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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

The Group's revenue decreased by approximately 63.6% to approximately HK$1,517.1 million for the year ended 31 December 2019 (the "**Year**") (2018: generated from continuing operations approximately HK$4,169.5 million).

The Group's cost of revenue decreased by approximately 64.0% to approximately HK$1,516.2 million for the Year (2018: incurred from continuing operations approximately HK$4,205.9 million).

With the combined effects of revenue and cost of revenue, the Company's gross profit margin increased to approximately 0.1% for the Year (2018: gross loss margin incurred from continuing operations approximately 0.9%).

The Group recorded net impairment loss on goodwill and other assets of approximately HK$839.1 million (2018: incurred from continuing operations approximately HK$45.6 million). As compared with the corresponding amount announced in the profit warning announcement on 27 February 2020, the Group has revised the previously announced amount from approximately HK$230.0 million to approximately HK$839.1 million (net). during the year ended 31 December 2019. It is mainly attributable to the marked decrease in the recoverable amounts of cash-generating unit (CGU), including property, plant and equipment, goodwill and right-of-use assets, after taking into account recent developments and recommendations of the valuer.

The Group recorded loss for the Year of approximately HK$945.0 million (2018: loss of approximately HK$174.0 million). The loss attributable to the equity holders of the Company was approximately HK$946.6 million (2018: loss of approximately HK$155.6 million) and the basic loss per share was HK cents 73.49 (2018: basic loss per share of HK cents 12.08).

The Board did not recommend the payment of any final dividend in respect of the Year (2018: Nil).

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Continuing operations			
Revenue	*4*	**1,517,072**	4,169,489
Cost of revenue		**(1,516,229)**	(4,205,948)
Gross profit/(loss)		**843**	(36,459)
Other income	*5*	**26,862**	28,389
Administrative expenses		**(64,796)**	(72,708)
Finance costs	*6*	**(58,744)**	(31,445)
Impairment loss on trade receivables		**(9,542)**	–
Impairment loss on goodwill	*12*	**(223,782)**	(14,844)
Impairment loss on property, plant and equipment	*11*	**(621,633)**	(23,804)
Reversal of impairment loss on right-of-use assets		**6,312**	–
Impairment loss on prepaid lease payments		**–**	(6,906)
(Loss)/Gain on disposal of subsidiaries		**(312)**	261
Loss before taxation from continuing operations	*7*	**(944,792)**	(157,516)
Taxation	*8*	**(199)**	(59)
Loss for the year from continuing operations		**(944,991)**	(157,575)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(16,435)
Loss for the year		**(944,991)**	(174,010)
Other comprehensive loss			
Items that are reclassified or may be reclassified to profit or loss in subsequent periods:			
Exchange difference arising from translation of foreign operations		**(15,023)**	(15,047)
		(15,023)	(15,047)
Total comprehensive loss for the year		**(960,014)**	(189,057)

	Note	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Loss attributable to equity holders of the Company:			
– from continuing operations		**(946,599)**	(147,097)
– from discontinued operations		**–**	(8,533)
		(946,599)	(155,630)
Profit/(Loss) attributable to non-controlling interests:			
– from continuing operations		**1,608**	(10,478)
– from discontinued operations		**–**	(7,902)
		1,608	(18,380)
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(961,159)**	(168,081)
– Non-controlling interests		**1,145**	(20,976)
		(960,014)	(189,057)
Loss per share attributable to equity holders of the Company			
Basic and diluted			
– from continuing operations	*10*	**(73.49) HK cents**	(11.42) HK cents
– from discontinued operations	*10*	**–**	(0.66) HK cents
		(73.49) HK cents	(12.08) HK cents

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**319,635**	960,685
Goodwill	*12*	**1,296**	225,151
Right-of-use assets		**43,370**	–
Prepaid lease payments		–	34,135
Sea use right payments		–	2,848
Prepayments in relation to property, plant and equipment		**4,596**	500
Security deposit for loan from a third party		–	3,416
		368,897	1,226,735
Current assets			
Prepaid lease payments		–	989
Sea use right payments		–	72
Financial asset at fair value through profit or loss		**3,343**	7,971
Inventories		**6,309**	16,720
Trade and other receivables	*13*	**602,162**	1,090,644
Pledged bank deposits		**395,612**	307,449
Bank balances and cash		**35,296**	64,588
		1,042,722	1,488,433
Disposal group classified as held for sale		–	54,566
		1,042,722	1,542,999
Current liabilities			
Trade and other payables	*14*	**1,779,576**	1,946,976
Current portion of bank and other borrowings		**178,059**	140,633
Taxation		**249**	177
		1,957,884	2,087,786
Liabilities associated with disposal group classified as held for sale		–	46,429
		1,957,884	2,134,215
Net current liabilities		**(915,162)**	(591,216)
Total assets less current liabilities		**(546,265)**	635,519

