



## **Dafeng Port Heshun Technology Company Limited**

**大豐港和順科技股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8310)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 is no other matter the omission of which would make any statement herein or this announcement misleading.

## FINANCIAL HIGHLIGHTS

The Group's revenue decreased by approximately 55.5% to approximately HK\$908.4 million for the year ended 31 December 2021 (the "Year") (2020: approximately HK\$2,043.0 million generated from continuing operations). Regarding reasons of the decrease in revenue, please refer to the paragraph headed "Business Review" for details.

The Group's cost of revenue decreased by approximately 55.2% to approximately HK\$901.2 million for the Year (2020: approximately HK\$2,010.7 million incurred from continuing operations). The decrease in cost of revenue 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 revenue, the Group recorded a gross profit margin of approximately 0.8% for the Year (2020: generated from continuing operations of approximately 1.6%). The decrease in gross profit margin was mainly due to (i) the fierce industry competition in the trade business; and (ii) the rise of international oil price which had a negative impact on our petrochemical storage business, while the fixed costs of petrochemical storage tanks had increased.

The Group's finance costs amounted to approximately HK\$36.9 million for the Year (2020: approximately HK\$51.5 million incurred from continuing operations). Finance costs mainly include interest on bank loans, unlisted secured bonds, listed credit-enhanced guaranteed bonds and amounts due to connected companies. The decrease in finance costs was mainly attributable to (i) the consideration of the disposal of 60% equity interests in Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited ("**Jiangsu Hairong**") on 27 August 2020 partly offset the balance of the consideration and interest calculated on the consideration arising from the acquisition of 100% equity interests in Jiangsu Hairong on 21 December 2018 and partly offset the amount due to a connected company; and (ii) the repayment of US\$50 million three-year unlisted bonds with 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.

The Group recorded loss for the Year of approximately HK\$70.7 million (2020: approximately HK\$56.0 million generated from continuing operations). The loss for the Year mainly due to the decrease in trading business while the fixed costs could not be reduced. The loss attributable to the equity holders of the Company was approximately HK\$73.5 million (2020: loss of approximately HK\$60.3 million generated from continuing operations) and the basic loss per share was HK cents 5.70 (2020: HK cents 4.68 generated from continuing operations).

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2021*

	<i>Note</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	4	908,411	2,042,991
Cost of revenue		<u>(901,216)</u>	<u>(2,010,726)</u>
Gross profit		7,195	32,265
Other income	5	8,577	21,159
Administrative expenses		(36,829)	(37,246)
Finance costs	6	(36,938)	(51,514)
Reversal of impairment loss on trade receivables		–	3,380
Impairment loss on property, plant and equipment, net	11	(12,676)	(21,921)
Provision for inventories		<u>–</u>	<u>(2,250)</u>
<b>Loss before taxation from continuing operations</b>	7	<b>(70,671)</b>	<b>(56,127)</b>
Taxation	8	<u>(67)</u>	<u>155</u>
<b>Loss for the year from continuing operations</b>		<b>(70,738)</b>	<b>(55,972)</b>
<b>Discontinued operations</b>			
Profit for the year from discontinued operations		<u>–</u>	<u>623,895</u>
<b>(Loss) Profit for the year</b>		<b><u>(70,738)</u></b>	<b><u>567,923</u></b>
<b>Other comprehensive income (loss)</b>			
<i>Items that are reclassified or may be reclassified to profit or loss in subsequent periods:</i>			
Exchange difference arising from translation of foreign operations		12,935	(1,627)
Reserve released upon the disposal of a subsidiary		<u>–</u>	<u>2,067</u>
		<u>12,935</u>	<u>440</u>
<b>Total comprehensive (loss) income for the year</b>		<b><u><u>(57,803)</u></u></b>	<b><u><u>568,363</u></u></b>

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>(Loss) Profit attributable to equity holders of the Company:</b>			
— from continuing operations		(73,472)	(60,263)
— from discontinued operations		—	623,895
		<u>(73,472)</u>	<u>563,632</u>
<b>Profit attributable to non-controlling interests:</b>			
— from continuing operations		2,734	4,291
— from discontinued operations		—	—
		<u>2,734</u>	<u>4,291</u>
<b>Total comprehensive (loss) income attributable to:</b>			
— Owners of the Company		(61,497)	562,025
— Non-controlling interests		3,694	6,338
		<u>(57,803)</u>	<u>568,363</u>
<b>(Loss) Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted			
— from continuing operations	10	(5.70) HK cents	(4.68) HK cents
— from discontinued operations	10	—	48.44 HK cents
		<u>(5.70) HK cents</u>	<u>43.76 HK cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2021*

