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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

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 is no other matter the omission of which would make any statement herein or this announcement misleading.

FINANCIAL SUMMARY

The Group's total revenue for the nine months ended 30 September 2019 (the "**Period**") was approximately HK$1,072.0 million, representing a decrease of approximately 65.3% as compared with the total revenue generated from continuing operations of approximately HK$3,090.5 million for the corresponding period in 2018.

Loss before taxation for the Period was approximately HK$67.2 million, representing a decrease of approximately 14.8% as compared with the loss before taxation generated from continuing operations of approximately HK$78.9 million for the corresponding period in 2018.

Loss attributable to the equity holders of the Company for the Period was approximately HK$71.9 million, representing an increased loss of approximately 2.6% as compared with the loss attributable to the equity holders of the Company generated from continuing operations of approximately HK$70.1 million for the corresponding period in 2018.

Loss per share for the Period was approximately HK5.58 cents (the corresponding period in 2018: the loss per share generated from continuing operations was approximately HK5.44 cents).

The board of Directors of the Company (the "**Board**") presents the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the three months and nine months ended 30 September 2019 (the "**Third Quarterly Financial Statements**") together with the comparative figures for the corresponding periods in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

		Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	Note	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Continuing operations					
Revenue	3	**301,008**	1,080,429	**1,071,956**	3,090,529
Cost of sales		**(305,454)**	(1,093,272)	**(1,073,847)**	(3,114,162)
Gross loss		**(4,446)**	(12,843)	**(1,891)**	(23,633)
Other income		**15,210**	5,565	**17,584**	7,534
Administrative expenses		**(20,974)**	(8,233)	**(40,866)**	(41,728)
Finance costs		**(13,711)**	(6,919)	**(41,897)**	(21,075)
Loss on disposal of subsidiaries		**(2)**	–	**(142)**	–
Loss before taxation from continuing operations	4	**(23,923)**	(22,430)	**(67,212)**	(78,902)
Taxation	5	**(4)**	1	**(138)**	(48)
Loss for the period from continuing operations		**(23,927)**	(22,429)	**(67,350)**	(78,950)
Discontinued operations					
Loss for the period from discontinued operations		**–**	(2,396)	**–**	(5,843)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	Note	**Unaudited Three months ended 30 September**		**Unaudited Nine months ended 30 September**	
		2019	2018	**2019**	2018
		HK$'000	HK$'000	**HK$'000**	HK$'000
Loss for the period		**(23,927)**	(24,825)	**(67,350)**	(84,793)
Other comprehensive loss:					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		**(11,867)**	(27,637)	**(5,341)**	(30,235)
Total comprehensive loss for the period		**(35,794)**	(52,462)	**(72,691)**	(115,028)
Loss attributable to equity holders of the Company:					
— from continuing operations		**(21,811)**	(21,164)	**(71,905)**	(70,101)
— from discontinued operations		**–**	(2,457)	**–**	(5,962)
		(21,811)	(23,621)	**(71,905)**	(76,063)
Profit/(Loss) attributable to non-controlling interests:					
— from continuing operations		**(2,116)**	(1,265)	**4,555**	(8,849)
— from discontinued operations		**–**	61	**–**	119
		(2,116)	(1,204)	**4,555**	(8,730)
		(23,927)	(24,825)	**(67,350)**	(84,793)

	Note	Unaudited Three months ended 30 September **2019** **HK$'000**	2018 HK$'000	Unaudited Nine months ended 30 September **2019** **HK$'000**	2018 HK$'000
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		**(32,777)**	(51,864)	**(78,630)**	(106,143)
Non-controlling interests		**(3,017)**	(598)	**5,939**	(8,885)
		(35,794)	(52,462)	**(72,691)**	(115,028)
Loss per share attributable to equity holders of the Company:					
Basic and diluted (HK cents)	7				
— from continuing operations		**(1.69)**	(1.64)	**(5.58)**	(5.44)
— from discontinued operations		**–**	(0.19)	**–**	(0.47)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For nine months ended 30 September 2019