	Note	**2019**	2018
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current liabilities			
Non-current portion of bank and other borrowings		**397,769**	611,492
Deferred tax liabilities		**6,873**	7,100
		404,642	618,592
NET (LIABILITIES)/ASSETS		**(950,907)**	16,927
Capital and reserves			
Share capital	*15*	**12,880**	12,880
Reserves		**(980,392)**	(19,233)
Total equity attributable to equity holders of the Company		**(967,512)**	(6,353)
Non-controlling interests		**16,605**	23,280
TOTAL (DEFICIT)/EQUITY		**(950,907)**	16,927

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

For the year ended 31 December 2018 (audited)

	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										
Contribution from non-controlling interest *(Note a)*	–	–	–	–	–	–	–	–	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

For the year ended 31 December 2019 (unaudited)

	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$'000*	Total (deficit)/ equity *HK$'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 year	–	–	–	–	–	–	**(946,599)**	**(946,599)**	**1,608**	**(944,991)**
Other comprehensive loss										
Exchange difference arising from translation of foreign operations	–	–	–	**(14,560)**	–	–	–	**(14,560)**	**(463)**	**(15,023)**
Total comprehensive loss	–	–	–	**(14,560)**	–	–	**(946,599)**	**(961,159)**	**1,145**	**(960,014)**
Transactions with owners										
Changes in ownership interests										
Contributions from non-controlling interests *(Note a)*	–	–	–	–	–	–	–	–	**8,169**	**8,169**
Disposal of a subsidiary	–	–	–	–	–	–	–	–	**(15,989)**	**(15,989)**
Contributions and distributions										
Appropriation to statutory reserve	–	–	–	–	**2**	–	**(2)**	–	–	–
Total transactions with owners	–	–	–	–	**2**	–	**(2)**	–	**(7,820)**	**(7,820)**
At 31 December 2019	**12,880**	**201,419**	**(7,337)**	**(27,250)**	**833**	**(9,151)**	**(1,138,906)**	**(967,512)**	**16,605**	**(950,907)**

Note a: The amounts represented the capital contribution from non-controlling interests of 前海明天供應鏈（深圳）有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) ("**Qianhai Mingtian**") and 深圳市泛海控股有限公司 (Shenzhen Fanhai Holdings Company Limited*) ("**Shenzhen Fanhai**") of HK$8,169,000 and HK$ nil respectively (2018: HK$2,354,000 and HK$6,062,000) during the Year.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2019

1. BASIS OF PRESENTATION

Basis of preparation

These unaudited 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 unaudited consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

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

These unaudited consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 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 basis

As at 31 December 2019, the Group had net current liabilities of approximately HK$915,162,000 and net liabilities of approximately HK$950,907,000. In addition, it incurred a loss of approximately HK$944,991,000 from continuing operations for the year ended 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the unaudited consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next twelve months, after taking into consideration of a series of contingency financing plan, which includes but no limited to the following measures:

(i) seek for extension of repayment of the amounts due to 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("**Jiangsu Dafeng**"), 江蘇華海投資有限公司 (Jiangsu Huahai investment Company Limited*) ("**Jiangsu Huahai**") and 大豐海港港口有限責任公司 (Dafeng Port Harbour Limited Liability Company*) ("**Dafeng Harbour**"), amounting to approximately HK$207,038,000, HK$132,450,000 and HK$888,685,000 respectively;

(ii) seek for financial assistance from its parent companies and connected parties;

(iii) negotiate with financial institutions for the renewals of the Group's short term bank borrowings upon expiry, new borrowings and applying for future credit facilities; and

(iv) adopt other equity financing options.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months after having taken into account of the aforesaid measures and arrangements, the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these unaudited consolidated financial statements on a going concern basis.

Notwithstanding the above, whether the Group will be able to continue as a going concern would depend whether the directors of the Company will be able to successfully achieve its plans and measures as described above.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the unaudited consolidated financial statements.

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:

Annual Improvements to HKFRSs	2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Annual Improvements Project — 2015–2017 Cycle:
HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

The Interpretation supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

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

Amendments to HKFRS 9: Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss ("**FVPL**") if specified conditions are met.

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

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "**DIA**") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated losses or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee — leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(c) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(d) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 10.56% per annum.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	HK$'000
Operating lease commitments at 31 December 2018	4,260
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(3,048)
Gross lease liabilities at 1 January 2019	1,212
Less: Total future interest expenses	(113)
Lease liabilities at 1 January 2019	1,099

As lessee

At the DIA, all right-of-use assets were presented within the line item "right-of-use assets" on the unaudited consolidated statement of financial position.