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>129,546</b>	118,714
Goodwill	12	<b>1,296</b>	1,296
Interest in an associate		–	–
Right-of-use assets		<b>43,167</b>	42,398
Prepayments in relation to property, plant and equipment		<b>5,296</b>	5,369
		<u><b>179,305</b></u>	<u>167,777</u>
<b>Current assets</b>			
Inventories		<b>9,760</b>	9,629
Trade and other receivables	13	<b>210,656</b>	231,050
Pledged bank deposits		–	218,565
Bank balances and cash		<b>25,493</b>	16,107
		<u><b>245,909</b></u>	<u>475,351</u>
<b>Current liabilities</b>			
Trade and other payables	14	<b>379,128</b>	393,025
Current portion of bank and other borrowings		<b>23,287</b>	402,334
		<u><b>402,415</b></u>	<u>795,359</u>
<b>Net current liabilities</b>		<u><b>(156,506)</b></u>	<u>(320,008)</u>
<b>Total assets less current liabilities</b>		<u><b>22,799</b></u>	<u>(152,231)</u>
<b>Non-current liabilities</b>			
Amount due to an associate	14(e)	<b>37,259</b>	35,883
Amount due to a connected company	14(c)	–	135,075
Non-current portion of bank and other borrowings		<b>424,290</b>	57,804
Deferred tax liabilities		<b>1,597</b>	1,551
		<u><b>463,146</b></u>	<u>230,313</u>
<b>NET LIABILITIES</b>		<u><b>(440,347)</b></u>	<u>(382,544)</u>

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	15	<b>12,880</b>	12,880
Reserves		<u><b>(479,864)</b></u>	<u>(418,367)</u>
Total equity attributable to equity holders of the Company			
		<b>(466,984)</b>	(405,487)
Non-controlling interests		<u><b>26,637</b></u>	<u>22,943</u>
<b>TOTAL DEFICITS</b>		<u><b>(440,347)</b></u>	<u>(382,544)</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total deficits
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	12,880	201,419	(7,337)	(27,250)	833	(9,151)	(1,138,906)	(967,512)	16,605	(950,907)
<b>Profit for the year</b>	–	–	–	–	–	–	563,632	563,632	4,291	567,923
<b>Other comprehensive income</b>										
Exchange difference arising from translation of foreign operations	–	–	–	(3,674)	–	–	–	(3,674)	2,047	(1,627)
Reserve released upon disposal of a subsidiary	–	–	–	2,067	–	–	–	2,067	–	2,067
	–	–	–	(1,607)	–	–	–	(1,607)	2,047	440
<b>Total comprehensive income</b>	–	–	–	(1,607)	–	–	563,632	562,025	6,338	568,363
<b>Transactions with owners</b>										
<i>Contributions and distributions</i>										
Appropriation to statutory reserve	–	–	–	–	749	–	(749)	–	–	–
<b>At 31 December 2020</b>	<b>12,880</b>	<b>201,419</b>	<b>(7,337)</b>	<b>(28,857)</b>	<b>1,582</b>	<b>(9,151)</b>	<b>(576,023)</b>	<b>(405,487)</b>	<b>22,943</b>	<b>(382,544)</b>
	Attributable to equity holders of the Company							Total	Non-controlling interests	Total deficits
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	12,880	201,419	(7,337)	(28,857)	1,582	(9,151)	(576,023)	(405,487)	22,943	(382,544)
<b>Loss for the year</b>	–	–	–	–	–	–	(73,472)	(73,472)	2,734	(70,738)
<b>Other comprehensive income</b>										
Exchange difference arising from translation of foreign operations	–	–	–	11,975	–	–	–	11,975	960	12,935
	–	–	–	11,975	–	–	–	11,975	960	12,935
<b>Total comprehensive loss</b>	–	–	–	11,975	–	–	(73,472)	(61,497)	3,694	(57,803)
<b>Transactions with owners</b>										
<i>Contributions and distributions</i>										
Appropriation to statutory reserve	–	–	–	–	138	–	(138)	–	–	–
<b>At 31 December 2021</b>	<b>12,880</b>	<b>201,419</b>	<b>(7,337)</b>	<b>(16,882)</b>	<b>1,720</b>	<b>(9,151)</b>	<b>(649,633)</b>	<b>(466,984)</b>	<b>26,637</b>	<b>(440,347)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2021

## 1. BASIS OF PRESENTATION

### Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, 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 Companies Ordinance. These 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 consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the 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 2021, the Group had net current liabilities of approximately HK\$156,506,000 (2020: approximately HK\$320,008,000) and net liabilities of approximately HK\$440,347,000 (2020: approximately HK\$382,544,000) respectively. 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 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 the measures and arrangements made by the Group as detailed below:

- (i) the Group is in negotiation with financial institutions or connected parties for the renewals of the Group’s short term bank and other borrowings upon expiry, obtaining new borrowings and applying for future credit facilities;
- (ii) the Company has obtained a RMB1 billion financial support (equivalent to HK\$1,224,000,000) in formal writing from 江蘇大豐海港控股集團有限公司 (Jiangsu Dafeng Harbour Holdings Limited\*, “**Jiangsu Dafeng**”), a connected company which has 40% equity interests in Dafeng Port Overseas; and
- (iii) the Group is expected to generate adequate cash flows to maintain its operations.