	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 profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018 (audited and restated)	12,880	201,419	(7,337)	(239)	826	(9,151)	(36,670)	161,728	35,334	197,062
Loss for the period	–	–	–	–	–	–	(76,063)	(76,063)	(8,730)	(84,793)
Exchange difference arising from translation of foreign operations	–	–	–	(30,080)	–	–	–	(30,080)	(155)	(30,235)
Total comprehensive loss for the period	–	–	–	(30,080)	–	–	(76,063)	(106,143)	(8,885)	(115,028)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	2,266	2,266
At 30 September 2018 (unaudited)	12,880	201,419	(7,337)	(30,319)	826	(9,151)	(112,733)	55,585	28,715	84,300

	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 2019 (audited)	**12,880**	**201,419**	**(7,337)**	**(12,690)**	**831**	**(9,151)**	**(192,305)**	**(6,353)**	**23,280**	**16,927**
Loss for the period	–	–	–	–	–	–	(71,905)	(71,905)	4,555	(67,350)
Exchange difference arising from translation of foreign operations	–	–	–	(6,725)	–	–	–	(6,725)	1,384	(5,341)
Total comprehensive loss for the period	–	–	–	(6,725)	–	–	(71,905)	(78,630)	5,939	(72,691)
Transactions with owners										
Disposal of subsidiaries	–	–	–	(172)	(34)	–	–	(206)	(15,957)	(16,163)
Transactions with owners	–	–	–	(172)	(34)	–	–	(206)	(15,957)	(16,163)
At 30 September 2019 (unaudited)	**12,880**	**201,419**	**(7,337)**	**(19,587)**	**797**	**(9,151)**	**(264,210)**	**(85,189)**	**13,262**	**(71,927)**

NOTES TO THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2019

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 Third Quarterly 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 Hong Kong Companies Ordinance (Cap 622 of the Laws of Hong Kong). The Third Quarterly Financial Statements also complies with the applicable disclosure requirements under the GEM Listing Rules.

Except as described below for changes in accounting policies resulting from application of new HKFRSs, the Third Quarterly 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 2018.

Adoption of new/revised HKFRS

During the Period, the Group has applied the following new standards, amendments and interpretations to existing standards issued by the HKICPA, which are effective from the accounting periods beginning on or after 1 January 2019 for the preparation of the Group's Third Quarterly Financial Statements:

HKFRS 9 (Amendments)	Prepayment features with negative compensation
HKAS 19 (Amendments)	Plan amendments, curtailment or settlement
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments
Annual Improvements Project (Amendments)	Annual improvements 2015–2017 cycle

Except for the impact disclosed below, the adoption of the above new HKFRS and HKAS does not have a significant impact on the Group's accounting policies.

HKFRS 16 "Leases" introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 supersedes HKAS 17 "Leases" and the related interpretations for annual periods beginning on or after 1 January 2019.

The Group is required to recognise the portion of the future minimum lease payments under the operating leases in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities, and in the Group's consolidated statement of comprehensive income as the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets. The Group will also be required to re-measure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the re-measurement of the lease liabilities as an adjustment to the right-of-use assets.

The Group has applied HKFRS 16 in accordance with the transition provisions set out in HKFRS 16, i.e. applied the non-cancellable operating leases of the Group in respect of office premises, dormitories and a parking lot that have not been derecognised as at 1 January 2019 (date of initial application) and has not applied the operating leases that have already been derecognised as at 1 January 2019.

The difference between carrying amounts as at 31 December 2018 and the carrying amounts as at 1 January 2019 are recognised in the opening assets and liabilities, without restating comparative information.

The table below illustrates the classification and measurement of operating leases in consolidated statement of financial position under HKFRS 16 and HKAS 17 at the date of initial application, i.e., 1 January 2019.

