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遠航港口發展有限公司
OCEAN LINE PORT DEVELOPMENT LIMITED
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 8502)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

## 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.**

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

## HIGHLIGHTS OF 2019 ANNUAL RESULTS

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | 2018 | % changes |
| | ***RMB'000*** | *RMB'000* | |
| Revenue | **146,225** | 94,344 | +55.0% |
| Profit for the year attributable to the owners of the Company | **41,432** | 17,765 | +133.2% |
| Profit for the year, excluding listing expenses | **60,097** | 29,250 | +105.5% |

The board of Directors (the "**Board**") of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the previous year, as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the year ended 31 December 2019*

| | *Notes* | **2019** **RMB'000** | 2018 *RMB'000* |
|---|---|---|---|
| **Revenue** | *4* | **146,225** | 94,344 |
| Cost of services rendered | | **(66,381)** | (49,936) |
| **Gross profit** | | **79,844** | 44,408 |
| Other income and gains | | **6,563** | 7,323 |
| Change in fair value of investment properties | | **7,138** | 310 |
| Selling and distribution expenses | | **(969)** | (539) |
| Administrative expenses | | **(19,079)** | (11,582) |
| Finance costs | | **(1,320)** | (2,245) |
| Listing expenses | | **–** | (3,870) |
| Share of profit/(loss) of an associate | | **6,405** | (667) |
| **Profit before income tax** | *5* | **78,582** | 33,138 |
| Income tax expense | *6* | **(18,485)** | (7,758) |
| **Profit and total comprehensive income for the year** | | **60,097** | 25,380 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **41,432** | 17,765 |
| Non-controlling interests | | **18,665** | 7,615 |
| | | **60,097** | 25,380 |
| | | ***RMB cents*** | *RMB cents* |
| Earnings per share attributable to owners of the Company | | | |
| Basic and diluted earnings per share | *7* | **5.18** | 2.55 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

| | Notes | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **439,741** | 314,494 |
| Investment properties | | **52,530** | 33,010 |
| Interests in an associate | | **–** | 2,278 |
| Payments for leasehold land held for own use under operating leases | | **–** | 54,362 |
| Deposits | | **615** | 716 |
| Deferred tax assets | | **500** | 2,618 |
| | | **493,386** | 407,478 |
| **Current assets** | | | |
| Inventories | | **1,375** | 1,451 |
| Trade receivables | *9* | **2,333** | 2,350 |
| Debt instruments at fair value through other comprehensive income | | **10,459** | 5,129 |
| Deposits, prepayments and other receivables | | **24,297** | 10,073 |
| Cash and cash equivalents | | **84,161** | 65,276 |
| | | **122,625** | 84,279 |
| **Current liabilities** | | | |
| Trade payables | *10* | **8,724** | 5,012 |
| Contract liabilities | | **29,473** | 3,286 |
| Other payables, accruals and receipt in advance | | **93,686** | 56,711 |
| Lease liabilities | | **417** | – |
| Bank borrowings | | **–** | 40,000 |
| Due to a related company | | **–** | 6 |
| Due to an associate | | **–** | 183 |
| Deferred government grant | | **890** | 890 |
| Income tax payable | | **1,512** | 3,142 |
| | | **134,702** | 109,230 |
| **Net current liabilities** | | **(12,077)** | (24,951) |
| Total assets less current liabilities | | **481,309** | 382,527 |

| | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|
| **Non-current liabilities** | | |
| Bank borrowings | **34,188** | – |
| Deferred government grant | **34,314** | 35,204 |
| Deferred tax liabilities | **3,592** | 683 |
| | **72,094** | 35,887 |
| **Net assets** | **409,215** | 346,640 |
| **EQUITY** | | |
| Share capital | **6,758** | 6,758 |
| Reserves | **300,946** | 255,834 |
| **Equity attributable to owners of the Company** | **307,704** | 262,592 |
| Non-controlling interests | **101,511** | 84,048 |
| **Total equity** | **409,215** | 346,640 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 October 2017. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 2715–16, 27th Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in port operation in Chizhou City, Anhui Province, the People's Republic of China (the "**PRC**").