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

Subsequent to the year end, the Group has negotiated with 江蘇華海投資有限公司\* (Jiangsu Huahai Investments Limited, “**Jiangsu Huahai**”) for the extension of the amount due to Jiangsu Huahai of approximately HK\$157,596,000. According to the loan extension agreement dated 14 March 2022, the maturity date of the amount due was extended to 1 November 2023. Also, the Group has negotiated with the Jiangsu Dafeng for the extension of the amount due to Jiangsu Dafeng of approximately HK\$22,859,000. According to the loan extension agreement dated 16 March 2022, the maturity date was extended to 31 October 2024.

The directors have prepared a cash flow forecast covering a period up to 31 December 2022 on the basis that negotiation with financial institutions and connected parties for the renewals of the Group’s borrowings and credit facilities would be successful, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 December 2021. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group’s ability to generate adequate financing and operating cash flows in the near future, and to obtain the continuous financial support from its connected parties.

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 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:

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16 Interest Rate Benchmark Reform — Phase 2

### **Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform — Phase 2**

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

### 3. SEGMENT INFORMATION

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

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

<b>Operating segments</b>	<b>Principal activities</b>
For continuing operations	
— Trading business	— Trading of electronic products, petrochemical products, medical treatment and food disinfection products etc.
	— Provision of supply chain management services
— Petrochemical products storage business	— Provision of storage services for petrochemical products
For discontinued operations	
— Integrated logistics handling services	— Provision of terminal handling services

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 2021

	<u>Continuing operations</u>		<u>Discontinued operations</u>		
	Trading business <i>HK\$'000</i>	Petro- chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue (from external customers)	882,505	25,906	–	–	908,411
Inter-segment revenue	–	–	–	–	–
Total revenue	<u>882,505</u>	<u>25,906</u>	<u>–</u>	<u>–</u>	<u>908,411</u>
<b>Results</b>					
Segment results	<u>(1,174)</u>	<u>(28,145)</u>	<u>–</u>	<u>–</u>	<u>(29,319)</u>
Other unallocated corporate income					5,399
Other unallocated corporate expenses					<u>(46,751)</u>
Loss before taxation					(70,671)
Taxation					<u>(67)</u>
Loss for the year					<u>(70,738)</u>

For the year ended 31 December 2020

	Continuing operations		Discontinued operations		Total <i>HK\$'000</i>
	Trading business <i>HK\$'000</i>	Petro- chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	
Revenue (from external customers)	2,018,759	24,232	6,870	–	2,049,861
Inter-segment revenue	–	–	–	–	–
Total revenue	<u>2,018,759</u>	<u>24,232</u>	<u>6,870</u>	<u>–</u>	<u>2,049,861</u>
<b>Results</b>					
Segment results	<u>3,535</u>	<u>(21,793)</u>	<u>618,640</u>	<u>–</u>	<u>600,382</u>
Other unallocated corporate income					2,747
Other unallocated corporate expenses					<u>(40,616)</u>
Profit before taxation					562,513
Taxation					<u>5,410</u>
Profit for the year					<u>567,923</u>

As at 31 December 2021

	Continuing operations		Discontinued operations	
	Trading business <i>HK\$'000</i>	Petro-chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>				
Segment assets	201,600	186,935	–	388,535
Unallocated corporate assets	–	–	–	36,679
Consolidated total assets				425,214
<b>LIABILITIES</b>				
Segment liabilities	(358,353)	(117,345)	–	(475,698)
Unallocated corporate liabilities	–	–	–	(389,863)
Consolidated total liabilities				(865,561)

For the year ended 31 December 2021

	Continuing operations		Discontinued operations	Total <i>HK\$'000</i>
	Trading business <i>HK\$'000</i>	Petro- chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	
<b>OTHER INFORMATION</b>				
Capital additions	–	30,810	–	30,810
Depreciation of property, plant and equipment	177	12,633	–	12,810
Depreciation of property, plant and equipment (unallocated)	–	–	–	165
Depreciation of right-of-use assets	112	1,151	–	1,263
Depreciation of right-of-use assets (unallocated)	–	–	–	452
Finance costs	2,038	2,561	–	4,599
Finance costs (unallocated)	–	–	–	32,339
Impairment loss on property, plant and equipment, net	–	12,676	–	12,676
Interest income	2,911	3	–	2,914
Interest income (unallocated)	–	–	–	7

At 31 December 2020

	Continuing operations		Discontinued operations	
	Trading business <i>HK\$'000</i>	Petro-chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>				
Segment assets	446,434	161,770	–	608,204
Unallocated corporate assets	–	–	–	<u>34,924</u>
Consolidated total assets				<u><u>643,128</u></u>
<b>LIABILITIES</b>				
Segment liabilities	(539,695)	(82,278)	–	(621,973)
Unallocated corporate liabilities	–	–	–	<u>(403,699)</u>
Consolidated total liabilities				<u><u>(1,025,672)</u></u>