As a result, the adjustments to the opening balance (affected items only) below resulted from the initial application of HKFRS 16 as at 1 January 2019. The prior-period amounts were not adjusted.

	31 December 2018	**Adjustment**	**1 January 2019**
	HK$'000	*HK$'000* Increase (Decrease)	*HK$'000*
Assets			
Right-of-use assets	–	39,143	39,143
Prepaid lease payments	35,124	(35,124)	–
Sea use rights payments	2,920	(2,920)	–
Liabilities			
Lease liabilities	–	(1,099)	(1,099)
	38,044	–	38,044

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**
— 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
— Integrated logistics handling and the relevant supporting services business	— Provision of terminal handling and berthing services
— Petrochemical products storage business	— Provision of storage services for petrochemical products

For the purposes of assessing segment performance and allocating resources between segments, the Company's 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 2019 (unaudited)

	Trading business *HK$'000*	Petro-chemical products storage business *HK$'000*	Integrated logistics handling services *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Revenue (from external customers)	**1,502,123**	**7,872**	**7,077**	**–**	**1,517,072**
– Inter-segment revenue	**–**	**310**	**–**	**(310)**	**–**
Total revenue	**1,502,123**	**8,182**	**7,077**	**(310)**	**1,517,072**
Results					
Segment results	**(6,593)**	**(18,044)**	**(868,674)**	**–**	**(893,311)**
Other unallocated corporate income					**17,874**
Other unallocated corporate expenses					**(69,043)**
Loss on disposal of subsidiaries					**(312)**
Loss before taxation					**(944,792)**
Taxation					**(199)**
Loss for the year					**(944,991)**

For the year ended 31 December 2018 (audited)

	Continuing operations			Discontinued operations*				
	Trading business	Petro-chemical products storage business	Integrated logistics handling services	Integrated logistics handling services	Provision of fuel cards	Tractor repair and maintenance services and insurance agency services	Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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)

As at 31 December 2019 (unaudited)

	Trading business	**Petro-chemical products storage business**	**Integrated logistics handling services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
ASSETS				
Segment assets	**613,867**	**205,171**	**546,958**	**1,365,996**
Unallocated corporate assets	**–**	**–**	**–**	**45,623**
Consolidated total assets				**1,411,619**
LIABILITIES				
Segment liabilities	**(545,071)**	**(48,632)**	**(959,761)**	**(1,553,464)**
Unallocated corporate liabilities	**–**	**–**	**–**	**(809,062)**
Consolidated total liabilities				**(2,362,526)**

For the year ended 31 December 2019 (unaudited)

	Trading business *HK$'000*	Petro-chemical products storage business *HK$'000*	Integrated logistics handling services *HK$'000*	Total *HK$'000*
OTHER INFORMATION				
Capital additions	–	**24,470**	**6,379**	**30,849**
Capital additions (unallocated)	–	–	–	**61**
Depreciation of property, plant and equipment	**947**	**4,914**	**25,068**	**30,929**
Depreciation of property, plant and equipment (unallocated)	–	–	–	**269**
Depreciation of right-of-use assets	**848**	**986**	**88**	**1,922**
Depreciation of right-of-use assets (unallocated)	–	–	–	**437**
Finance costs	**12,658**	–	**1,304**	**13,962**
Finance costs (unallocated)	–	–	–	**44,782**
Impairment loss on trade receivables	**7,865**	–	**1,677**	**9,542**
Impairment loss on goodwill	–	–	**223,782**	**223,782**
Impairment loss on property, plant and equipment	–	**10,428**	**611,205**	**621,633**
(Reversal of) Impairment loss on right-of-use assets	–	**(6,906)**	**594**	**(6,312)**
Interest income	**15,759**	**15**	**5**	**15,779**
Interest income (unallocated)	–	–	–	**273**

As at 31 December 2018 (audited)

	Continuing operations			Discontinued operations*			
	Trading business	Petro-chemical products storage business	Integrated logistics handling services	Integrated logistics handling services	Provision of fuel cards	Tractor repair and maintenance services and insurance agency services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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 (audited)

	Continuing 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	–	1,028	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 of 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

* The operations of Gamma Logistics (B.V.I.) Corporation ("**Gamma Logistics**") and its subsidiaries ("**Gamma Logistics Group**") have been classified as discontinued operations during the year ended 31 December 2018.