In connection with the listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company underwent a reorganisation (the "**Reorganisation**") and the Company has become the holding company of its subsidiaries now comprising the Group since 1 June 2018. The shares of the Company were listed on GEM of the Stock Exchange on 10 July 2018 (the "**Listing**").

Details of the Reorganisation are set out in the section headed "History, Reorganisation and corporate structure" in the prospectus of the Company dated 27 June 2018.

Immediately prior to and after the Reorganisation, the operation of the Group was carried on by companies now comprising the Group (hereinafter collectively referred to as the "**Operating Companies**"). Mr. Kwai Sze Hoi ("**Mr. Kwai**") and Ms. Cheung Wai Fung ("**Ms. Cheung**") were controlling shareholders of the Operating Companies. The Company has not been involved in any business prior to the Reorganisation and there is no change in any management or controlling shareholders of the Operating Companies, before and after the Reorganisation. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2018 include the financial performance and cash flows of all companies now comprising the Group, as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment, or since the date when the Operating Companies first came under the control of the controlling shareholders, whichever is the shorter period. The consolidated statements of financial position of the Group as at 31 December 2018 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence as at those date.

## 2. BASIS OF PREPARATION

### 2.1 Basis of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

### 2.2 Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and debt instruments at fair value through other comprehensive income which are stated at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

As at 31 December 2019, the Group had net current liabilities of approximately RMB12,077,000. Nevertheless, the directors of the Company have adopted going concern basis in the preparation of the consolidated financial statements of the Group based on the following and, the Group has sufficient working capital to meet in full its financial obligations as they fall due in the foreseeable future:

(i) The Group will continue to expand its operational capacity in order to improve its profitability and to generate positive cash inflow from its operations in the future;

(ii) During the year, the Group has obtained new banking facilities of approximately RMB150,000,000 made available to the Group from a PRC banker, of which the credit period of the facilities could be up to March 2029; and

(iii) The Group has prepared a detailed 15-month cashflow projection for the period from 1 January 2020 to 31 March 2021. It is expected to derive stable cash inflows from its operating activities, and taking into account the present available banking facilities and internal financial resources of the Group, the Group has adequate cash flows to maintain the Group as a going concern for the year ending 31 December 2020.

### 2.3 Functional and presentation currency

The financial statements are presented in RMB, which is also the functional currency of the major subsidiaries of the Group, and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.4 Adoption of new and revised HKFRSs — effective 1 January 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Annual Improvements to HKFRSs 2015–2017 Cycle | Amendments to HKFRS 3, Business Combination |
| Annual Improvements to HKFRSs 2015–2017 Cycle | Amendments to HKAS 12, Income Taxes |
| Annual Improvements to HKFRSs 2015–2017 Cycle | Amendments to HKAS 23, Borrowing Costs |

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise all the right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17.

### 2.5 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a business[1] |
| Amendments to HKAS 1 and HKAS 8 | Definition of material[1] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[1] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted

## 3. SEGMENT INFORMATION

### (a) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in the internal reporting to the executive directors, which is the provision of port services, and it is within the scope of HKFRS 15.

### (b) Geographical information

The geographical location of revenue allocated is based on the location at which services provided. The Group renders port services in the PRC. The geographical location of non-current assets is based on the physical location of the assets. The Group's non-current assets are based in the PRC.

## 4. REVENUE

Revenue represents the income from provision of port service and sales excluding related tax, where applicable.