For the year ended 31 December 2020

	Continuing operations		Discontinued operations	Total <i>HK\$'000</i>
	Trading business <i>HK\$'000</i>	Petro-chemical products storage business <i>HK\$'000</i>	Integrated logistics handling services <i>HK\$'000</i>	
<b>OTHER INFORMATION</b>				
Capital additions	588	4,359	–	4,947
Depreciation of property, plant and equipment	620	7,710	2,140	10,470
Depreciation of property, plant and equipment (unallocated)	–	–	–	3
Depreciation of right-of-use assets	331	880	57	1,268
Depreciation of right-of-use assets (unallocated)	–	–	–	437
Finance costs	19,404	2,995	1,432	23,831
Finance costs (unallocated)	–	–	–	29,115
Impairment loss on property, plant and equipment, net	–	21,921	12,920	34,841
Reversal of impairment loss on trade receivables, net	3,380	–	1,662	5,042
Provision for inventories	2,250	–	–	2,250
Interest income	14,732	–	–	14,732
Interest income (unallocated)	–	–	–	12

## 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from external customers — continuing operations:		
Hong Kong	542,900	1,834,330
The PRC	345,922	201,164
Others ( <i>Note</i> )	19,589	7,497
	<u>908,411</u>	<u>2,042,991</u>

*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, 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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Property, plant and equipment		
The PRC	<u>129,546</u>	<u>118,714</u>
Prepayments in relation to property, plant and equipment		
The PRC	<u>5,296</u>	<u>5,369</u>
Goodwill		
The PRC	<u>1,296</u>	<u>1,296</u>
Right-of-use assets		
Hong Kong	1,159	364
The PRC	<u>42,008</u>	<u>42,034</u>
	<u>43,167</u>	<u>42,398</u>
Total non-current assets	<u><u>179,305</u></u>	<u><u>167,777</u></u>

#### **Information about major customers**

Revenue from customers contributing individually over 10% or more of the Group's revenue are as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	153,632	N/A
Customer B	N/A	343,588
Customer C	N/A	221,407
Customer D	<u>N/A</u>	<u>208,534</u>

Revenue of HK\$149,088,000 and HK\$4,544,000 generated from Customer A were from trading segment and petrochemical storage segment respectively. The revenue from Customer A was less than 10% of the Group's revenue for the year ended 31 December 2020.

Customer B, C and D were from trading segment. The revenue from Customer B, C and D were less than 10% of the Group's revenue for the year ended 31 December 2021.

#### 4. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>		
<b>Revenue from contracts with customers within HKFRS 15</b>		
Trading business	882,505	2,018,759
Petrochemical storage service	25,906	24,232
	<u>908,411</u>	<u>2,042,991</u>
<b>Timing of revenue recognition</b>		
At a point in time	882,505	2,018,759
Over time	25,906	24,232
	<u>908,411</u>	<u>2,042,991</u>

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

#### 5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>		
Bank interest income	2,921	14,744
Exchange gain, net	5,334	4,107
Sundry income	322	192
Subsidy income	–	2,116
	<u>8,577</u>	<u>21,159</u>

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>		
Interest on borrowings wholly repayable within five years	2,561	2,261
Effective interest on unlisted secured bonds	8,108	33,955
Effective interest on listed credit enhanced guaranteed bonds	20,907	–
Interest on amounts due to connected companies	1,836	11,040
Interest on loan from a connected company	3,492	5,045
Interest on lease liabilities	34	89
	<hr/>	<hr/>
Total borrowing costs	36,938	52,390
Less: Borrowing costs capitalised into property, plant and equipment at weighted average capitalisation rate of Nil% (2020: 6.37%)	–	(876)
	<hr/>	<hr/>
	<b>36,938</b>	<b>51,514</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

This is stated after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Staff costs</b>		
Salaries, allowances and other short-term employee benefits including directors' emoluments	18,559	15,683
Contributions to defined contribution plans	3,194	1,294
	<hr/>	<hr/>
	<b>21,753</b>	<b>16,977</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Other items</b>		
Auditors' remuneration		
– Audit-related assurance services	1,350	1,300
– Other services	46	580
Cost of inventories	868,575	1,976,189
Depreciation of property, plant and equipment	12,975	8,333
Depreciation of right-of-use assets	1,715	1,648
Loss on disposal of property, plant and equipment, net	–	68
Lease charge – short term lease	749	496
	<hr/> <hr/>	<hr/> <hr/>

## 8. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Continuing operations</b>		
Current tax:		
Current year	–	71
Under (Over) provision in prior year	<u>67</u>	<u>(60)</u>
	<u>67</u>	<u>11</u>
Deferred tax	<u>–</u>	<u>(166)</u>
<b>Total income tax expenses (credit) for continuing operations</b>	<u>67</u>	<u>(155)</u>
<b>Discontinued operations</b>		
Deferred tax	<u>–</u>	<u>(5,255)</u>
<b>Total income tax expenses (credit) recognised in profit or loss</b>	<u><u>67</u></u>	<u><u>(5,410)</u></u>

### (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 qualifying group entity is lowered to 8.25% while the estimated assessable profits above HK\$2 million 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%.