	HKFRS 16 carrying amount at 1 January 2019 HK$'000	HKAS 17 carrying amount at 31 December 2018 HK$'000
Right-of-use assets	**4,758**	–
Lease liabilities	**4,758**	–

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. REVENUE

Revenue, which represents income from provision of integrated logistics handling and the relevant supporting services, trading business and provision of petrochemical products storage business is analysed by category as follows:

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Income from provision of integrated logistics handling and the relevant supporting services	**850**	–	**4,682**	–
Income from trading business	**298,890**	1,078,437	**1,061,952**	3,084,337
Income from provision of petrochemical products storage business	**1,268**	1,992	**5,322**	6,192
	301,008	1,080,429	**1,071,956**	3,090,529

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
This is stated after charging:				
Finance costs				
Interest on bank loans, overdrafts and borrowings wholly repayable within five years	**13,711**	6,919	**41,897**	21,075
	13,711	6,919	**41,897**	21,075
Other items				
Cost of inventories	**291,822**	1,089,383	**1,038,231**	3,103,115
Depreciation	**7,595**	1,369	**23,428**	4,825
Depreciation on the right-of-use assets	**885**	–	**2,198**	–
Staff costs				
Salaries, allowance and the other short-term employee benefits including Directors' emoluments	**2,933**	6,591	**16,520**	18,843
Contributions to defined contribution plans	**1,140**	795	**3,447**	2,078
	4,073	7,386	**19,967**	20,921

5. TAXATION

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 continue to be subject to the rate of 16.5% for corporations.

One of the Company's major operating subsidiaries, 前海明天供應鏈 (深圳) 有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) ("**Qianhai Mingtian**"), is qualified as an eligible entity for enjoying a preferential Enterprise Income Tax ("**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.

Save as disclosed above, the PRC EIT is calculated at the prevailing tax rate at 25% (2018: 25%) on taxable income determined in accordance with the relevant laws and regulations in the PRC.

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

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Current tax				
PRC Enterprise Income Tax				
— Under-provision in prior period	**4**	(1)	**138**	48
Total income tax for continuing operations	**4**	(1)	**138**	48
Discontinued operations				
— Current tax	**–**	123	**–**	220
Total income tax for discontinued operations	**–**	123	**–**	220
Total income tax recognized in profit or loss	**4**	122	**138**	268

6. DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (2018: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months and nine months ended 30 September 2019 and 2018 are calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2019	2018	**2019**	2018
Loss attributable to equity holders of the Company (HK$'000)				
— Continuing operations	**(21,811)**	(21,164)	**(71,905)**	(70,101)
— Discontinued operations	**–**	(2,457)	**–**	(5,962)
Weighted average number of ordinary shares in issue	**1,288,000,000**	1,288,000,000	**1,288,000,000**	1,288,000,000
Basic loss per share (HK cents)				
— Continuing operations	**(1.69)**	(1.64)	**(5.58)**	(5.44)
— Discontinued operations	**–**	(0.19)	**–**	(0.47)

Basic and diluted loss per share is the same as the Company did not have any dilutive potential ordinary shares during the nine months ended 30 September 2019 and 2018.

8. APPROVAL OF THE UNAUDITED THIRD QUARTERLY FINANCIAL STATEMENTS

The Third Quarterly Financial Statements were approved and authorised for issue by the Board on 11 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period, the Group was principally engaged in trading business, the provision of integrated logistics handling 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$1,062.0 million (2018: approximately HK$3,084.3 million). The decrease in revenue was mainly attributable to (i) the termination of some products trading business which had high operating risks or recorded gross losses in the last financial year, (ii) many customers took a wait-and-see attitude as the change of the value added tax in the PRC has affected the export rebate, and (iii) the impact of the China-USA trade war.

2. Integrated logistics handling and the relevant supporting services business

During the Period, the Group provide terminal handling and berthing services, through 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*) ("**Jiangsu Hairong**") in the Yangtze River Delta region. The revenue from business of integrated logistics handling and the relevant supporting services business ("**Integrated Logistics Handling Business**") decreased by approximately 96.1% to approximately HK$4.7 million (2018: approximately HK$120.4 million).The decrease in revenue was mainly attributable to (i) the Group has just completed the acquisition of the entire equity interest in Jiangsu Hairong on 21 December 2018, and it is still in the period of resources restructuring and has not yet achieved its fully synergistic benefits; (ii) the disposal on 10 January 2019 of Gamma Logistics (B.V.I.) Corporation ("**Gamma Logistics**") which had caused substantial losses to the Group in the past few years; and (iii) the explosion accident in the chemical industry park on 21 March 2019 has caused a large number of chemical industry companies to shut down or be rectified, resulting in a decline in business volume.