Revenue recognised during the year is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Port service income | **146,225** | 94,344 |

## 5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Auditor's remuneration | **647** | 617 |
| Costs of inventories recognised as an expense (included under cost of services rendered) | **5,875** | 5,184 |
| Employee benefit expenses (including directors' emoluments | | |
| — Wages, salaries and other benefits | **26,325** | 18,298 |
| — Equity-settled share-based payment expenses *(note(a))* | **3,680** | – |
| — Defined contributions | **2,804** | 2,367 |
| | **32,809** | 20,665 |
| Direct operating expenses arising from investment properties that generated rental income | **481** | 549 |
| Expected credit loss on trade receivables | **44** | 71 |
| Depreciation of property, plant and equipment | **19,856** | 16,123 |
| Lease payments under operating leases | **–** | 401 |
| Amortisation of payments for leasehold land held for own use under operating leases | **–** | 1,282 |
| Amortisation of deferred government grant | **(890)** | (890) |
| Loss/(gain) on disposal of property, plant and equipment | **1,754** | (14) |
| Gain on disposal of payment of leasehold land held for own use under operating leases *(note (b))* | **–** | (938) |
| Listing expenses | **–** | 3,870 |
| Loss on deregistration of an associate | **129** | – |

*Note:*

(a) During the year, equity settled share-based payments represent shares granted to an executive director of the Company, Mr. Huang Xueliang, which are measured at the fair value of the equity instruments at the grant date.

(b) On 28 March 2018, Chizhou Port Ocean Line Holdings Limited ("**Chizhou Port Holdings**"), a subsidiary of the Company and a non-controlling shareholding company of Chizhou Port Holdings, entered into an agreement, pursuant to which Chizhou Port Holdings disposed of, and the non-controlling shareholding company acquired the Group's certain leasehold land held for own use under operating leases, with a site area of approximately 36,666 square meters (the "**Relevant Land**"). Chizhou Port Holdings agreed to dispose of the Relevant Land, to facilitate Chizhou Municipal Government's plan for developing the Chizhou City Sand Distribution Hub. The carrying value of the Relevant Land was approximately RMB5,222,000 as at the disposal date. The consideration of the abovementioned disposal was approximately RMB6,160,000. The Group recorded a relevant gain on disposal of approximately RMB938,000 during the year ended 31 December 2018.

## 6. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income during the year represents:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax expenses | | |
| — PRC enterprise income tax | **13,458** | 7,472 |
| Deferred tax expenses | **5,027** | 286 |
| | **18,485** | 7,758 |

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax ("**EIT**") at the standard rate of 25% on the estimated assessable profits, except for the following subsidiaries which enjoyed certain tax exemption and relief.

Pursuant to the PRC tax law, its rules and regulations, enterprises that invest in qualifying public infrastructure projects are eligible for certain tax benefits.

One of the infrastructure projects (the "**Qualifying Project**") of Chizhou Port Holdings, a subsidiary of the Company, is entitled to exemption from PRC enterprise income tax for three years (the 3-Year Exemption Entitlement) and a 50% reduction for three years thereafter (the 3-Year 50% Tax Reduction Entitlement). The 3-Year Exemption Entitlement, which commenced for the financial year beginning on 1 January 2019 up to 31 December 2021 irrespective of whether the Qualifying Project is profit-making during this period and the 3-Year 50% Tax Reduction Entitlement has been commenced from the financial year beginning on 1 January 2022 to 31 December 2024. Therefore, the relevant profit generated from the Qualifying Project is tax exempted for the year ended 31 December 2019.

Chizhou Ocean Line Niutoushan Limited ("**Chizhou Niutoushan**"), a subsidiary of the Company, engaged in qualifying public infrastructures and was entitled to the 3-Year Exemption Entitlement and the 3-Year 50% Tax Reduction Entitlement thereafter. The 3-Year Exemption Entitlement commenced for the financial year beginning on 1 January 2013 up to 31 December 2015 irrespective of whether Chizhou Niutoushan is profit-making during this period and the 3-Year 50% Tax Reduction Entitlement has commenced from the financial year beginning on 1 January 2016 to 31 December 2018. Therefore, the applicable tax rate for Chizhou Niutoushan was 12.5% for the year ended 31 December 2018 and 25% for the year ended 31 December 2019.