Geographical information

Geographical segment

The Group operates and derives revenue in two principal geographical areas: Hong Kong and the People's Republic of China (the "**PRC**"). The following table sets out the revenue derived from geographical areas which are based on the geographical location of the customers:

	2019 ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
Revenue from external customers – continuing operations:		
Hong Kong	**972,100**	2,353,433
The PRC	**429,556**	1,718,455
Others *(Note)*	**115,416**	97,601
	1,517,072	4,169,489

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, right-of-use assets (2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Property, plant and equipment		
The PRC	**319,635**	960,685
Prepayments in relation to property, plant and equipment		
The PRC	**4,596**	500
Goodwill		
The PRC	**1,296**	225,151
Prepaid lease payments		
The PRC	**–**	34,135
Sea use right payments		
The PRC	**–**	2,848
Right-of-use assets		
Hong Kong	**800**	–
The PRC	**42,570**	–
	43,370	–
Total non-current assets	**368,897**	1,223,319

Information about major customers

For the year ended 31 December 2019, revenue from Customer A (trading business segment) of approximately HK$243,248,000 respectively accounted for over 10% of the total revenue of the Group.

For the year ended 31 December 2018, revenue from Customer B (trading business segment) and Customer C (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.

4. REVENUE

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Continuing operations		
Revenue from contracts with customers within HKFRS 15		
Income from provision of integrated logistics handling services	**7,077**	693
Income from trading business	**1,502,123**	4,160,007
Petrochemical storage service	**7,872**	8,789
	1,517,072	4,169,489
Timing of revenue recognition		
At a point in time	**1,502,123**	4,160,700
Over time	**14,949**	8,789
	1,517,072	4,169,489

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

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Continuing operations		
Bank interest income	**15,819**	6,998
Other interest income	**233**	–
Exchange gain, net	**4,893**	10,996
Sundry income	**42**	1,266
Penalty income	**5,150**	–
Subsidy income	**329**	112
Late payment penalty received from a customer	**7**	2,331
Write-back of accrued directors' salaries	**389**	–
Write-back of long outstanding other payable	**–**	6,686
	26,862	28,389

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Continuing operations		
Interest on borrowings wholly repayable within five years	**5,236**	6,506
Effective interest on unlisted unsecured bond	**33,506**	24,183
Other interest to a third party	**–**	660
Interest on amounts due to connected companies	**8,944**	6,368
Interest on loan from a connected party	**14,784**	–
Interest on lease liabilities	**207**	–
Total borrowing costs	**62,677**	37,717
Less: Borrowing costs capitalised into property, plant and equipment at weighted average capitalisation rate of 5.96% (2018: 5.8%)	**(3,933)**	(6,272)
	58,744	31,445

7. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

This is stated after charging (crediting):

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Staff costs		
Salaries, allowances and other short-term employee benefits including directors' emoluments	**21,438**	26,232
Contributions to defined contribution plans	**4,358**	2,833
	25,796	29,065
Other items		
Auditors' remuneration		
– Audit-related assurance services	**1,500**	2,200
– Other services	**177**	455
Amortisation of prepaid lease payments	**–**	1,028
Amortisation of sea use right payments	**–**	7
Cost of inventories	**1,455,570**	4,189,606
Depreciation of property, plant and equipment	**31,198**	9,100
Depreciation of right-of-use assets	**2,359**	–
Loss/(Gain) on disposal of subsidiaries	**312**	(261)
Loss on disposal of property, plant and equipment, net	**17**	104
Exchange gain, net	**(4,893)**	(10,996)
Impairment loss on trade receivables	**9,542**	–
Impairment loss on disposal group classified as held for sale	**–**	10,837
Impairment loss of property, plant and equipment	**621,633**	23,804
Impairment loss on goodwill	**223,782**	14,844
(Reversal of)/Impairment loss on right-of-use assets (2018: prepaid lease payment)	**(6,312)**	6,906
Operating lease payments on premises	**1,242**	6,332

8. TAXATION

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Continuing operations		
Current tax:		
Current year	**253**	185
Under-provision in prior year	**137**	74
	390	259
Deferred tax	**(191)**	(200)
Total income tax expenses for continuing operations	**199**	59
Discontinued operations		
Current tax	**–**	636
Total income tax expenses recognised in profit or loss	**199**	695

(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.

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.

9. DIVIDENDS

The board does not recommend the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

10. LOSS PER SHARE

Basic loss per share for the years ended 31 December 2019 and 2018 are calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

	2019 **(unaudited)**	2018 (audited)
Loss operations attributable to owners of the Company		
– Continuing operations *(HK$'000)*	**(946,599)**	(147,097)
– Discontinued operations *(HK$'000)*	**–**	(8,533)
Weighted average number of ordinary shares in issue	**1,288,000,000**	1,288,000,000
Basic loss per share		
– Continuing operations *(HK cents)*	**(73.49)**	(11.42)
– Discontinued operations *(HK cents)*	**–**	(0.66)

Basic and diluted loss per share are the same as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2019 and 2018.

