



Dafeng Port Heshun Technology Company Limited

大豐港和順科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8310)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading.

FINANCIAL SUMMARY

The Group's total revenue for the six months ended 30 June 2022 (the "**Period**") was approximately HK\$274.9 million, representing a decrease of approximately 45.2% as compared with the total revenue of approximately HK\$501.8 million for the corresponding period in 2021.

Loss before taxation for the Period was approximately HK\$38.1 million, representing an increase of approximately 40.1% as compared with the loss before taxation of approximately HK\$27.2 million for the corresponding period in 2021.

Loss attributable to the equity holders of the Company for the Period was approximately HK\$39.0 million, representing an increase of approximately 36.4% as compared with the loss attributable to the equity holders of the Company of approximately HK\$28.6 million for the corresponding period in 2021.

Loss per share for the Period was approximately HK3.03 cents (the corresponding period in 2021: approximately HK2.22 cents).

The board of Directors of the Company (the “**Board**”) presents the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2022 (the “**Interim Financial Statements**”) together with the comparative figures for the corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

		Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	Note	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	4	221,284	244,587	274,860	501,808
Cost of revenue		(216,450)	(243,219)	(273,491)	(497,587)
Gross profit		4,834	1,368	1,369	4,221
Other (loss)/income	5	(4,081)	283	(5,418)	501
Administrative expenses		(10,829)	(10,949)	(23,308)	(19,391)
Finance costs	6	(5,398)	(5,149)	(10,785)	(12,511)
Loss before taxation	6	(15,474)	(14,447)	(38,142)	(27,180)
Taxation	7	(78)	(46)	(78)	(46)
Loss for the period		(15,552)	(14,493)	(38,220)	(27,226)
Other comprehensive (loss)/income:					
Item that may be reclassified to profit or loss in subsequent periods:					
Exchange difference arising from translation of foreign operations		(2,200)	2,562	(479)	4,872
Total comprehensive loss for the period		(17,752)	(11,931)	(38,699)	(22,354)

		Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	Note	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
(Loss)/Profit attributable to:					
Equity holders of the Company		(17,130)	(14,172)	(38,992)	(28,557)
Non-controlling interest		1,578	(321)	772	1,331
		(15,552)	(14,493)	(38,220)	(27,226)
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(17,476)	(12,115)	(38,440)	(23,930)
Non-controlling interests		(276)	184	(259)	1,576
		(17,752)	(11,931)	(38,699)	(22,354)
Loss per share attributable to equity holders of the Company					
Basic and diluted (HK cents)	9	(1.33)	(1.10)	(3.03)	(2.22)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Non-current assets			
Property, plant and equipment	10	112,992	129,546
Goodwill		1,296	1,296
Right-of-use assets		41,101	43,167
Prepayments in relation to property, plant and equipment		5,066	5,296
		160,455	179,305
Current assets			
Inventories		27,727	9,760
Trade and other receivables	11	175,249	210,656
Bank balances and cash		44,426	25,493
		247,402	245,909

	Note	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Current liabilities			
Trade and other payables	12	216,045	379,128
Current portion of bank and other borrowings	13	61,178	23,287
		277,223	402,415
Net current liabilities		(29,821)	(156,506)
Total assets less current liabilities		130,634	22,799
Non-current liabilities			
Amount due to an associate	12(b)	35,354	37,259
Amount due to a connected company	12(a)	133,064	–
Non-current portion of bank and other borrowings	13	439,734	424,290
Deferred tax liabilities		1,528	1,597
		609,680	463,146
NET LIABILITIES		(479,046)	(440,347)
Capital and reserves			
Share capital	14	12,880	12,880
Reserves		(518,304)	(479,864)
Total equity attributable to equity holders of the company		(505,424)	(466,984)
Non-controlling interests		26,378	26,637
TOTAL DEFICITS		(479,046)	(440,347)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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		
At 1 January 2021 (audited)	12,880	201,419	(7,337)	(28,857)	1,582	(9,151)	(576,023)	(405,487)	22,943	(382,544)
(Loss)/Profit for the period	-	-	-	-	-	-	(28,557)	(28,557)	1,331	(27,226)
Exchange difference arising from translation of foreign operations	-	-	-	4,627	-	-	-	4,627	245	4,872
Total comprehensive (loss)/ income for the period	-	-	-	4,627	-	-	(28,557)	(23,930)	1,576	(22,354)
At 30 June 2021 (unaudited)	12,880	201,419	(7,337)	(24,230)	1,582	(9,151)	(604,580)	(429,417)	24,519	(404,898)