### (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 2021 (2020: Nil).

## 10. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share for the years ended 31 December 2021 and 2020 are calculated by dividing the (loss) profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

	2021	2020
(Loss) Profit attributable to owners of the Company		
— Continuing operations ( <i>HK\$'000</i> )	(73,472)	(60,263)
— Discontinued operations ( <i>HK\$'000</i> )	—	623,895
	<u>(73,472)</u>	<u>563,632</u>
Weighted average number of ordinary shares in issue	<u>1,288,000,000</u>	<u>1,288,000,000</u>
Basic (loss) earnings per share		
— Continuing operations ( <i>HK cents</i> )	(5.70)	(4.68)
— Discontinued operations ( <i>HK cents</i> )	—	48.44
	<u>(5.70)</u>	<u>43.76</u>

Basic and diluted (loss) earnings per share are the same as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2021 and 2020.

## 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) and right-of-use assets of Petrochemical Products Storage Business as at 31 December 2021, as their economic performance is worse than expected and determined that the recoverable amount from the use or sale of certain of these assets has declined below their carrying amount.

The recoverable amounts of the cash-generating unit (“CGU”), including property, plant and equipment, goodwill and right-of-use assets of Petrochemical Products Storage Business (collectively known as the “Assets”) as at 31 December 2021 were lower than their respective carrying amounts. The recoverable amounts are determined by the management, with assistance from an independent professional valuer, based on fair value less costs of disposal for the Assets, which are significantly higher than that using value-in-use calculation.

The recoverable amounts of the property, plant and equipment and right-of-use assets of Petrochemical Products Storage Business were HK\$140,446,000 and HK\$57,590,000 respectively (2020: HK\$135,314,000 and HK\$56,272,000 respectively). Accordingly, net impairment losses of HK\$12,676,000 (2020: HK\$21,921,000) and no impairment losses were provided for property, plant and equipment and right-of-use assets in relation to this CGU respectively.

The key assumptions used in estimating the fair value of the Assets under depreciation replacement cost approach include estimation of construction as if building the similar structures, adjusting for physical deterioration, obsolescence and optimisation or referring to current market price of the similar assets. The valuation was categorised as Level 3 fair value measurement.

## 12. GOODWILL

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<i>Reconciliation of carrying amount</i>		
<b>At beginning and at the end of reporting period</b>	<u>1,296</u>	<u>1,296</u>
<b>At 31 December</b>		
Cost	<b>16,140</b>	16,140
Accumulated impairment loss	<u><b>(14,844)</b></u>	<u>(14,844)</u>
	<u><b>1,296</b></u>	<u>1,296</u>

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. None of the goodwill recognised is expected to be deductible for income tax purposes.

The carrying amount of goodwill was allocated to the Group's CGU as follows:

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Petrochemical Products Trading Business	<u><b>1,296</b></u>	<u>1,296</u>

The recoverable amounts of the Petrochemical Products Trading Business as at 31 December 2021 and 31 December 2020 have been determined on the basis of value in use. These recoverable amounts are based on certain key assumptions. The value-in-use calculation uses cash flow projection based on financial budgets approved by management covering a 5-year period by applying certain key assumptions below:

	<b>Petrochemical Products</b>	
	<b>Trading Business</b>	
	<b>2021</b>	<b>2020</b>
Pre-tax discount rate	7%	7%
Average growth rate	2%	2%
Perpetual growth rate	1%	1%

### 13. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Trade receivables</b>			
Third parties	(a)	<b>27,993</b>	32,846
Less: Loss allowance	(b)	<b>(3,514)</b>	(3,514)
		<u><b>24,479</b></u>	<u>29,332</u>
<b>Other receivables</b>			
Deposits, prepayments and other debtors		<b>49,586</b>	57,959
Advanced payments to suppliers		<b>94,669</b>	81,401
Value added tax refundable		<b>41,668</b>	57,345
Interest receivable		<b>242</b>	5,001
Due from a connected company	(c)	<b>12</b>	12
		<u><b>186,177</b></u>	<u>201,718</u>
		<u><b>210,656</b></u>	<u>231,050</u>

Note:

**(a) Trade receivables**

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-credit impaired		
Within 90 days	24,435	25,673
91–180 days	44	3,659
	<u>24,479</u>	<u>29,332</u>
Credit impaired		
More than 365 days	3,514	3,514
	<u>3,514</u>	<u>3,514</u>
	<u>27,993</u>	<u>32,846</u>

**(b) Loss allowance**

As at 31 December 2021, the Group recognised loss allowance of HK\$3,514,000 (2020: HK\$3,514,000) on the trade receivables. The movements in the loss allowance for trade receivables during the year are summarised below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	3,514	9,511
Increase in allowance	–	3,514
Amount recovered	–	(8,556)
Amount written off	–	(971)
Exchange realignment	–	16
	<u>3,514</u>	<u>3,514</u>

(c) Due from a connected company

	Note	2021 HK\$'000	2020 HK\$'000
大豐海港港口有限責任公司 (Dafeng Port Harbour Limited Liability Company*, “Dafeng Harbour”)	(i)	<u>12</u>	<u>12</u>

- (i) The company is controlled by a substantial shareholder and the amount is unsecured, interest-free and has no fixed term of repayment.