3. 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*) ("**Zhongnanhui**"). During the Period, the revenue from the Group's petrochemical products storage business decreased by approximately 14.5% to approximately HK5.3 million (2018: approximately HK$6.2 million). The decrease in revenue was mainly attributable to (i) the prolonged suspension of operation of the majority of storage tanks that are affected by the construction of new petrochemical storage tanks, (ii) the repairing and upgrading of the existing fire services in accordance with the safety regulations and environment protection authorities during the Period; and (iii) the explosion accident in the chemical industry park has resulted in a decline in petrochemical products storage business volume.

FINANCIAL REVIEW

The Group's revenue decreased by approximately 65.3% to approximately HK$1,072.0 million for the Period (2018: approximately HK$3,090.5 million from continuing operations). The reasons of the decrease in revenue, please refer to the paragraph headed "Business Review" for details.

The Group's cost of sales decreased by approximately 65.5% to approximately HK$1,073.8 million for the Period (2018: approximately HK$3,114.2 million from continuing operations). The decrease in cost was mainly driven by the effect of decrease in revenue of the Group's trading business.

With the combined effects of revenue and cost of sales, the Group's gross loss margin decreased to approximately 0.2% for the Period (2018: approximately 0.8% from continuing operations). The gross loss was mainly due to the fixed costs of Integrated Logistics Handling Business and petrochemical products storage business were large while the revenue was too small to generate gross profit.

The Group's finance costs increased by approximately 98.6% to approximately HK$41.9 million for the Period (2018: approximately HK$21.1 million from continuing operations). The finance costs consist of the interests on bank loans, overdrafts, other borrowings and the amounts due to the outstanding consideration payable in relation to acquisition of Jiangsu Hairong. The increase in finance cost was mainly attributable to the placing of the unlisted secured bonds of US$50 million, for details, please refer to paragraph headed "Placing of unlisted secured bonds in the aggregate principal amount of up to US$50,000,000 and account charge by controlling shareholders", and increase in the amounts due to the outstanding consideration payable in relation to acquisition of the entire equity interest in Jiangsu Hairong, which were denominated in Renminbi with interest rate of 4.35% per annum.

The Group recorded the loss for the Period of approximately HK$67.4 million (2018: loss of approximately HK$79.0 million from continuing operations). The loss attributable to the equity holders of the Company was approximately HK$71.9 million (2018: loss of approximately HK$70.1 million from continuing operations) and the loss per share was approximately 5.58 HK cents (2018: loss of approximately 5.44 HK cents from continuing operations).

CAPITAL STRUCTURE

As at 30 September 2019, the Group's total equity attributable to equity holders of the Company amounted to approximately HK$–85.2 million (31 December 2018: approximately HK$–6.4 million). The capital of the Company mainly comprised only the ordinary shares. There was no movement in the issued share capital of the Company during the Period.

DIVIDEND

The Board did not recommend the payment of an interim dividend in respect of the Period (2018: Nil).

PLEDGE OF ASSETS

The Group utilised facilities from its 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$52.1 million as at 30 September 2019 (31 December 2018: approximately HK$66.5 million), sea use right payments of approximately HK$2.7 million as at 30 September 2019 (31 December 2018: approximately HK$2.8 million), prepaid lease payments of approximately HK$33.1 million as at 30 September 2019 (31 December 2018: approximately HK$35.1 million), and pledged bank deposits of approximately HK$313.6 million as at 30 September 2019 (31 December 2018: approximately HK$307.4 million).

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, 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.

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

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.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

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 ("**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.

For further details, please refer to the announcements of the Company dated 30 December 2018, 3 January 2019 and 10 January 2019 in relation to the Gamma Disposal.

Save and except for the aforesaid completion of the disposal of 51% of the issued share capital of Gamma Logistics, the Group had no other material disposal and did not hold any significant investment (except for its subsidiaries) and material acquisition during the Period.