	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		
At 1 January 2022 (audited)	12,880	201,419	(7,337)	(16,882)	1,720	(9,151)	(649,633)	(466,984)	26,637	(440,347)
(Loss)/Profit for the period	-	-	-	-	-	-	(38,992)	(38,992)	772	(38,220)
Exchange difference arising from translation of foreign operations	-	-	-	552	-	-	-	552	(1,031)	(479)
Total comprehensive (loss)/ income for the period	-	-	-	552	-	-	(38,992)	(38,440)	(259)	(38,699)
At 30 June 2022 (unaudited)	12,880	201,419	(7,337)	(16,330)	1,720	(9,151)	(688,625)	(505,424)	26,378	(479,046)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Unaudited Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cash generated from (used in) operations	18,949	(174,744)
Interest paid	(1,274)	(15,816)
Tax paid	(78)	(145)
Net cash from (used in) operating activities	17,597	(190,705)
INVESTING ACTIVITIES		
Interest received	–	99
Decrease in pledged bank deposits	–	184,834
Purchase of property, plant and equipment	(58)	–
Net cash (used in) from investing activities	(58)	184,933
FINANCING ACTIVITIES		
Repayment of lease liabilities	(265)	(314)
Repayment of unlisted secured bonds	–	(387,850)
Net proceeds from placing of listed credit enhanced guaranteed bonds	–	408,755
New Loan from a connected company	2,890	–
Net cash from financing activities	2,625	20,591
Net increase in cash and cash equivalents	20,164	14,819
Cash and cash equivalents at beginning of the period	25,493	16,107
Effect on exchange rate changes	(1,231)	125
Cash and cash equivalents at end of the period, representing by bank balances and cash	44,426	31,051

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements under the GEM Listing Rules.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the Interim Financial Statements are the same as those presented in the Group’s audited annual financial statements for the year ended 31 December 2021.

Adoption of new/revised HKFRS

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

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

3. SEGMENT INFORMATION

The 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 electronic products, petrochemical products, medical treatment products, textile and tin ingot etc
— Petrochemical products storage business	— Provision of supply chain management services
	— Provision of storage services for petrochemical products

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

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

Revenues and expenses are allocated to the reporting segments with reference to the 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 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 segment information is presented below:

For the six months ended 30 June 2022

	Petrochemical Products			
	Trading business	Storage business	Inter-Segment elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue (from external customers)	269,571	5,289	-	274,860
— Inter-segment revenue	-	2,855	(2,855)	-
Total revenue	269,571	8,144	(2,855)	274,860
Results				
Segment result	(12,601)	(10,410)	-	(23,011)
Other unallocated corporate loss				(4,375)
Other unallocated corporate expenses				(10,756)
Loss before taxation				(38,142)
Taxation				(78)
Loss for the period				(38,220)

For the six months ended 30 June 2021

	Trading business HK\$'000	Petrochemical Products Storage business HK\$'000	Inter-Segment elimination HK\$'000	Total HK\$'000
Revenue				
(from external customers)	486,943	14,865	–	501,808
— Inter-segment revenue	–	–	–	–
Total revenue	486,943	14,865	–	501,808
Results				
Segment result	(908)	(3,489)	–	(4,397)
Other unallocated corporate income				450
Other unallocated corporate expenses				(23,233)
Loss before taxation				(27,180)
Taxation				(46)
Loss for the period				(27,226)

As at 30 June 2022

	Trading business HK\$'000	Petrochemical Products Storage business HK\$'000	Total HK\$'000
ASSETS			
Segment assets	198,257	190,397	388,654
Unallocated corporate assets	-	-	19,203
Consolidated total assets			407,857
LIABILITIES			
Segment liabilities	(365,200)	(110,459)	(475,659)
Unallocated corporate liabilities	-	-	(411,244)
Consolidated total liabilities			(886,903)