11. PROPERTY, PLANT AND EQUIPMENT

The directors of the Company have reviewed the carrying value of property, plant and equipment (storage facilities and construction in progress), goodwill (note 12 to the unaudited consolidated financial statements) and right-of-use assets (2018: prepaid lease payments) of Petrochemical Products Storage Business and the carrying value of property, plant and equipment (terminal facilities and construction in progress), goodwill (note 12 unaudited to the consolidated financial statement) and right-of-use assets of Integrated Logistics Handling Business.

The operations of the Group's Integrated Logistics Handling Business and Petrochemical Products Storage Business located at Yancheng City, Jiangsu Province and most of the major customers are mainly the chemical companies in Jiangsu Province. The explosion accident in the chemical industry park, together with impact of outbreak of COVID-19 in the PRC, would have significant adverse impact on the Group's Integrated Logistics Handling Business and Petrochemical Products Storage Business located in Jiangsu Province on future operations, and hence, the future cashflows.

The directors consider that the economic performance is worse than expected and determine that the recoverable amount from the use or sale of these assets has declined below their carrying amount. Accordingly, the carrying value of the property, plant and equipment has been reduced by HK$621,633,000 to reflect this impairment loss during the Year.

12. GOODWILL

	2019 *HK$'000* (unaudited)	2018 *HK$'000* (audited)
Reconciliation of carrying amount		
At beginning of reporting period	**225,151**	16,213
Acquisition of a subsidiary	**–**	223,782
Disposal of a subsidiary	**(73)**	–
Impairment loss	**(223,782)**	(14,844)
At end of reporting period	**1,296**	225,151
At 31 December		
Cost	**239,922**	239,995
Accumulated impairment loss	**(238,626)**	(14,844)
	1,296	225,151

Goodwill arose because the consideration paid for the acquisitions effectively included amount in relation to the benefits originated from future market development and the assembled workforce of the acquired business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The carrying amount of goodwill was allocated to the Group's cash-generating unit ("**CGUs**") as follows:

	2019 *HK$'000* (unaudited)	2018 *HK$'000* (audited)
Integrated Logistics Handling Business	**–**	223,782
Petrochemical Products Trading Business	**1,296**	1,369
	1,296	225,151

The recoverable amounts of the Petrochemical Products Trading Business have been determined on the basis of value in use as at 31 December 2019. Its recoverable amounts are based on certain key assumptions.

The management considers that the recoverable amount of the CGU of Integrated Logistics Handling Business is determined to be lower than their respective carrying amount. Accordingly, impairment loss of approximately HK$223,782,000 was provided for goodwill in relation to this CGU during the Year.

The impairment loss was mainly due to (i) the Group completed the acquisition of the entire equity interest in 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**") on 21 December 2018, and it is still in the period of resource restructuring and has not yet achieved expected benefits; (ii) the explosion accident in the chemical industry park on 21 March 2019 has caused a large number of chemical industry companies to be shut down or rectified, resulting in a decline in business volume; and (iii) with the outbreak of COVID-19, the global economy may fall into recession, and the demand for oil and other energy sources may be significantly reduced, resulting in a significant negative impact on the Group's petrochemical products business. Accordingly, the Group's cash flow forecast is significantly lower than that at the time of acquisition, resulting in the impairment of goodwill.

13. TRADE AND OTHER RECEIVABLES

	Note	**2019**	2018
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Trade receivables			
Third parties		**107,184**	418,688
Less: Loss allowance	*(b)*	**(9,511)**	–
	(a)	**97,673**	418,688
Other receivables			
Deposits, prepayments and other debtors		**55,233**	38,988
Advanced payments to suppliers		**45,718**	49,722
Value added tax refundable		**67,769**	142,435
Interest receivable		**6,878**	5,461
Security deposit for loan from a third party		**3,343**	–
Due from connected companies	*(c)*	**325,437**	435,350
Consideration receivable for disposal of interests in a subsidiary		**111**	–
		504,489	671,956
		602,162	1,090,644

Note:

a. **Trade receivables**

An ageing analysis of the trade receivables as at the reporting period, based on the invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**95,727**	393,207
91–180 days	**151**	2,412
181–365 days	**1,503**	23,069
More than 365 days	**292**	—
	97,673	418,688

b. Loss allowance

As at 31 December 2019, the Group recognised loss allowance of HK$9,511,000 (2018: HK$nil) on the trade receivables. The movement in the loss allowance for trade receivables during the Year is summarised below.