## 7. EARNINGS PER SHARE

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit for the year attributable to owners of the Company | **41,432** | 17,765 |

| | **2019** | 2018 |
|---|---|---|
| Weighted average number of ordinary shares in issue | **800,000,000** | 695,890,411 |

The calculation of basic earnings per share for the year ended 31 December 2019 is based on profit attributable to owners of the Company of approximately RMB41,432,000 (2018: profit of RMB17,765,000) and on the weighted average number of 800,000,000 (2018: 695,890,411) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 has been determined on the assumption that the Reorganisation and share capitalisation had been effective from 1 January 2018.

Diluted earnings per share is the same as the basic earnings per share because the Group has no dilutive potential shares during the years ended 31 December 2019 and 2018.

## 8. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2019 and 2018.

The Board does not recommend the payment of a final dividend for the year.

**Dividends declared/paid by the Group's entities before the Listing**

On 11 January 2018, dividend of approximately RMB8,692,000 was declared by Ocean Line Group (Chizhou) Port Development Inc., a subsidiary of the Company, to its then equity shareholders. Of the above amount, approximately RMB7,026,000 was applied to offset the Group's receivables from a related company, of which Mr. Kwai and Ms. Cheung are the beneficial owners, which represents a non-cash transaction, and the balance of approximately RMB1,666,000 was paid in cash to the then equity shareholders.

## 9. TRADE RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **3,339** | 3,312 |
| Less: Provision for impairment | **(1,006)** | (962) |
| | **2,333** | 2,350 |

The credit period for trade receivables is generally ranging from 10 to 55 days. The directors of the Company consider that the fair values of the trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Based on invoices date, ageing analysis of the Group's trade receivables, net of impairment provision, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 30 days | **2,232** | 1,828 |
| 31 to 90 days | **77** | 478 |
| 91 to 120 days | **–** | – |
| 121 to 365 days | **24** | – |
| Over 1 year | **–** | 44 |
| | **2,333** | 2,350 |

## 10. TRADE PAYABLES

The credit period is generally 30 days.

Based on invoice dates, ageing analysis of the Group's trade payables is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 30 days | **7,488** | 3,033 |
| 31 to 90 days | **62** | 789 |
| 91 to 120 days | **59** | 56 |
| 121 to 365 days | **261** | 613 |
| Over 1 year | **854** | 521 |
| | **8,724** | 5,012 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is an inland terminal operator in the PRC and is principally engaged in the provision of port logistic services (including uploading and unloading of cargo, bulk cargoes handling service, container handling, storage and other services). The Group operates two port terminals, namely, Jiangkou Port Terminal and Niutoushan Port Terminal, both of which are situated in Chizhou City, Anhui Province, PRC. Chizhou City is located in the upper downstream section along the Yangtze River and it is an important port city in the southwestern region of Anhui Province. It is also a crucial member of the integrated development of the Yangtze River delta. With abundant mining resources as its biggest strengths, Chizhou City is an integral non-metallic mineral base in Eastern China. There are 11 berths in the two major terminals of the Group, including the 4 newly built berths of the new phase of Jiangkou Terminal, making the Group the largest public port operator in Chizhou City, as well as an important driver of the opening up and promoting investment and business in Chizhou City.

In 2019, total throughput volume of bulk cargo, break bulk cargo and container were approximately 22.9 million tonnes (2018: approximately 14.8 million tonnes) and 18,138 TEUs (2018: approximately 17,150 TEUs), respectively, representing an increase of 55.2% and 5.8%, respectively as compared to the last year.

The increase in the Group's revenue is heavily dependent on the rapid growth in cargo loading and unloading throughput volume, which is mainly attributed to:

Firstly, the macro economy of the PRC continued to improve. In 2019, the PRC showed strong resilience in an intricate environment and maintained overall stable progress. Business environment has been improved, and numerous key infrastructure construction have been accelerated. With a high demand for raw materials in steelworks and construction materials in the middle and lower reaches of the Yangtze River, it propels the rapid growth in the non-metallic mining industry.