As at 31 December 2021

	Trading business HK\$'000	Petrochemical Products Storage business HK\$'000	Total HK\$'000
ASSETS			
Segment assets	201,600	186,935	388,535
Unallocated corporate assets	–	–	36,679
Consolidated total assets			425,214
LIABILITIES			
Segment liabilities	(358,353)	(117,345)	(475,698)
Unallocated corporate liabilities	–	–	(389,863)
Consolidated total liabilities			(865,561)

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:

	Unaudited 30 June 2022 HK\$'000	Unaudited 30 June 2021 HK\$'000
Revenue from external customers		
Hong Kong	63,753	353,030
The PRC	173,355	139,920
Others (Note)	37,752	8,858
	274,860	501,808

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.

4. 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 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Income from trading business	219,352	236,626	269,571	486,943
Income from provision of petrochemical products storage business	1,932	7,961	5,289	14,865
	221,284	244,587	274,860	501,808

5. OTHER (LOSS)/INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Bank interest income	16	910	37	2,713
Exchange gain/(loss)	(4,184)	(664)	(5,592)	(2,265)
Sundry income	-	37	50	53
Subsidy income	87	-	87	-
	(4,081)	283	(5,418)	501

6. LOSS BEFORE TAXATION

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
This is stated after charging:				
Finance costs				
Interest on bank loans, overdrafts and other borrowings and lease liabilities	5,398	5,149	10,785	12,511
	5,398	5,149	10,785	12,511
Other items				
Cost of inventories	213,311	235,525	263,357	484,323
Depreciation of property, plant and equipment	3,082	3,094	6,298	5,756
Depreciation of right-of-use assets	256	403	523	746
Staff costs				
Salaries, allowance and the other short-term employee benefits including directors' emoluments	3,152	4,173	7,562	8,168
Contributions to defined contribution plans	634	647	1,413	1,338
	2,952	4,820	8,141	9,506

7. 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. Neither the Company nor its subsidiaries in Hong Kong have obtained taxable profits and no income tax has been accrued.

The PRC Enterprise Income Tax ("EIT") is calculated at the prevailing tax rate at 25% (2021: 25%) on taxable income determined in accordance with the relevant laws and regulations in the PRC.

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Current tax				
PRC EIT —				
Under-provision in prior period	78	46	78	46
Total income tax	78	46	78	46
Total income tax recognised in profit or loss	78	46	78	46

8. DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (2021: Nil).

9. LOSS PER SHARE

Basic loss per share for the three months and six months ended 30 June 2022 and 2021 are calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	Unaudited Three months ended 30 June 2022		Unaudited Six months ended 30 June 2022	
		2021		2021
Loss attributable to equity holders of the Company (HK\$'000)	(17,130)	(14,172)	(38,992)	(28,557)
Weighted average number of ordinary shares in issue	1,288,000,000	1,288,000,000	1,288,000,000	1,288,000,000
Basic loss per share (HK cents)	(1.33)	(1.10)	(3.03)	(2.22)

Basic and diluted loss per share are the same as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of property, plant and equipment (the "PPE") with a cost of approximately HK\$0.1 million (the corresponding period in 2021: approximately HK\$0.6 million). The Group did not dispose any PPE during the Period and the corresponding period in 2021.

11. TRADE AND OTHER RECEIVABLES

	Note	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Trade receivables			
— Third parties		64,659	27,993
— Less: Loss allowance		(3,514)	(3,514)
		61,145	24,479
Other receivables			
Deposits, prepayments and other debtors		107,859	49,586
Advanced payment to suppliers		42	94,669
Value added tax refundable		6,191	41,668
Interest receivable		–	242
Due from a connected company	11(a)	12	12
		114,104	186,177
		175,249	210,656

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Non-credit impaired		
Within 90 days	49,325	24,435
91–180 days	11,820	44
	61,145	24,479
Credit impaired		
More than 365 days	3,514	3,514
	3,514	3,514
	64,659	27,993