14. TRADE AND OTHER PAYABLES

	Note	2021 HK\$'000	2020 HK\$'000
<b>Trade and bills payables</b>			
Trade payables		36,940	37,752
Bills payables		<u>–</u>	<u>226,077</u>
	(a)	<u>36,940</u>	<u>263,829</u>
<b>Other payables</b>			
Accrued charges and other creditors		57,904	61,717
Construction cost payables	(b)	29,487	543
Contract liabilities	(d)	51,900	50,440
Salaries and bonus payable		929	410
Amount due to a director	(f)	440	200
Amounts due to connected companies	(c)	<u>201,528</u>	<u>15,886</u>
		<u>342,188</u>	<u>129,196</u>
		<u>379,128</u>	<u>393,025</u>

(a) Trade and bills payables

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

	2021 HK\$'000	2020 HK\$'000
90 days or below	31,449	26,464
91–180 days	–	5,956
181–365 days	–	226,077
More than 365 days	<u>5,491</u>	<u>5,332</u>
	<u>36,940</u>	<u>263,829</u>

The Group was allowed a credit period of up to 90 days by its trade creditors. The trade payables are interest-free and are normally settled on terms of one to six months.

The bills payables of RMB69,930,000 (equivalent to HK\$83,112,000), RMB15,458,000 (equivalent to HK\$18,371,000), RMB73,828,000 (equivalent to HK\$87,744,000) and RMB31,005,000 (equivalent to HK\$36,850,000) were interest-bearing at rates ranged from 2.45% to 2.90% per annum and were fully repaid in 2021.

**(b) Construction cost payables**

The amounts due are interest-free and repayable upon the receipt of the invoices issued by the constructors.

**(c) Amounts due to connected companies**

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Current portion</b>			
Jiangsu Dafeng	(i)	<b>43,932</b>	3,812
Jiangsu Huahai	(ii)	<b>157,596</b>	12,074
		<u><b>201,528</b></u>	<u>15,886</u>
<b>Non-current portion</b>			
Jiangsu Huahai	(ii)	–	135,075
		<u><b>201,528</b></u>	<u>150,961</u>

(i) Jiangsu Dafeng has 40% equity interests in Dafeng Port Overseas. The amount is unsecured, repayable on demand and interest-free.

(ii) Jiangsu Huahai has 10% equity interests in Dafeng Port Overseas. The amount due represents the principal portion in relation to the consideration on acquisition of Jiangsu Hairong in 2018 and the associated accrued interest. As at 31 December 2021, the amount of RMB113,652,000 (equivalent to HK\$139,110,000) was unsecured, bore interest at a rate of 4.35% per annum and repayable on 1 November 2022 (2020: the amount of RMB113,652,000 (equivalent to HK\$135,075,000) was unsecured, bore interest at a rate of 4.35% per annum and repayable on 1 November 2022). The remaining balance was unsecured, interest-free and repayment on demand.

**(d) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the reporting period	50,440	17,496
Recognised as revenue	(50,440)	(17,496)
Receipt of advances of undelivered goods	<u>51,900</u>	<u>50,440</u>
<b>At end of the reporting period</b>	<b><u>51,900</u></b>	<b><u>50,440</u></b>

At 31 December 2021, the advance payments from customers are expected to be recognised as revenue within one year.

**(e) Amount due to an associate**

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

**(f) Amount due to a director**

The amount due is unsecured, interest-free and has no fixed repayment term.

**15. SHARE CAPITAL**

	2021		2020	
	Number of shares	Nominal value <i>HK\$'000</i>	Number of shares	Nominal value <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each	<u>10,000,000,000</u>	<u>100,000</u>	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid (HK\$0.01 each):</b>				
At beginning of year and at end of the year	<u>1,288,000,000</u>	<u>12,880</u>	<u>1,288,000,000</u>	<u>12,880</u>

## BUSINESS REVIEW

During the Year, the Group is principally engaged in trading business and the provision of 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\$882.5 million (2020: approximately HK\$2,018.8 million). The decrease in revenue in this segment was mainly due to the fact that (i) the Group had taken risk management measures and terminated the trading of some products which were loss-making or with higher operational risks; and (ii) the Group expanded its trade business to medical, food disinfection and other related new products during the outbreak of COVID-19 last year, and ceased such trade business this Year.