Secondly, the approval procedures of operation of green mines has proceeded smoothly. Within the PRC mining sector, it is often said that "the whole nation depends on Eastern China, Eastern China depends on Chizhou City" ("全國看華東，華東看池州"). This is because of the high quality and richness of its non-metallic mining resources such as limestone, dolomite and calcite in Chizhou City. Green mine represents a mining operation in compliance with the economic cycle based on the principles of green industry, which formulates a mining plan that protects the environment. Exploitation technology used by green mines aims to achieve the goal of "low production, high efficiency, low emissions". Since 2018, mining companies have been actively engaged in integration of resources. In 2019, the approval procedures of operation of most of green mines were completed, resulting in improved facilities of the mining companies and their increased production capacities accordingly.

Thirdly, locations of the supply and demand of products shifted as affected by industrial policies. In 2019, Anhui's neighboring provinces along the Yangtze River experienced a slowdown in production following the release of industrial policies, shifting a market convergence of building materials and non-metallic minerals to Anhui region and contributing a relatively larger increment in throughput volume of our port.

Fourthly, the Group's port productivity has been expanded due to completion of the construction of the new phase of Jiangkou Terminal. The new phase of Jiangkou Terminal was fully completed in January 2020, of which two newly built berths were put into trial operation in 2019. In 2019, the new project generated an additional throughput volume of 6.66 million tonnes for the Group.

Fifthly, internal management has been strengthened and productivity has been improved. The Group has reduced ship berthing time through better internal management and scientific adjustments. Operational efficiency has been enhanced through coordination work with customers on timing and volume arrangement of transport vehicles. The goods positioning of storage has been optimised to shorten transport distance; ensuring the productivity of production equipment through routine maintenance and timely repairs; increasing market share through the adherence to the strategy on major customers and developing marginal customers by our business staffs. By adopting such measures, port throughput has been significantly boosted with input of labour and equipment remaining unchanged.

## OUTLOOK

In 2020, as the new phase of our projects were put into full operation, the Group's throughput volume is expected to rise to a higher level as compared to 2019. However, the outbreak of the new coronavirus pneumonia epidemic earlier this year has cast enormous impacts on China's economy and society, in particular the operating performance of the transportation and port industry during the first quarter of the year. Nevertheless, based on the current market analysis and the practices of the port industry, it is expected that the Chinese Government will increase investments in infrastructure construction once the epidemic eases, therefore it is optimistic that the Group's port shipment volume is still likely to further increase in 2020.

Firstly, China has abundant material resources accumulated over the years, as well as the advantage of a mega-scale market and enormous potential in domestic demand. Since March 2020, various industries have resumed operation and production, and the impacts of the new coronavirus epidemic on China's economy is under control. Once the epidemic ends, the state will introduce intensive policies to support enterprises to resume work and production, while the business environment will continue to improve benefiting from the lingering effects of tax and fee reductions.

Secondly, upon full completion of the new phase of Jiangkou Terminal in January 2020, the productivity of the Jiangkou Port has expanded. With proper human resources adjustment, equipment maintenance and proper arrangements for customer communication, the Group is fully prepared to seize the demand raised from the recovery of external economy after the epidemic mitigates.

The impact of the epidemic is temporary. We have full confidence to win the battle of epidemic prevention and control and have adopted necessary countermeasures, to ensure normal operation of port production and to support the sustainable development of local economy.

## FINANCIAL REVIEW

### Revenue

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2019** | 2018 | Increase | |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *%* |
| Revenue from provision of uploading and unloading services | | | | |
| Bulk cargo and break bulk cargo | **130,919** | 82,733 | 48,186 | 58.2 |
| Container | **2,649** | 2,627 | 22 | 0.8 |
| Subtotal | **133,568** | 85,360 | 48,208 | 56.5 |
| Revenue from provision of ancillary port services | **12,657** | 8,984 | 3,673 | 40.9 |
| Total revenue | **146,225** | 94,344 | 51,881 | 55.0 |

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2019** | 2018 | Increase | |
| | | | | *%* |
| Total cargo throughput (thousand tonnes) | **22,943.5** | 14,781.5 | 8,162.0 | 55.2 |
| Container throughput (TEUs) | **18,138** | 17,150 | 988 | 5.8 |

Our revenue which is principally generated from the provision of uploading and unloading services was approximately RMB133.6 million for the year ended 31 December 2019 and RMB85.4 million for the year ended 31 December 2018. The increase in revenue was mainly due to the increase in cargo handling revenue since (i) the throughput of cargo increased by approximately 8.2 million tonnes as compared with last year. The increase in throughput volume of cargo was mainly due to the increased demand from existing customers that was driven by the stringent environment requirements, increased operation capacity of customers and steady growth of mining and processing industry in Chizhou City.