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

The information about the exposure to credit risk for trade receivable as at 30 June 2022 is summarised below:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Non-credit impaired		
Not past due	49,325	24,435
1–90 days past due	11,820	44
	61,145	24,479
Credit impaired		
Over 365 days past due	3,514	3,514
	3,514	3,514
	64,659	27,993

Included in the Group's trade receivables balance are debtors with carrying amounts of approximately HK\$11.8 million as at 30 June 2022 (31 December 2021: approximately HK\$0.04 million) which are past due at the end of the Period but which the Group has not impaired as there have not been any significant changes in credit quality and the Directors believe that amounts are fully receivable. The management has reviewed the subsequent status and repayment history of these customers and no provision for doubtful debt is considered necessary. The Group does not hold any collateral over these balances.

Receivables that were neither past due nor impaired as at 30 June 2022 and 31 December 2021 relate to a wide range of customers for whom there was no history of default.

11(a) Due from a connected company

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
大豐海港港口有限責任公司		
Dafeng Port Harbour Limited Liability Company* (" Dafeng Harbour ")	12	12
	12	12

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

12. TRADE AND OTHER PAYABLES

		Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
	Note		
Trade payables			
Trade payables		26,893	36,940
Other payables			
Accrued charges and other creditors		108,151	87,391
Contract liabilities		54,451	51,900
Salaries and bonus payable		944	929
Amount due to a director		560	440
Amounts due to connected companies	12(a)	25,046	201,528
		189,152	342,188
		216,045	378,128

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
90 days or below	21,402	31,449
More than 365 days	5,491	5,491
	26,893	36,940

12(a) Due to connected companies

		Unaudited	Audited
		30 June	31 December
		2022	2021
	Note	HK\$'000	HK\$'000
Current portion			
江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited*) (" Jiangsu Dafeng ")	(i)	4,494	43,932
江蘇華海投資有限公司 (Jiangsu Huahai Investment Limited*) (" Jiangsu Huahai ")	(ii)	20,552	157,596
		25,046	201,528
Non-current portion			
Jiangsu Huahai	(iii)	133,064	–
		158,110	201,528

(i) Jiangsu Dafeng has equity interests in 大豐港海外投資控股有限公司 (Dafeng Port Overseas Investment Holdings Limited*) ("**Dafeng Port Overseas**") as to 40%. The amount due represents the interest payable in respect of the principal portion of the loan agreement signed between 鹽城大豐和順國際貿易有限公司 (Yancheng Dafeng Heshun International Trading Company Limited*) ("**Heshun Trading**") and Jiangsu Dafeng, 江蘇中南滙石化倉儲有限公司 (Jiangsu Zhongnanhui Petrochemical Storage Company Limited*) ("**Zhongnanhui**") and Jiangsu Dafeng as disclosed in note 13.

(ii) Jiangsu Huahai has 10% equity interests in Dafeng Port Overseas. The amount due represents the interest payable in respect of the principal portion as disclosed in note 12(a)(iii). The amount is unsecured, repayable on demand and interest-free.

(iii) The amount due represents the principal portion in relation to the consideration on acquisition 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*) ("**Jiangsu Hairong**"), which is an associate of the Group, in 2018. As at 30 June 2022, the amount of RMB113,652,000 (equivalent to HK\$136,462,000) was unsecured, bore interest at a rate of 4.35% per annum and repayable in November 2023.

12(b) Amount due to an associate

The amount due is unsecured, interest-free and repayable on 31 December 2023.

13. BANK AND OTHER BORROWINGS

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Interest-bearing		
Bank loans	35,007	36,622
Loans from a connected company	63,559	22,859
Lease liabilities	1,182	1,182
Listed credit enhanced guaranteed bonds	401,164	386,914
	<hr/>	<hr/>
Total bank and other borrowings	500,912	447,577
	<hr/>	<hr/>
Current portion		
— Loans from a connected company	60,750	22,859
— Lease liabilities	428	428
	<hr/>	<hr/>
	61,178	23,287
	<hr/>	<hr/>
Non-current portion		
— Bank loans	35,007	36,622
— Loans from a connected company	2,809	–
— Lease Liabilities	754	754
— Listed credit enhanced guaranteed bonds	401,164	386,914
	<hr/>	<hr/>
	439,734	424,290
	<hr/>	<hr/>
Total bank and other borrowings	500,912	447,577
	<hr/>	<hr/>
Analysed as follows:		
Unsecured	64,741	24,041
Unsecured but guaranteed	436,171	423,536
	<hr/>	<hr/>
	500,912	447,577
	<hr/>	<hr/>

