



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

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

FINANCIAL SUMMARY

The Group's total revenue for the three months ended 31 March 2021 (the "**Period**") was approximately HK\$257.2 million, representing a decrease of approximately 12.0% as compared with the total revenue of approximately HK\$292.3 million for the corresponding period in 2020.

Loss before taxation for the Period was approximately HK\$12.7 million, representing a decrease of loss of approximately 36.8% as compared with the loss before taxation of approximately HK\$20.1 million for the corresponding period in 2020.

Loss attributable to the equity holders of the Company for the Period was approximately HK\$14.4 million, representing a decrease of loss of approximately 29.1% as compared with the loss attributable to the equity holders of the Company of approximately HK\$20.3 million for the corresponding period in 2020.

Loss per share for the Period was approximately HK1.12 cents (the corresponding period in 2020: approximately HK1.58 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 ended 31 March 2021 (the “**First Quarterly Financial Statements**”) together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		Unaudited Three months ended 31 March	
	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	257,221	292,295
Cost of revenue		(254,368)	(297,578)
Gross profit/(loss)		2,853	(5,283)
Other income		218	4,216
Administrative expenses		(8,442)	(6,111)
Finance costs		(7,362)	(12,885)
Loss before taxation	4	(12,733)	(20,063)
Taxation	5	–	–
Loss for the period		(12,733)	(20,063)
Other comprehensive income:			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange difference arising from translation of foreign operations		2,310	1,942
Total comprehensive loss for the period		(10,423)	(18,121)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		Unaudited Three months ended 31 March 2021	2020
	Note	HK\$'000	HK\$'000
(Loss)/Profit attributable to:			
Equity holders of the Company		(14,385)	(20,315)
Non-controlling interests		1,652	252
		(12,733)	(20,063)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(11,815)	(16,888)
Non-controlling interests		1,392	(1,233)
		(10,423)	(18,121)
Loss per share attributable to equity holders of the Company			
Basic and Diluted (HK cents)	7	(1.12)	(1.58)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	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 deficits HK\$'000
At 1 January 2020 (audited)	12,880	201,419	(7,337)	(27,250)	833	(9,151)	(1,138,906)	(967,512)	16,605	(950,907)
(Loss)/Profit for the period	-	-	-	-	-	-	(20,315)	(20,315)	252	(20,063)
Exchange difference arising from translation of foreign operations	-	-	-	3,427	-	-	-	3,427	(1,485)	1,942
Total comprehensive loss for the period	-	-	-	3,427	-	-	(20,315)	(16,888)	(1,233)	(18,121)
At 31 March 2020 (unaudited)	12,880	201,419	(7,337)	(23,823)	833	(9,151)	(1,159,221)	(984,400)	15,372	(969,028)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Attributable to equity holders of the Company							Non-controlling interests	Total deficits
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated losses	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	12,880	201,419	(7,337)	(28,857)	1,582	(9,151)	(576,023)	(405,487)	22,943
(Loss)/Profit for the period	-	-	-	-	-	-	(14,385)	(14,385)	1,652
Exchange difference arising from translation of foreign operations	-	-	-	2,570	-	-	-	2,570	(260)
Total comprehensive (loss)/income for the period	-	-	-	2,570	-	-	(14,385)	(11,815)	1,392
At 31 March 2021 (unaudited)	12,880	201,419	(7,337)	(26,287)	1,582	(9,151)	(590,408)	(417,302)	24,335

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2021

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 First 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 First Quarterly Financial Statements also complies with the applicable disclosure requirements under the GEM Listing Rules.

The First 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 2020.

Adoption of new/revised HKFRS

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

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

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2021

3. REVENUE

Revenue, which represents income from provision of trading business and petrochemical products storage business is analysed by category as follows:

	Unaudited	
	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Income from trading business	250,317	290,254
Income from provision of petrochemical products storage business	6,904	1,749
Discontinued operations		
Income from provision of integrated logistics handling and the relevant supporting services	–	292
	257,221	292,295

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2021

4. LOSS BEFORE TAXATION

	Unaudited Three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
This is stated after charging (crediting):		
Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	92	5,589
Effective interest on unlisted secured bond	7,270	7,296
	7,362	12,885
Other items		
Cost of inventories	248,798	286,543
Depreciation of property, plant and equipment	2,662	7,394
Depreciation of right-of-use assets	343	350
Staff costs		
Salaries, allowance and the other short-term employee benefits including		
Directors' emoluments	3,995	4,784
Contributions to defined contribution plans	691	585
	4,686	5,369

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 qualifying group entity is 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. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

The PRC Enterprise Income Tax ("EIT") is calculated at the prevailing tax rate at 25% (2020: 25%) on taxable income determined in accordance with the relevant laws and regulations in the PRC.

NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2021

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.

6. DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (2020: Nil).

7. LOSS PER SHARE

Basic loss per share for the three months ended 31 March 2021 and 2020 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 31 March	
	2021	2020
Loss attributable to equity holders of the Company (HK\$'000)	(14,385)	(20,315)
Weighted average number of ordinary shares in issue	1,288,000,000	1,288,000,000
Basic loss per share (HK cents)	(1.12)	(1.58)

Basic and diluted loss per share are the same as the Company did not have any dilutive potential ordinary shares during the three months ended 31 March 2021 and 2020.

8. APPROVAL OF THE FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved and authorised for issue by the Board on 10 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO SITUATION REVIEW

During the Period, the risk of global economic slowdown is still escalating by the global outbreak of COVID-19. The uncertainty and lethality of the global pandemic virus will continue to jeopardize the confidence in all industries worldwide, and the current economic climate remains challenging. With the increased threat of a recession, the Company will continue to closely monitor the global economic situation and do its best to minimize its impact on the Group and maintain stable operations during this downturn.

BUSINESS REVIEW

For the Period, the Group was principally engaged in trading business, and the provision of petrochemical products storage business.

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 Period, the Group's trading business recorded revenue of approximately HK\$250.3 million (2020: approximately HK\$290.3 million). The decrease in revenue in this segment was mainly attributable to the Group took measures actively and expanded the trade business to cover medical, food disinfection and other related new products when the outbreak of COVID-19 in the last year, and ceased the related new products trade business this year.

2. Petrochemical Products Storage Business

The Group is engaged 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 Group's petrochemical products storage business recorded revenue increased by approximately 305.9% to approximately HK\$6.9 million (2020: approximately HK\$1.7 million). The increase in revenue was mainly attributable to the fact that the customers increased the oil products storage quantity as the international crude oil price dropped.

FINANCIAL REVIEW

The Group's revenue decreased by approximately 12.0% to approximately HK\$257.2 million for the Period (2020: approximately HK\$292.3 million). For factors leading to the decrease in revenue, please refer to the above paragraph headed "Business Review" for details.

The Group's cost of sales decreased by approximately 14.5% to approximately HK\$254.4 million for the Period (2020: approximately HK\$297.6 million). The decrease in cost was mainly driven by (i) the disposal of 60% equity interests of 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*)

MANAGEMENT DISCUSSION AND ANALYSIS

("Jiangsu Hairong") on 27 August 2020, and its financial results ceased to be consolidated to the financial statements of the Group after 27 August 2020, and (ii) the termination of the trade business to cover medical, food disinfection and other related new products.

With the combined effects of revenue and cost of sales, the Group recorded a gross profit margin of approximately 1.1% for the Period (2020: gross loss margin of approximately 1.8%).

The Group's finance costs amounted to approximately HK\$7.4 million for the Period (2020: approximately HK\$12.9 million). The finance costs mainly consist of the interests on bank loans, unlisted unsecured bonds and amount due to connected companies. The decrease in finance costs was mainly attributable to the consideration of the disposal of 60% equity interest in Jiangsu Hairong on 27 August 2020 partly offset the balance of the consideration and interest on consideration occurred from acquisition of 100% equity interest in Jiangsu Hairong on 21 December 2018 and partly offset the amounts due to connected companies.

The Group recorded the loss for the Period of approximately HK\$12.7 million (2020: approximately HK\$20.1 million). The increase in loss attributable to the equity holders of the Company was approximately HK\$14.4 million (2020: approximately HK\$20.3 million) and the loss per share was 1.12 HK cents (2020: 1.58 HK cents).

CAPITAL STRUCTURE

As at 31 March 2021, the Group's total deficit attributable to equity holders of the Company amounted to approximately HK\$417.3 million (31 December 2020: approximately HK\$405.5 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 Period.

DIVIDEND

The Board did not recommend the payment of any interim dividend in respect of the Period (2020: Nil).

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 pledged bank deposits of approximately HK\$137.7 million as at 31 March 2021 (31 December 2020: approximately HK\$218.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

ISSUE US\$55 MILLION OF CREDIT ENHANCED GUARANTEED BONDS INTENDED FOR PURCHASE BY PROFESSIONAL INVESTORS ONLY AND LISTED ON THE HONG KONG STOCK EXCHANGE

On 17 March 2021, the Company, as issuer, 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) ("**Jiangsu Dafeng**"), as guarantor, and Tensant Securities Limited, Haitong International Securities Company Limited, BOSC International Company Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, CEB International Capital Corporation Limited, China Everbright Securities (HK) Limited, Huarong International Securities Limited and China Industrial Securities International Brokerage Limited (together, the "**Placing Agents**"), entered into a placing agreement pursuant to which the Company agreed to appoint the Placing Agents as placing agents 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\$55,000,000 (the "**Placing**").