**Cost of services**

Our cost of services primarily consists of depreciation of property, plant and equipment, staff cost, subcontracting fee, amortisation of land use rights, fuel and oil, consumables, electricity and others.

For the year ended 31 December 2019, our cost of services was approximately RMB66.4 million (2018: RMB49.9 million), representing an increase of RMB16.5 million or approximately 33.1% as compared to the last year. The increase in cost of services was mainly attributable to (i) the increase in staff cost of approximately RMB5.1 million due to the increase in revenue as staff cost is partially linked to the financial performance of our port, (ii) the increase in subcontracting fee of approximately RMB2.8 million which was driven by the increase in transportation and handling services as throughput volume rose and (iii) increase in repairs and maintenance of approximately RMB5.0 million due to the increase in throughput volume of cargo by 55.2% in terms of tonnes.

**Gross profit and gross profit margin**

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2019** | 2018 | Increase | |
| | | | | % |
| Gross profit (RMB'000) | **79,844** | 44,408 | 35,436 | 79.8 |
| Gross profit margin (%) | **54.6** | 47.1 | 7.5 | N/A |

For the year ended 31 December 2019, our gross profit and gross profit margin increased to approximately RMB79.8 million and 54.6%, respectively. The increase was primarily due to the increased throughput volume of cargo by 55.2% in terms of tonnes for the year ended 31 December 2019 as compared to the last year and our business achieved economies of scale through greater utilisation of our operating capacity.

**Administrative expenses**

For the year ended 31 December 2019, our administrative expenses increased by approximately RMB7.5 million or 64.7% which was primarily due to increase in administrative staff costs and legal and professional fees of approximately RMB6.2 million and RMB0.2 million, respectively. The increase in administrative staff costs was mainly due to the growth of our business and increase in number of staffs during the year.

**Income tax expenses**

For the year ended 31 December 2019, the Group's income tax expense amounted to approximately RMB18.5 million (2018: RMB7.8 million), representing an increase of RMB10.7 million or approximately 137.2% as compared to last year. The increase was mainly due to the increase in Group's profit before income tax. For the year ended 31 December 2019, the effective tax rate is approximately 23.5% (2018: 23.4%) which was mainly due to the deferred tax charge of RMB5.1 million provided during the year ended 31 December 2019 and the absence of non-deductible expenses such as listing expenses of approximately RMB3.9 million which was incurred in the year ended 31 December 2018. Should the listing expenses for the year ended 31 December 2018 of approximately RMB3.9 million be taken into account, the adjusted effective tax rate would have been approximately 21.0%. Should be deferred tax charge for the year ended 31 December 2019 of approximately RMB5.1 million be taken into account, the adjusted effective tax rate would have been approximately 17.1%. Our adjusted effective tax rates for the year ended 31 December 2018 was lower than that of the PRC EIT standard rate of 25% mainly because of the representing 50% reduction for three years for Chizhou Niutoushan on PRC EIT from 2016 to 2018. Besides, our adjusted effective tax rates for the year ended 31 December 2019 was lower than that of the PRC EIT standard rate of 25% mainly because of full tax exemption for three years for one of the infrastructure projects of Chizhou Port Holdings from 2019 to 2021.

**Profit for the year**

As a result of the foregoing, we recorded profit for the year of approximately RMB60.1 million (2018: RMB25.4 million). Our net profit margin was approximately 41.1% (2018: 26.9%). Had the listing expenses been excluded, our net profit margin for the year ended 31 December 2018 would have been approximately 31.0%.