14. SHARE CAPITAL

	30 June 2022		31 December 2021	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised				
At 1 January 2021, 31 December 2021				
1 January 2022 (audited) and				
30 June 2022 (unaudited)	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At 1 January 2021, 31 December 2021,				
1 January 2022 (audited) and				
30 June 2022 (unaudited)	1,288,000,000	12,880	1,288,000,000	12,880

15. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2022, the Group had the following transactions with related parties:

(a) Related party transactions

	Unaudited 30 June 2022 HK\$'000	Unaudited 30 June 2021 HK\$'000
Interest expenses paid/ payable to:		
Jiangsu Dafeng	1,394	961
Jiangsu Huahai	2,954	2,944

(b) Key management personnel remuneration

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowance and the other short-term employee benefits	-	173	-	413
Contribution to defined contribution plans	-	-	-	-
	-	173	-	413

16. PLEDGE OF ASSETS/BANKING AND OTHER FACILITIES

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Total banking and other facilities granted to the Group	35,124	36,720
Total utilised banking and other facilities	35,007	36,622

17. COMMITMENTS

Capital expenditure commitments

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Contracted but not provided net of deposit paid for construction of property, plant and equipment — petrochemical storage facilities	235,031	219,776

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 11 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO SITUATION REVIEW

During the Period, the People's Republic of China (the "PRC") experienced another outbreak of COVID-19, especially in Hong Kong, Shenzhen and Shanghai, and the PRC government had to implement lockdown measures in response to the COVID-19 pandemic. These lockdown measures disrupted the supply chain and business activities of many enterprises in the PRC, including the Group and its business partners. This situation significantly affected the Group's operations.

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\$269.6 million (the corresponding period in 2021: approximately HK\$486.9 million). The decrease in revenue in this segment was mainly due to the fifth wave of community outbreak precipitated by the Omicron variant and a rapid surge of infected cases in Hong Kong in early 2022, which had a material negative impact on cross-border transport and logistics, and the Group's business was gradually recovering in the second quarter.

2. Petrochemical Products Storage Business

The Group is engaged in petrochemical products storage business through Zhongnanhui. During the Period, the liquid bulk throughput reached 78,374.7 tons, decreased by approximately 55.8% as compared to the same period in the prior year. Revenue generated from the Group's petrochemical products storage business decreased by approximately 64.4% to approximately HK\$5.3 million (the corresponding period in 2021: approximately HK\$14.9 million). The decrease in revenue was mainly attributable to the fact that the Yangtze River Delta region had been affected by the surge of COVID-19 cases, and all kinds of transportation such as hazardous chemical vehicles and foreign oil vessels had been strictly controlled, which had seriously hindered the development of petrochemical products storage business.

FINANCIAL REVIEW

The Group's revenue decreased by approximately 45.2% to approximately HK\$274.9 million for the Period (the corresponding period in 2021: approximately HK\$501.8 million). For reasons of the decrease in revenue, please refer to the paragraph headed "Business Review" above for details.

The Group's cost of revenue decreased by approximately 45.0% to approximately HK\$273.5 million for the Period (the corresponding period in 2021: approximately HK\$497.6 million). The decrease in cost was mainly driven by the effect of decrease in revenue of the Group's trading business.

With the combined effects of revenue and cost of sales, the Group recorded a gross profit margin of approximately 0.5% for the Period (the corresponding period in 2021: gross profit margin of approximately 0.8%).

The Group's finance costs amounted to approximately HK\$10.8 million for the Period (the corresponding period in 2021: approximately HK\$12.5 million). The finance costs mainly consist of the interests on bank loans, listed credit enhanced guaranteed bonds and amount due to connected companies. The decrease in finance costs was mainly attributable to the repayment of the US\$50 million three-year unlisted bond which carried a coupon rate of 7.5% per annum in March 2021 and the issuance of US\$55 million three-year credit enhanced guaranteed bonds with a coupon rate of 2.4% per annum on 24 March 2021.