The Placing was completed on 24 March 2021. Pursuant to the results of a book building exercise, the bonds in the principal amount of US\$55 million has been placed to bondholders at a coupon rate of 2.4% per annum, and terms of 3 years.

The net proceeds from this Placing, after deducting commissions to be charged by the Placing Agents and other estimated expenses payable in connection with this offering, was approximately U.S.\$52.70 million. The Company intends to use the proceeds from this offering for refinancing and replenishing working capital.

For further details, please refer to the announcements of the Company dated 24 March 2021 in relation to the Placing.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

Save for the 40% equity interest in Jiangsu Hairong held by us, during the Period, the Group had made no significant investment, no material acquisition and disposal of subsidiaries and associates.

OUTLOOKS

The Group expects that (i) China-US relations tend to ease yet with uncertainties following the US new president took office. Moreover, the rollout of COVID-19 vaccine and the introduction of economic stimulus policies in various countries brought hope to a global economic recovery. The Group will invest resources to develop and enhance the quality of its trade business; and (ii) while seizing the opportunity of integrated development of 江蘇鹽城港控股集團有限公司 (Jiangsu Yancheng Port Holding Group Co., Ltd*) ("**Jiangsu**

MANAGEMENT DISCUSSION AND ANALYSIS

Yancheng”), the Group will rationally reorganize and optimize the resources of the Company, simplify and restructure to conserve resources and prudently identify investment opportunities.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group had no material contingent liabilities (31 December 2020: 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 March 2021, none of the Directors or the chief executive 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, CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

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 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 March 2021 and as at the date of this announcement.

Up to 31 March 2021, the Company and its subsidiaries have not issued or granted any convertible securities, warrants or other similar rights.

OTHER INFORMATION

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

As at 31 March 2021, 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 Investment Holdings Limited (" 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%
Jiangsu Yancheng (Note 4)	Interest of controlled corporation	740,040,000 (L)/(S) ^(Note 2)	57.46%
鹽城市人民政府 (the People's Government of Yancheng City*) (" PGYC ") (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	75,350,000 (L)	5.85%
Ms. Li Qiu Hua (Note 6)	Beneficial owner and interest of spouse	75,350,000 (L)	5.85%

Notes:

1. The letter "L" denotes a long position in the interest in the issued share capital of the Company and 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 at 31 March 2021. The account charge had not yet been released by the security trustee.
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 Jiangsu Yancheng, 40.2% of which is owned by PGYC.
4. Jiangsu Dafeng, Jiangsu Yancheng and PGYC 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 前海明天供應鏈（深圳）有限公司 (Qianhai Mingtian Supply Chain (Shenzhen) Company Limited*) ("**Qianhai Mingtian**") which is an indirect subsidiary of the Company, directly and beneficially owns 51,230,000 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 75,350,000 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 March 2021, the Directors were not aware of any other persons or 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.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the Placing of US\$55 million of credit enhanced guaranteed bonds on 17 March 2021, during the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

Jiangsu Dafeng, a controlling shareholder of the Company, has two indirect wholly-owned subsidiaries, namely 大豐海融國際貿易有限公司 (Dafeng Hairong International Trade Co., Ltd.*) ("**Dafeng Hairong**") and 鹽城市港城商業管理有限公司 (Yancheng City 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 who is the director of Jiangsu Dafeng, Yueda Logistics and the Company, 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 31 March 2021, none of the Directors, controlling shareholders of the Company or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

An audit committee of the Company (the “**Audit Committee**”) has been established on 3 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and code provision C.3.3. 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 and the risk management system of the Group.

The First 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 First Quarterly Financial Statements complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

OTHER INFORMATION

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, 10 May 2021

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

<i>Executive Directors</i>	<i>Non-executive Directors</i>	<i>Independent Non-executive Directors</i>
Mr. Tao Ying (<i>Chairman</i>)	Mr. Ji Longtao	Dr. Bian Zhaoxiang
Mr. Chen Wenxiang	Mr. Yang Yue Xia	Mr. Lau Hon Kee
Ms. Leng Panpan	Mr. Miao Zhibin	Mr. Yu Xugang
		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*