### 2. 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 an increase in revenue of 7.0% to approximately HK\$25.9 million (2020: approximately HK\$24.2 million). The increase in revenue was mainly attributable to the increase in the capacity of petrochemical storage tanks.

## OUTLOOKS

The Group expects that (i) although the COVID-19 vaccination campaigns have been carried out throughout the world, the pathogen of the COVID-19 continues to mutate and the global epidemic shows no signs of decline, which brings uncertainties to the economy. The Company will reasonably streamline its operations and focus on developing our core business, (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 Yancheng**”), the Group will rationally reorganize and optimize the resources of the Company, simplify and restructure to conserve resources and prudently identify investment opportunities.

## FINANCIAL REVIEW

The Group's revenue decreased by approximately 55.5% to approximately HK\$908.4 million for the Year (2020: approximately HK\$2,043.0 million generated from continuing operations). Regarding reasons of the decrease in revenue, please refer to the above paragraph headed “Business Review” for details.

The Group's cost of revenue decreased by approximately 55.2% to approximately HK\$901.2 million for the Year (2020: approximately HK\$2,010.7 million incurred from continuing operations). The decrease in cost of revenue 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 revenue, the Group recorded a gross profit margin of approximately 0.8% for the Year (2020: generated from continuing operations of approximately 1.6%). The decrease in gross profit margin was mainly due to (i) the fierce industry competition in the trade business; and (ii) the rise of international oil price had negative impact on petrochemical storage business, while the fixed costs of petrochemical storage tanks have increased.

The Group's finance costs amounted to approximately HK\$36.9 million for the Year (2020: approximately HK\$51.5 million incurred from continuing operations). Finance costs mainly include interest on bank loans, unlisted secured bonds, listed credit-enhanced guaranteed bonds and amounts due to connected companies. The decrease in finance costs was mainly attributable to (i) the consideration of the disposal of 60% equity interests in Jiangsu Hairong Dafeng Port Petrochemical Product Terminal Company Limited ("**Jiangsu Hairong**") on 27 August 2020 partly offset the balance of the consideration and interest calculated on the consideration arising from the acquisition of 100% equity interests in Jiangsu Hairong on 21 December 2018 and partly offset the amount due to a connected company; and (ii) the repayment of US\$50 million three-year unlisted bonds with 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.

The Group recorded loss for the Year of approximately HK\$70.7 million (2020: approximately HK\$56.0 million generated from continuing operations). The loss for the Year mainly due to the decrease in trading business while the fixed costs could not be reduced. The loss attributable to the equity holders of the Company was approximately HK\$73.5 million (2020: loss of approximately HK\$60.3 million generated from continuing operations) and the basic loss per share was HK cents 5.70 (2020: HK cents 4.68 generated from continuing operations).

### **Liquidity and financial resources**

As at 31 December 2021, the Group had net current liabilities of approximately HK\$156.5 million (2020: approximately HK\$320.0 million), including net amounts due to connected companies of approximately HK\$224.4 million (2020: approximately HK\$15.9 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 2021 was approximately 0.61 (2020: approximately 0.60).

As at 31 December 2021, the Group's gearing ratio (defined as the ratio of total interest-bearing borrowings to total equity) was approximately negative 101.6% (2020: approximately negative 120.3%).

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 Group has taken and will continue to take a series of measures and arrangements, which includes but not limited to the following:

- (i) Negotiating with financial institutions or connected parties for the renewals of the Group's short term bank and other borrowings upon expiry, obtaining new borrowings and applying for future credit facilities;
- (ii) The Company has obtained a RMB1 billion financial support (equivalent to HK\$1,224,000,000) in formal writing from Jiangsu Dafeng, a connected company which has 40% equity interests in Dafeng Port Overseas; and
- (iii) Improving sales and strictly controlling costs to generate adequate cash flows to maintain its operations.

### **Capital structure**

As at 31 December 2021, the Group's total deficits attributable to equity holders of the Company amounted to approximately HK\$467.0 million (2020: approximately HK\$405.5 million). The capital of the Company only comprised of the ordinary share. There was no movement in the issued share capital of the Company during the Year.

### **Issuance of US\$55,000,000 credit-enhanced guaranteed bonds to be purchased by professional investors only and to be listed on the Stock Exchange**

On 17 March 2021, the Company, as issuer, Jiangsu Dafeng Harbour Holdings Limited ("**Jiangsu Dafeng**"), as guarantor, and Tensant Securities Co., Ltd., Haitong International Securities Co., Ltd., BOSCO 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 for a term of 3 years.

The net proceeds from the Placing, after deducting the commission to be charged by the Placing Agents and other fees payable in connection with this offering, was approximately US\$52.7 million. The net proceeds have been used in repayment of the principal of US\$50 million and interest of approximately US\$1.9 million of the 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 requirements.