For the Period, the Group recorded loss for the Period of approximately HK\$38.2 million (the corresponding period in 2021: approximately HK\$27.2 million). The loss attributable to the equity holders of the Company was approximately HK\$39.0 million (the corresponding period in 2021: approximately HK\$28.6 million) and the loss per share was 3.03 HK cents (the corresponding period in 2021: 2.22 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had net current liabilities of approximately HK\$29.8 million (31 December 2021: approximately HK\$156.5 million) including amounts due to connected companies of approximately HK\$221.7 million (31 December 2021: approximately HK\$224.4 million).

The Group's equity capital, bank and other borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 30 June 2022 was approximately 0.89 (31 December 2021: approximately 0.61).

The Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately negative 104.6% for the Period (31 December 2021: approximately negative 101.6%).

CAPITAL STRUCTURE

As at 30 June 2022, the Group's total deficit attributable to equity holders of the Company amounted to approximately HK\$505.4 million (31 December 2021: approximately HK\$467.0 million). The capital of the Company comprised issued share capital. 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 (2021: Nil).

PLEDGE OF ASSETS

The Group used bank facilities and other borrowings to finance the expansion of its business. As at 30 June 2022, the Group did not have any secured borrowings (31 December 2021: Nil).

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, 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 US\$52.7 million. The net proceeds has been used in repayment of the principal of US\$50 million and interest of approximately US\$1.9 million of unlisted secured bonds due on 28 March 2021, and the balance of approximately US\$0.8 million has been used to satisfy the Group's normal working capital requirement.

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

As at 30 June 2022, the Group was interested in approximately RMB100 million registered capital in Jiangsu Hairong, a company providing integrated logistics handling services in the PRC market, representing approximately 40% of its total registered capital.

Jiangsu Hairong is a private company and there is no quoted market price available for the investment. The carrying amount of the investment was nil as at 30 June 2022 (31 December 2021: Nil). The Group has not recognised further losses as the Group's share of losses of Jiangsu Hairong exceeds the carrying amount of its interest in Jiangsu Hairong. The unrecognised share of loss of Jiangsu Hairong for the Period and cumulative up to the end of the Period amounted to approximately HK\$1.1 million (for the period from 1 January 2021 to 31 December 2021: approximately HK\$3.0 million) and HK\$12.9 million (2021: approximately HK\$11.8 million), respectively.

Save as disclosed in this report, there was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

The Group had no future plans for material investments or capital assets as at 30 June 2022.

The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

OUTLOOKS

The Group expects that (i) As more countries and regions are removing their pandemic prevention measures, it is expected the global economy recovery would be stipulated in the second half of 2022 after the pandemic of COVID-19. The Group will endeavour to capture opportunities during the expected economy recovery, (ii) the Group continuously explores various opportunities to develop its businesses and will formulate different business strategies to utilise its resources effectively to maintain sustainable long-term growth, (iii) 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 Yancheng**"), the Group will rationally reorganise and optimise the resources of the Company, simplify and restructure to conserve resources and prudently identify investment opportunities.

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, listed credit enhanced bonds 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 30 June 2022, the Group had a total of 110 employees (31 December 2021: 122 employees) based in Hong Kong and the PRC. During the Period, the total staff costs, including Directors' emoluments, amounted to approximately HK\$8.1 million (the corresponding period in 2021: approximately HK\$9.5 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.

CAPITAL COMMITMENT

As at 30 June 2022, the Group had capital expenditure commitments contracted but not provided, net of deposit paid of approximately HK\$235.0 million (31 December 2021: approximately HK\$219.8 million). The capital commitment was mainly related to the construction of property, plant and equipment.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

EVENT AFTER THE PERIOD

Save as disclosed herein, the Group does not have any important events after the Period and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, 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 during the Period and there were no outstanding share options under the Scheme as at 30 June 2022 and as at the date of this report.

Up to 30 June 2022, the Company and its subsidiaries have not issued or granted any convertible securities, warrants or other similar rights.