**Property, plant and equipment**

As at 31 December 2019, net carrying amount property, plant and equipment amounted to approximately RMB439.7 million (31 December 2018: RMB314.5 million). It mainly represented (i) terminal facilities of approximately RMB208.1 million (31 December 2018: RMB184.5 million); (ii) port machinery and equipment of approximately RMB38.6 million (31 December 2018: RMB27.2 million), (iii) construction-in-progress of approximately RMB108.4 million (31 December 2018: RMB81.2 million) and (iv) right-of-use assets of approximately RMB53.5 million (31 December 2018: Nil). The increase of the balance was mainly due to the net effect of (i) addition of property, plant and equipment of approximately RMB19.2 million; (ii) increase in construction-in-progress of approximately RMB72.5 million, (iii) increase in right-of-use assets of approximately RMB53.5 million for the adoption of HKFRS 16 and (iv) depreciation charges of RMB19.9 million for the year. Increase in construction-in-progress mainly represented the construction and development cost of new phase of Jiangkou Terminal during the year. On 18 January 2020, the Group has completed all the construction works of the new phase of Jiangkou Terminal.

**Financing and credit facilities**

As at 31 December 2019, the Group's total outstanding bank borrowings amounted to RMB34.2 million (31 December 2018: RMB40.0 million) and cash balances amounted to approximately RMB84.2 million (31 December 2018: RMB65.3 million). Banking facilities available but unused facilities amounted to approximately RMB115.8 million (31 December 2018: RMB12.0 million).

## DIVIDEND

The Board does not recommend the payment of dividend for the year (2018: Nil).

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS FROM THE LISTING BY WAY OF PUBLIC OFFER OF SHARES

The following sets out a comparison and analysis of the business objectives as stated in the Prospectus dated 27 June 2018 (the "**Prospectus**") with the Group's actual business progress up to 31 December 2019:

| Business strategies as stated in the Prospectus | Implementation activities as stated in Prospectus | Actual business progress |
|---|---|---|
| Constructing and developing a new phase of Jiangkou Terminal in order to enhance our operational capacity and to further improve our efficiency | (1) Completion of the new phase of our Jiangkou Terminal. | The Group completed two berths of the new phase of our Jiangkou Terminal. (The remaining two berths of the new phase of our Jiangkou Terminal and the entire project was completed in January 2020) |
| | (2) Purchasing additional conveyor belts. | The Group purchased and completed installation of additional conveyor belts. |
| | (3) Applying and obtaining (a) the written approval for completion and acceptance of environment protection for construction project; and (b) the trial port operation permit prior to trial operation of the new phase of our Jiangkou Terminal. | Prior to trial operation of two berths of the new phase of our Jiangkou Terminal, the Group has obtained the relevant written approval for completion and acceptance and the trial port operation permit. |
| | (4) Inspection by the relevant local authorities on the performance of the construction works. | The relevant local authorities inspected the performance of the construction works. |
| | (5) Commencement of trial operation of the new phase of the Jiangkou Terminal to ensure our operation can fulfil the relevant environmental, health and safety, quality and fire safety standards and requirements. | Two berths of the new phase of our Jiangkou Terminal have commenced trial operation to ensure our operation can fulfil relevant standards and requirements. |
| | (6) Carrying out marketing and promotional activities on our services of the new phase of our Jiangkou Terminal to existing and potential customers | The Group has carried out marketing and promotional activities on our services of the new phase of our Jiangkou Terminal to existing and potential customers. |
| | (7) Evaluating the performance and operating efficiency of the new phase of our Jiangkou Terminal. | The Group has evaluated the performance and operating efficiency of the new phase of our Jiangkou Terminal. The new phase of our Jiangkou Terminal has reasonable designs that meet our actual production and operation needs. The operating efficiency of the facilities and equipment is excellent. |

## USE OF PROCEEDS

The final offer price for the listing was HK$0.38 per share, and the actual net proceeds from the listing were approximately HK$49.9 million. This amount was lower than the estimated net proceeds of approximately HK$54.4 million, which was based on a mid-point offer price of HK$0.40 per share, as disclosed in the Prospectus. In light of the difference between the actual and estimated amount of the net proceeds, the Group has adjusted the use of proceeds as shown in the Prospectus. Nevertheless, the said difference does not result in significant impact on the implementation of our business plan as shown in the Prospectus. Up to 31 December 2019, the Group had fully utilised the proceeds from the public offer and applied the proceeds according to the future plan and use of proceeds as disclosed in the Prospectus.