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At beginning of year	**—**	—
Increase in allowance	**9,542**	—
Exchange realignment	**(31)**	—
At end of the reporting period	**9,511**	—

c. Due from connected companies

		2019	2018
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(audited)
Jiangsu Dafeng	*(i)*	**325,415**	435,321
大豐鑫港置業有限公司		**–**	29
大豐海港港口有限責任公司	*(ii)*	**11**	–
鹽城市大豐港城物業管理有限公司	*(ii)*	**11**	–
		325,437	435,350

(i) The amount represents advances of RMB292,009,000 (approximately HK$325,415,000) (2018: RMB382,296,000 (approximately HK$435,321,000)) from Jiangsu Hairong (before acquisition) to Jiangsu Dafeng, which has a 40% equity interest in Dafeng Port Overseas. The amounts are unsecured and have no fixed terms of repayment. Included in the amounts are balances of RMB52,500,000 (approximately HK$58,506,000) (2018: RMB142,500,000 (approximately HK$162,265,000)) which 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 RMB239,509,000 (approximately HK$266,909,000) (2018: RMB239,796,000 (approximately HK$273,256,000)) are interest-free.

(ii) These companies are controlled by a substantial shareholder. The amounts are unsecured, interest-free and have no fixed terms of repayment.

14. TRADE AND OTHER PAYABLES

	Note	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Trade and bills payables			
Trade payables		**66,427**	324,794
Bills payables		**412,306**	321,244
	(a)	**478,733**	646,038
Other payables			
Accrued charges and other creditors		**53,242**	37,449
Contract liabilities	*(c)*	**17,496**	17,800
Construction costs payable		**468**	11,260
Salaries and bonus payable		**1,464**	2,727
Amounts due to connected companies	*(b)*	**1,228,173**	1,231,702
		1,300,843	1,300,938
		1,779,576	1,946,976

Note:

a. Trade and bills payables

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

	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
90 days or below	**62,480**	645,740
91–180 days	**412,306**	298
181–365 days	**3,947**	–
	478,733	646,038

b. Amounts due to connected companies

	Note	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Dafeng Harbour	*(i)*	**888,685**	908,063
Jiangsu Dafeng	*(ii)*	**207,038**	194,223
Jiangsu Huahai	*(ii)*	**132,450**	129,416
		1,228,173	1,231,702

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

(i) The amount due is unsecured, interest-free and has no fixed terms of repayment. Dafeng Harbour is the wholly-owned subsidiary of Jiangsu Dafeng.

(ii) Jiangsu Huahai and Jiangsu Dafeng have equity interests in Dafeng Port Overseas as to 10% and 40% respectively. The amounts due represent the consideration payable in relation to acquisition of Jiangsu Hairong, a subsidiary of the Company. The amounts are unsecured, repayable within one year and bear interest at a rate of 4.35% per annum.

c. Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At the beginning of the reporting period	**17,800**	184,589
Recognised as revenue	**(17,800)**	(184,589)
Receipt of advances of undelivered goods	**17,496**	17,800
At end of the reporting period	**17,496**	17,800

At 31 December 2019, the advance payments from customers are expected to be recognised as revenue within one year.

15. SHARE CAPITAL

	2019		2018	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		HK$'000		*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid (HK$0.01 each):				
At beginning of year and at end of the year	**1,288,000,000**	**12,880**	1,288,000,000	12,880

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 segments during the Year:

1. Trading Business

The Group is engaged in the trading and import and export businesses of electronic products, petrochemical products and various other products. During the Year, the Group's trading business recorded revenue of approximately HK$1,502.1 million (2018: approximately HK$4,160.0 million). The decrease in revenue in this segment 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 Year, the Group's integrated logistics handling and the relevant supporting services business ("**Integrated Logistics Handling Business**") mainly involves the provision of terminal handling and berthing services and was solely engaged by Jiangsu Hairong and recorded revenue of approximately HK$7.1 million (2018: approximately HK$201.1 million, of which approximately HK$0.7 million was generated from Jiangsu Hairong, and approximately HK$200.4 million was generated from Gamma Logistics Group).

The decrease in revenue in this segment 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 (ii) the disposal of Gamma Logistics on 10 January 2019; and (iii) the explosion accident in the chemical industry park on 21 March 2019 has caused a large number of chemical industry companies to be shut down or rectified, resulting in a decline in business volume of Jiangsu Hairong.

On 28 December 2018, the Company and Great Panorama International Limited entered into an agreement to dispose of all its remaining 51% equity interests in 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% equity interests in 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.

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 by 10.2% to approximately HK$7.9 million (2018: approximately HK$8.8 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 Year; and (iii) the explosion accident in the chemical industry park has resulted in a decline in petrochemical products storage business volume.