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

As at 30 June 2022, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interests	Number of shares held (Note 1)	% of the Company's issued share capital (Approximate)
Dafeng Port Overseas (Note 2)	Beneficial owner	740,040,000 (L)	57.46%
Jiangsu Dafeng (Note 3)	Interest of controlled corporation	740,040,000 (L)	57.46%
Jiangsu Yancheng (Note 3)	Interest of controlled corporation	740,040,000 (L)	57.46%
鹽城市人民政府 (the People's Government of Yancheng City*) ("PGYC") (Note 3)	Interest of controlled corporation	740,040,000 (L)	57.46%
Mr. Jiang Wen (Note 4)	Beneficial owner, interest of controlled corporation and interest of spouse	75,470,000 (L)	5.86%
Ms. Li Qiu Hua (Note 5)	Beneficial owner and interest of spouse	75,470,000 (L)	5.86%

Notes:

1. The letter "L" denotes a long position in the interest in the issued share capital of the Company.
2. Dafeng Port Overseas, a company incorporated in Hong Kong with limited liability, and is owned as to 40% by Jiangsu Dafeng, which in turn is wholly owned by Jiangsu Yancheng, 40.2% of which is owned by PGYC.
3. Jiangsu Dafeng and Jiangsu Yancheng and PGYC are deemed to be interested in the shares of the Company held by Dafeng Port Overseas under the SFO.
4. 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 51,350,000 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 75,470,000 Shares.
5. Ms. Li Qiu Hua directly and beneficially owns 10,520,000 Shares. As Mr. Jiang Wen's spouse, she is, under the SFO deemed or taken to be interested in the same number of Shares in which Mr. Jiang Wen is interested.

Save as disclosed above, as at 30 June 2022, 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.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

As 鹽城大豐碧港貿易有限公司 (Yancheng Dafeng Bi Port Trading Limited*) ("**Dafeng Bi Port**") has ceased its business, Jiangsu Dafeng, a controlling shareholder of the Company, has a direct wholly-owned subsidiary, namely 江蘇鹽城港供應鏈科技集團有限公司 (Jiangsu Yancheng Port Supply Chain Technology Group Co., Ltd*) ("**Yancheng Port Supply Chain**"), and a direct 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 a 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. Zhao Liang who is the director of 江蘇悅達新能源科技發展有限公司 (Jiangsu Yueda New Energy Technology Development Co., Ltd.*) and the Company, there is no overlap in the directorships among the Company, Jiangsu Dafeng, Yancheng Port Supply Chain, Yancheng Commercial and Yueda Logistics. The Directors consider that the Board can operate independently from Jiangsu Dafeng, because (i) pursuant to the articles of association of the Company, a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting; and (ii) the Directors are fully aware of their fiduciary duties owing to the shareholders of the respective companies and their duty to avoid conflicts to the shareholders of the respective companies and their duty to avoid conflicts of interests in carrying out their respective duties as directors of the relevant companies.

Save as disclosed above, as at 30 June 2022, 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.

CHANGE OF PARTICULARS OF THE DIRECTORS

Appointment and resignation of Directors

Mr. Yuan Qingfeng has resigned as a Director and Mr. Zhao Liang has been appointed as the chairman of the Board and an executive Director to fill the vacancy in relation to Mr. Yuan Qingfeng’s resignation on 27 May 2022.

For details, please refer to the announcement of the Company dated 27 May 2022.

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 D.3.3 of the CG Code. The Audit Committee currently consists of 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 Interim Financial Statements have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the Interim Financial Statements complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

APPRECIATION

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

By order of the Board
Dafeng Port Heshun Technology Company Limited
Zhao Liang
Chairman

Hong Kong, 11 August 2022

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

<i>Executive Directors</i>	<i>Non-executive Directors</i>	<i>Independent Non-executive Directors</i>
Mr. Zhao Liang (<i>Chairman</i>)	Mr. Ji Longtao Mr. Yang Yue Xia Mr. Miao Zhibin	Dr. Bian Zhaoxiang Mr. Lau Hon Kee Mr. Yu Xugang Mr. Zhang Fangmao

* *For identification purpose only*