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

### **Dividend**

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

### **Significant investment, material acquisitions and disposals**

As at 31 December 2021, we were 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 is nil as at 31 December 2021 (2020: 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 Year and cumulative up to the end of the reporting period amounted to HK\$3,015,000 (for the period from 28 August 2020 to 31 December 2020: HK\$8,823,000) and HK\$11,838,000 (2020: HK\$8,823,000) respectively.

We hold the investment with the primary objective to continue to have the synergy effect between integrated logistics handling services with our petrochemical trading business and petrochemical products storage business and the investment may allow the Group to benefit from the potential upside of the integrated logistics handling business in the future when the operational environment of the integrated logistics handling business improves.

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

### **Pledge of assets**

The Group used bank facilities and other borrowings to finance its business expansion. As at 31 December 2021, the Group did not have any secured borrowings (31 December 2020: approximately HK\$401.8 million, which were secured by the Group's pledged bank deposits of approximately HK\$218.6 million).

## **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.

## **Employees and emolument policy**

As at 31 December 2021, the Group employed a total of 122 employees (2020: 123 employees for continuing operations) based in Hong Kong and the Mainland China. During the Year, the total staff costs, including Directors' emoluments, amounted to approximately HK\$21.8 million (2020: approximately HK\$17.0 million generated from continuing operations).

Remuneration of employees is determined by reference to the market terms and commensurate with the level of pay for similar positions within the industry. Discretionary year-end bonuses are payable to employees based on individual performance. The Group provides benefits in accordance with the relevant laws and regulations.

## **Pension Schemes**

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong who are eligible to participate in the Mandatory Provident Fund Scheme (the "MPF Scheme"). The Group and its employees in Hong Kong are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in the central pension schemes operated by the local municipal governments (the “**Central Pension Schemes**”). According to the relevant regulations, contributions that should be borne by the companies within the Group are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. The applicable percentages for the Central Pension Schemes for the years ended 31 December 2021 and 2020 are listed below:

	<b>Percentage</b>
Pension insurance	12.0–20.0%
Medical insurance	5.2–10.5%
Unemployment insurance	0.32–1.5%
Housing fund	5.0–12.0%

The Group’s contributions to the MPF Scheme and the Central Pension Schemes vest fully and immediately with the employees. During the years ended 31 December 2021 and 2020, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2021 and 2020, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the MPF Scheme and the Central Pension Schemes.

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 2021, the Group had no material contingent liabilities (2020: Nil).

### **CLOSURE OF THE REGISTER OF MEMBERS**

The 2022 AGM will be held on Thursday, 19 May 2022 at 3: 00 p.m. In order to ascertain the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 13 May 2022 to Thursday, 19 May 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4: 30 p.m. on Thursday, 12 May 2022.

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

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

The Company and its subsidiaries did not redeem, purchase or cancel any of their redeemable securities either.

## **CORPORATE GOVERNANCE CODE PRACTICE**

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 Year. 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.

## **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 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 2021 and as at the date of this announcement.

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

## **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

The Audit Committee was 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 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 and reviewed, with both the auditor and management, the audit approach and methodology applies, and in particular to those key audit matters included in the annual auditor's report. 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 the findings reports from the internal audit department of the Company.

## SCOPE OF WORK OF MAZARS CPA LIMITED

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

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the Year. The report includes particulars of the material uncertainty related to going concern without qualified opinion:

### ***Opinion***

*In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.*

### ***Material Uncertainty Related to Going Concern***

*We draw attention to the “Going concern basis” section in note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred loss from continuing operations of HK\$70,738,000 for the year ended 31 December 2021 and, as at that date, the Group had net current liabilities and net liabilities of approximately HK\$156,506,000 and HK\$440,347,000 respectively. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors, having considered the measures being taken by the Group as disclosed in note 2 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.*

The aforesaid “note 2 to the consolidated financial statements” in the extract from the independent auditor’s report is disclosed as note 1 in this results announcement.

### **REVIEW OF AUDITED RESULTS**

The Audit Committee has reviewed, with both the auditor and management, the accounting principles and practices adopted by the Group and the consolidated financial statements for the Year. The Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the Year.

### **PUBLICATION OF 2021 ANNUAL REPORT**

The annual report of the Group for the Year will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.dfport.com.hk](http://www.dfport.com.hk) and will be dispatched to the Company’s shareholders in due course.

By order of the Board  
**Dafeng Port Heshun Technology Company Limited**  
**Yuan Qingfeng**  
*Chairman*

Hong Kong, 24 March 2022

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

*Executive Directors*

Mr. Yuan Qingfeng (*Chairman*)

*Non-executive Directors*

Mr. Ji Longtao  
Mr. Yang Yue Xia  
Mr. Miao Zhibin

*Independent Non-executive  
Directors*

Dr. Bian Zhaoxiang  
Mr. Lau Hon Kee  
Mr. Yu Xugang  
Mr. Zhang Fangmao