OUTLOOKS

The Group expects that global economic activities will be greatly hindered for the reason that the conflict and trade war between China and USA will continue and have a negative impact on economy development of China and even that of the global, and outbreak of COVID-19 caused the blockade of borders by all countries around the world in addition. In the face of adverse external operating environment and the Group's total equity was negative, the Company will prudently monitor the operating environment of its business segments, reasonably optimize and restructure the Company's resources to maintain the interests of shareholders.

FINANCIAL REVIEW

The Group's revenue decreased by approximately 63.6% to approximately HK$1,517.1 million for the Year (2018: generated from continuing operations approximately HK$4,169.5 million). The decrease in revenue, please refer to the above paragraph headed "Business Review" for details.

The Group's cost of revenue decreased by approximately 64.0% to approximately HK$1,516.2 million for the Year (2018: incurred from continuing operations approximately HK$4,205.9 million). The decrease in cost was mainly driven by the effect of decrease in revenue of the Group's trading business and the termination of the logistics handling for containers and break-bulk cargoes business.

With the combined effects of revenue and cost of revenue, the Group recorded a gross profit margin of approximately 0.1% for the Year (2018: gross loss margin incurred from continuing operations of approximately 0.9%). The gross profit was mainly due to the termination of some products trading business which had recorded gross losses in the last financial year.

The Group's finance costs amounted to approximately HK$58.7 million for the Year (2018: incurred from continuing operations approximately HK$31.4 million). 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 "Unlisted secured bonds and account charge by controlling shareholder", and increase in the amounts due representing the 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 net impairment loss on goodwill and other assets of approximately HK839.1 million for the Year (2018: incurred from continuing operations approximately HK$45.6 million). There was an unfortunate explosion accident in the chemical industry park in Yancheng Jiangsu on 21 march 2019, which caused numerous chemical plants to suspend their operations for a long term and some even shut down the chemical business. This has a significant and marked negative impact on the Group's operating activities. The recoverable amounts of the CGUs of Integrated Logistics Handling Business was determined to be lower than their respective carrying amount. For details of impairment loss are set out in note 12 to the unaudited consolidated financial statements.

The Group recorded loss for the Year of approximately HK$945.0 million (2018: loss of approximately HK$174.0 million). The increase in loss for the Year was also driven by the impairment losses of approximately HK$835.6 million and approximately HK$3.5 million made on the carrying amounts of goodwill and other assets under the Integrated Logistics Handling Business segment and the carrying amounts of other assets under the Petrochemical Products Storage Business segment respectively. The loss attributable to the equity holders of the Company was approximately HK$946.6 million (2018: loss of approximately HK$155.6 million) and the basic loss per share was HK cents 73.49 (2018: basic loss per share of HK cents 12.08).

Liquidity and financial resources

As at 31 December 2019, the Group had net current liabilities of approximately HK$915.2 million (2018: net current liabilities of approximately HK$591.2 million), including bank balances and cash equivalents of approximately HK$35.3 million (2018: approximately HK$64.6 million).

The Group's equity capital and bank and other borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 December 2019 was approximately 0.53 (2018: 0.72).

As at 31 December 2019, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately -60.6% (2018: 4,443.3%).

In order to meet its financial obligations as and when they fall due within the next twelve months and improve the Group's current ratio, the directors of the Company will actively pursuing a series of contingency financing plans, which includes but not limited to the following measures:

(i) seek for the extension of repayment of the amounts due to Jiangsu Dafeng, Jiangsu Huahai and Dafeng Harbour;

(ii) seek for financial assistance from its parent companies and connected parties;

(iii) negotiate with financial institutions for the renewals of the Group's short term bank borrowings upon expiry, new borrowings and applying for future credit facilities; and

(iv) adopt other equity financing options.

Capital structure

As at 31 December 2019, the Group's total deficit attributable to equity holders of the Company amounted to approximately HK$967.5 million (2018: approximately HK$6.4 million). The capital of the Company mainly comprised only the ordinary share. There was no movement in the issued share capital of the Company during the Year.

Unlisted secured bonds and account charged 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 (2018: Nil).

