairong as well as satisfying the Group's normal working capital requirement.

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

Dividend

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

Significant investment, material acquisitions and disposals

On 1 February 2018, Zhongnanhui entered into a construction agreement with 中國核工業第五建設有限公司 (China Nuclear Industry Fifth Construction Company Limited*) ("**China Nuclear**") for the construction and repair of one group of petrochemical storage tanks of total 80,000 m3 and various fire services upgrade for a total consideration of approximately RMB64.87 million. During the Year, the Company did not carry out other material investment save for the above.

Save and except for the aforesaid completion of the acquisition of 100% of equity interest of Jiangsu Hairong and the disposal of 51% of the issued share capital of Gamma Logistics, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the Year.

Pledge of assets

The Group used bank facilities and other borrowings to finance the expansion of its business. Secured borrowings are secured by the Group's property, plant and equipment, having carrying amounts of approximately HK$66.5 million as at 31 December 2018 (31 December 2017: approximately HK$66.6 million), sea use right payments of approximately HK$2.8 million (2017: Nil) prepaid lease payments of approximately HK$35.1 million (31 December 2017: approximately HK$45.4 million), security deposit for loan from a third party of approximately HK$3.4 million (31 December 2017: approximately HK$3.6 million) and pledged bank deposits of approximately HK$307.4 million as at 31 December 2018 (31 December 2017: approximately HK$312.9 million).

Unlisted secured bonds of US$50 million is secured and guaranteed by Dafeng Port Overseas entered into Account Charge with the security trustee on 29 March 2018, pursuant to which Dafeng Port Overseas assigned and agreed to assign absolutely all of Dafeng Port Overseas' right, title and interest from time to time in and to each secured account, Dafeng Port Overseas is interested in 740,040,000 Shares, representing approximately 57.46% of the total issued Shares as at 31 December 2018 and at the date of this announcement.

Foreign currency exposure

The income and expenditure of the Group are mainly carried in Hong Kong Dollars and Renminbi. Apart from 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, foreign currency hedging policy was not in place currently. 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 31 December 2018, the Group employed a total of 254 employees (2017: 239 employees) based in Hong Kong and the Mainland China attributable to continuing operations. During the Year, the total staff costs, including Directors' emoluments, amounted to approximately HK$29.1 million (2017: approximately HK$34.2 million). The decrease in the total staff costs was mainly attributable to the amounts of the employee costs in Dafeng Logistics being recognised before its disposal in 2017, while not in 2018. The Group reviews the emoluments of its directors and staff based on their respective qualification, experience, performance and the market rates so as to maintain the remunerations of its directors and staff at a competitive level.

Contingent liabilities

As at 31 December 2018, the Group had no material contingent liabilities (2017: Nil).

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

As at 31 December 2018, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives, recognising and acknowledging the contributions that eligible persons had made or may make to the Group. The Scheme was adopted pursuant to the written resolution passed by the sole shareholder of the Company on 3 August 2013. The expiry date of the Scheme is 2 August 2023. Since the Scheme came into effect after the Company was listed on GEM of the Stock Exchange, no share options have been granted, exercised or cancelled by the Company under the Scheme and there were no outstanding share options under the Scheme as at 31 December 2018 and as at the date of this announcement.

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

As at 31 December 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/ Nature of interests**	**Number of Shares held** *(Note 1)*	**% of the Company's issued share capital (Approximate)**
Dafeng Port Overseas *(Note 2)*	Beneficial owner and have provided an interest in the shares as security to a person other than a qualified lender	740,040,000 (L)/(S)	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%

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 is a company incorporated in Hong Kong with limited liability, and is owned as to 40% by Jiangsu Dafeng, which in turn is wholly owned by PGDD.

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

Save as disclosed above, as at 31 December 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.

COMPETING INTERESTS

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

Other than Mr. Tao Ying (appointed as an executive Director on 18 March 2019), Mr. Ni Xiangrong (resigned as an executive Director on 18 March 2019) and Mr. Pan Jian (resigned as an executive Director on 18 March 2019) who are the directors of Jiangsu Dafeng, there is no overlap in the directorships among the Company, Jiangsu Dafeng, Dafeng Hairong and Yancheng Commercial. The Directors consider that the Board can operate independently from Jiangsu Dafeng, because (i) pursuant to the Articles, a Director shall not vote on any board resolutions approving any contract or arrangement or any other proposal in which such Director or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting; and (ii) the Directors are fully aware of their fiduciary duties owing to the shareholders of the respective companies and their duty to avoid conflicts with the shareholders of the respective companies and their duty to avoid conflicts of interests in carrying out their respective duties as directors of the relevant companies.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

Audit Committee

An Audit Committee (the "**Audited Committee**") has been established on 3 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee is currently comprised of three independent non-executive Directors, namely Mr. Lau Hon Kee (chairman), Dr. Bian Zhaoxiang and Mr. Zhang Fangmao. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control and risk management system of the Group.

During the Year, the Audit Committee reviewed the quarterly, interim and annual results of the Group. The Audit Committee also reviewed the internal control procedures of the Group, including financial, operational and compliance controls and risk management functions as well as compliance matters and the findings reports from the legal compliance committee of the Company.

REVIEW OF RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2018.

The figures of the Company's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited ("**Mazars**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

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

Hong Kong, 22 March 2019

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

Executive Directors	*Non-executive Directors*	*Independent Non-executive Directors*
Mr. Tao Ying *(Chairman)*	Mr. Ji Longtao	Dr. Bian Zhaoxiang
Mr. Shum Kan Kim	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Mr. Miao Zhibin	Mr. Sun Lin	Mr. Yu Xugang
Mr. Chen Wenxiang		Mr. Zhang Fangmao

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

* *For identification purposes only*