## BUSINESS UPDATE

1. The local government in the PRC conducted a compensation plan (池州市主城區長江岸線老港區濱江生態修復環境整治補償處置方案) with 池州市貴池港埠有限責任公司 (for transliteration purpose only, Chizhou Guichi Port Limited) ("**Chizhou Guichi**"). The compensation plan has been finalised and the compensation amount attributable to Chizhou Port Holdings was approximately RMB8.5 million, representing 40% of total compensation amount of approximately RMB21.3 million.

   On 5 December 2019, Chizhou Guichi was deregistered. Share of profit of Chizhou Guichi net of a loss on deregistration of Chizhou Guichi, approximately RMB6,276,000 was credited to profit or loss during the year.

2. On 20 September 2019, Chizhou Port Holdings has successfully renewed the Licence for Port Operations (港口經營許可證) for four berths of Jiangkou Terminal for providing port logistic services. The period of validity of the renewed Licence for Port Operations is 3 years.

3. Chizhou Port Holdings has obtained and renewed the temporary License for Port Operations (臨時港口經營許可證) for a berth of the new phase of Jiangkou Terminal for providing port logistic services on 29 April 2019 and 25 September 2019, respectively. On 25 September 2019, Chizhou Port Holdings has obtained the temporary License for Port Operations for another berth of the new phase of Jiangkou Terminal. The period of validity of the temporary License for Port Operations is 6 months. On 18 January 2020, Chizhou Port Holdings has completed all the construction works of the new phase of Jiangkou Terminal. On 28 February 2020, Chizhou Port Holdings has obtained the License for Port Operations (港口經營許可證) for all of the four berths of the new phase of Jiangkou Terminal. The period of validity of the License for Port Operations is 3 years.

## CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Report is presented for the year ended 31 December 2019. The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the shareholders of the Company. The Board is committed to maintaining a high standard of corporate governance for the Company within a sensible framework. The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules during the year. During the year, the Company has fully complied with all the provisions of the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

## 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.

## SECURITIES TRANSACTION OF DIRECTORS

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions of the Company. Upon the Company's specific enquiry, each Director had confirmed that during the year, they had fully complied with the required standard of dealings and there was no event of non-compliance.

## EVENTS AFTER THE REPORTING DATE

Except as disclosed elsewhere in consolidated financial statements, the Company has no event after the date of the reporting period that needs to be brought to the attention of the shareholders of the Company.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 May 2020 (Monday) to 28 May 2020 (Thursday) (both days inclusive, 4 business days in total) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar 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 22 May 2020 (Friday).

## AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The Audit Committee consists of three members, namely Mr. Wong Chin Hung, Mr. Nie Rui and Dr. Li Weidong, all being independent non-executive Directors. Mr. Wong Chin Hung currently serves as the chairman of the Audit Committee.

The Audit Committee is primarily responsible for (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (b) reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process; (c) approving the remuneration and terms of engagement of external auditor; and (d) reviewing financial information and overseeing the financial reporting system, risk management and internal control procedures.

The Audit Committee has reviewed the audited consolidated financial results of the Group for the year 31 December 2019 and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
**Ocean Line Port Development Limited**
**Kwai Sze Hoi**
*Chairman and Executive Director*

Hong Kong, 23 March 2020

*As at the date of this announcement, the executive Directors are Mr. Kwai Sze Hoi and Mr. Huang Xueliang, the non-executive Director is Ms. Cheung Wai Fung, and the independent non-executive Directors are Mr. Nie Rui, Mr. Wong Chin Hung and Dr. Li Weidong.*