Significant investment, material acquisitions and disposals

On 28 December 2018, the Company and Great Panorama International Limited entered into the Gamma Logistics Disposal Agreement to dispose of all its remaining 51% equity interests in Gamma Logistics, pursuant to which the Company conditionally agreed to sell, and Great Panorama International Limited conditionally agreed the Gamma Disposal, purchasing 51% equity interests in Gamma Logistics at the consideration of HK$4,150,000. 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 material acquisitions and disposals of subsidiaries and associates 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$61.7 million as at 31 December 2019 (31 December 2018: approximately HK$66.5 million), sea use right payments under right-of-use assets of approximately HK$2.8 million (2018: HK$2.9 million), prepaid lease payments under right-of-use assets of approximately HK$33.3 million (31 December 2018: approximately HK$35.1 million), security deposit for loan from a third party of approximately HK$3.3 million (31 December 2018: approximately HK$3.4 million) and pledged bank deposits of approximately HK$395.6 million as at 31 December 2019 (31 December 2018: approximately HK$307.4 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 2019 and at the date of this announcement.

Foreign currency exposure

The income and expenditure of the Group are mainly carried in Hong Kong Dollars, Renminbi and US dollars. Exposures to foreign currency risk arise from certain of the Group's trade and other receivables, trade and other payables and cash and bank balances denominated in Renminbi and US dollars. The Group mainly adopts measures such as adjusting the time of foreign exchange receipt and payment, matching the balance of foreign exchange receipts and payments, and signing foreign exchange lock agreements with banks to control foreign exchange risks. The Group does not use derivative financial instruments to hedge its foreign currency risk. The management team of the Group reviews the foreign currency exposures regularly and does not expect significant exposure to foreign currency risk.

Employees and emolument policy

As at 31 December 2019, the Group employed a total of 195 employees (2018: 254 employees) based in Hong Kong and the Mainland China. During the Year, the total staff costs, including Directors' emoluments, amounted to approximately HK$25.8 million (2018: approximately HK$29.1 million). The Group reviews the emoluments of its directors and staff based on their respective qualification, experience, performance and the market rates so as to maintain the remunerations of its directors and staff at a competitive level.

Contingent liabilities

As at 31 December 2019, the Group had no material contingent liabilities (2018: 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 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) ("**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 2019 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 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	78,650,000(L)	6.11%
Ms. Li Qiu Hua *(Note 6)*	Beneficial owner and interest of spouse	78,650,000(L)	6.11%

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 31 December 2019.

3. 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.

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 54,530,000 Shares. Ms. Li Qiu Hua, the spouse of Mr. Jiang Wen, directly and beneficially owns 10,520,000 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 78,650,000 Shares.

6. Ms. Li Qiu Hua directly and beneficially owns 10,520,000 Shares. As Mr. Jiang Wen's spouse, she is, under the SFO, deemed to be, or taken to be, interested in the same number of Shares in which Mr. Jiang Wen is interested.

Save as disclosed above, as at 31 December 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.

After 31 December 2019, the Company was informed by Mr. Jiang Wen on 3 January 2020, he sold 1,800,000 Shares through his personal account.

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 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**"), 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 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, Yancheng Commercial and Yueda Logistics. 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 UNAUDITED RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited consolidated financial statements for the year ended 31 December 2019.

The outbreak of COVID-19 has significantly affected the work schedule of some of the Group's staff as they were not able to go back to the office to cooperate with auditors for audit field work before 2 March 2020. At the same time, in the face of the outbreak of COVID-19, the Company's auditor, Mazars CPA Limited ("**Mazars**") also launched a series of measures to ensure the staff's safety and health, including the suspension of all travel to the mainland. The Hong Kong government has announced that all people, who came back from the mainland must comply with 14-day compulsory quarantine order from 8 February 2020. As a result, Mazars cannot efficiently arrange the auditors to go to the mainland for audit field work due to their staff arrangement plan. The figures of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have not been audited by Mazars.

The Company, after discussions with Mazars, estimated that no material adjustments will be made on the unaudited consolidated financial statements except for the following items which are outstanding and have not been fully resolved.

Impairment

Based on the unaudited consolidated financial statements of the Group, there is material movement for impairment loss of goodwill and other assets for the year ended 31 December 2019 compared with the year ended 31 December 2018.

The amount of impairment is subject to valuation, which is dependent on the bases and assumptions of the valuation model. Subject to the findings of Mazars and the valuer, the bases and assumptions may alter and resulting in a change in figures in the financial statements.

Going concern

As mentioned in note 2 in the unaudited annual result announcement, the Group incurred a net loss of approximately HK$944,991,000 during the year ended 31 December 2019 and had net current liabilities and net liabilities of approximately HK$915,162,000 and HK$950,907,000 respectively as at 31 December 2019. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Since the audit of the Group's consolidated financial statements has not been completed, it is uncertain, as at the date of this announcement, whether our auditors would issue a modified opinion to the consolidated financial statements in this regard. An announcement in relation to the audited results will be made when the auditing process has been completed and by no later than 14 May 2020, in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 31 March 2020

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. Chen Wenxiang		Mr. Yu Xugang
Ms. Leng Panpan		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*