OUTLOOKS

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

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

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no material contingent liabilities (31 December 2018: 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 September 2019, 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) (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 September 2019 and as at the date of this announcement.

DIRECTOR'S PARTICULARS

Appointment and resignation of Directors

Mr. Ni Xiangrong has resigned as a Director and Mr. Tao Ying has been appointed as the chairman of the Board and an executive Director to fill the vacancy in relation to Mr. Ni Xiangrong's resignation on 18 March 2019.

Mr. Pan Jian has resigned as a Director and Mr. Chen Wenxiang has been appointed as an executive Director to fill the vacancy in relation to Mr. Pan Jian's resignation on 18 March 2019.

For details, please refer to the announcement of the Company dated 18 March 2019.

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

As at 30 September 2019, 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 3)	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) (Note 2)	57.46%
Jiangsu Dafeng (Note 4)	Interest of controlled corporation	740,040,000 (L)/(S) (Note 2)	57.46%
大豐區人民政府 (the People's Government of Dafeng District*) ("**PGDD**") (Note 4)	Interest of controlled corporation	740,040,000 (L)/(S) (Note 2)	57.46%
Mr. Jiang Wen (Note 5)	Beneficial owner, interest of controlled corporation and interest of spouse	75,550,000 (L)	5.87%
Ms. Li Qiu Hua (Note 6)	Beneficial owner and interest of spouse	75,550,000 (L)	5.87%

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 entered into an 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' rights, titles and interests from time to time in and to each secured account, which had 740,040,000 Shares of approximately 57.46% of the total issued Shares as 30 September 2019.

3. 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.

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

5. Mr. Jiang Wen, the director, the general manager and the legal representative of Qianhai Mingtian which is an indirect subsidiary of the Company, directly and beneficially owns 51,450,000 Shares. Ms. Li Qiu Hua, the spouse of Mr. Jiang Wen, directly and beneficially owns 10,500,000 Shares. Jing Ji (Holding) Co., Limited, a company wholly-owned by Mr.Jiang Wen, directly and beneficially owns 13,600,000 Shares. As such, under the SFO, Mr. Jiang Wen is deemed, or taken to be, interested in 75,550,000 Shares.

6. Ms. Li Qiu Hua directly and beneficially owns 10,500,000 Shares. As Mr. Jiang Wen's spouse, she is, under the SFO, deemed to be, or taken to be, interested in the same number of Shares in which Mr.Jiang Wen is interested.

Save as disclosed above, as at 30 September 2019, 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.

As informed by Mr. Jiang Wen on 31 October 2019, Mr. Jiang Wen purchased 2,090,000 Shares and Ms. Li Qiuhua purchased 20,000 Shares by their personal accounts after 30 September 2019. As a result, Mr. Jiang Wen directly and beneficially owned 53,560,000 Shares, Jing Ji (Holding) Co., Limited directly and beneficially owned 13,600,000 Shares, and Ms. Li Qiuhua directly and beneficially owned 10,500,000 Shares by 24 October 2019.

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

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 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 has an indirect non-wholly-owned subsidiary, namely 江蘇悅達港口物流發展有限公司 (Jiangsu Yueda Harbour Logistics Development Company Limited*) ("**Yueda Logistics**") which are engaged in trading of various goods including coal, metal ores, non-metallic ores, non-ferrous metal, chemical products, non-metal construction materials, scrap steel and wood. Whereas the Group is engaged in trading of electronic products, petrochemical products and various other products through 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*), Qianhai Mingtian and their respective subsidiaries, 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. 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 and Mr. Tao Ying is also the director of Yueda Logistics, there is no overlap in the directorships among the Company, Jiangsu Dafeng, Dafeng Hairong, Yancheng Commercial and Yueda Logistics. 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 September 2019, 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 its 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 September 2019, 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 Third Quarterly 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 Third Quarterly 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
Tao Ying
Chairman

Hong Kong, 11 November 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. Miao Zhibin	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Mr. Shum Kan Kim	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 a minimum period of 7 days from the date of its publication and on the Company's website at www.dfport.com.hk.

* *For identification purpose only*