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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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**", each a "**Director**") 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 (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	
	RMB'000	*RMB'000*	% Changes
	(Unaudited)	(Unaudited)	
Revenue	**93,139**	96,108	-3.1
Profit for the period attributable to the owners of the Company	**33,612**	33,932	-0.9
Basic earnings per share	**RMB4.20 cents**	RMB4.24 cents	-0.9

INTERIM RESULTS

The board (the "**Board**") of Directors announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding period in 2022. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 has not been audited, but has been reviewed by the audit committee of the Board ("**Audit Committee**").

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2023

		Three months ended 30 June		Six months ended 30 June	
		2023	2022	**2023**	2022
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*4*	**46,767**	49,787	**93,139**	96,108
Cost of services rendered		**(16,670)**	(16,478)	**(33,480)**	(34,957)
Gross profit		**30,097**	33,309	**59,659**	61,151
Other income and gains		**5,033**	2,848	**6,805**	4,813
Selling and distribution expenses		**(401)**	(211)	**(577)**	(368)
Administrative expenses		**(4,986)**	(3,898)	**(9,061)**	(7,437)
Finance costs		**(4)**	(11)	**(10)**	(23)
Profit before income tax	*5*	**29,739**	32,037	**56,816**	58,136
Income tax expense	*6*	**(5,326)**	(5,086)	**(11,622)**	(11,861)
Profit for the period and total comprehensive income for the period, net of tax		**24,413**	26,951	**45,194**	46,275

		Three months ended 30 June		Six months ended 30 June	
		2023	2022	**2023**	2022
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		**18,668**	20,180	**33,612**	33,932
Non-controlling interests		**5,745**	6,771	**11,582**	12,343
		24,413	26,951	**45,194**	46,275
Earnings per share attributable to owners of the Company					
Basic and diluted earnings per share	7	**RMB2.33 cents**	RMB2.52 cents	**RMB4.20 cents**	RMB4.24 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**407,950**	417,373
Investment properties		**75,398**	75,000
Equity investment at fair value through other comprehensive income		**17,838**	17,838
Deposits and prepayments		**2,724**	1,709
		503,910	511,920
Current assets			
Inventories		**2,568**	2,062
Trade receivables	*9*	**9,364**	5,157
Debt instruments at fair value through other comprehensive income		**1,823**	1,185
Deposits, prepayments and other receivables		**4,412**	4,039
Time deposit		**–**	35,328
Cash and cash equivalents		**278,032**	253,465
		296,199	301,236
Current liabilities			
Trade payables	*10*	**11,101**	9,245
Contract liabilities		**30,748**	41,712
Other payables, accruals and receipt in advance		**85,891**	89,458
Lease liabilities		**261**	497
Due to non-controlling interests		**16,045**	–
Deferred government grant		**890**	890
Income tax payable		**6,746**	9,193
		151,682	150,995
Net current assets		**144,517**	150,241
Total assets less current liabilities		**648,427**	662,161

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred government grant	**31,199**	31,644
Deferred tax liabilities	**5,921**	4,546
	37,120	36,190
Net assets	**611,307**	625,971
EQUITY		
Share capital	**6,758**	6,758
Reserves	**455,065**	465,266
Equity attributable to owners of the Company	**461,823**	472,024
Non-controlling interests	**149,484**	153,947
Total equity	**611,307**	625,971

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 Company was listed on GEM of The Stock Exchange of Hong Kong Limited on 10 July 2018.

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

The Company's immediate and ultimate parent is Vital Force Developments Limited ("**Vital Force**"), a company incorporated in the British Virgin Islands with limited liability and its ultimate controlling parties are Mr. Kwai Sze Hoi and his spouse Ms. Cheung Wai Fung.

The unaudited condensed consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

The unaudited condensed consolidated financial statements have not been reviewed by the Company's auditor, but have been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning of 1 January 2023.

In the current period, the Group has applied all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. The adoption of other new and amended HKFRSs do not have material impact on the Group's results of operations or financial position.

The Group has not applied any new or amended HKFRSs that are not yet effective for the current accounting period.

3. SEGMENT INFORMATION

Operating segment information

The Group identifies its operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors, who are the chief operating decision-makers of the Group, 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. Accordingly, no segment information analysed by operating segment is presented in the condensed consolidated financial statements.

Geographical information

The geographical location of revenue allocated is based on the location at which services are provided. The Group renders port services in the PRC and all its revenue for the six months ended 30 June 2023 and 2022 were derived in the PRC. The geographical location of the Group's non-current assets is based on the physical location of the assets. The Group's major non-current assets are based in the PRC.

4. REVENUE

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

Revenue recognised during the period is as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Port service income	**46,767**	49,787	**93,139**	96,108

Disaggregation of revenue

	Three months ended 30 June		**Six months ended 30 June**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Provision of uploading and unloading services				
Bulk cargo and break bulk cargo	**40,419**	44,732	**77,828**	86,874
Container	**809**	558	**1,493**	1,056
Subtotal	**41,228**	45,290	**79,321**	87,930
Provision of ancillary port services	**5,539**	4,497	**13,818**	8,178
	46,767	49,787	**93,139**	96,108
Timing of revenue recognition				
At a point in time	**45,370**	48,680	**90,526**	94,112
Transferred over time	**1,397**	1,107	**2,613**	1,996
	46,767	49,787	**93,139**	96,108

5. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Costs of inventories recognised as an expense (included under cost of service rendered)	**724**	551	**1,655**	2,044
Employee benefit expenses *(note)* (including directors' emoluments)				
— Wages, salaries and other benefits	**6,575**	5,595	**12,341**	10,389
— Defined contributions	**853**	692	**1,680**	1,392
	7,428	6,287	**14,021**	11,781
Direct operating expenses arising from investment properties that generated rental income	**30**	148	**203**	296
Depreciation of property, plant and equipment	**5,922**	6,307	**12,090**	12,713
Repairs and maintenance expenses (included under cost of services rendered)	**1,313**	1,929	**3,496**	3,741
Subcontracting fee (included under cost of services rendered)	**3,126**	2,629	**5,823**	6,950
Short-term lease	**4**	249	**19**	249
Amortisation of deferred government grant	**(222)**	(222)	**(445)**	(445)
Gain on disposal of property, plant and equipment	**–**	(5)	**(73)**	(5)

Note: During the six months ended 30 June 2023, the Group incurred expenses for the purpose of research and development of approximately RMB1,664,000, which comprised employee benefits expenses of approximately RMB1,263,000 (six months ended 30 June 2022: RMB1,233,000).

6. INCOME TAX EXPENSE

Income tax

The amount of taxation in the unaudited condensed consolidated statement of comprehensive income during the period represents:

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
— PRC enterprise income tax	**5,026**	4,430	**10,247**	9,781
Deferred tax charged to profit or loss	**300**	656	**1,375**	2,080
	5,326	5,086	**11,622**	11,861

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 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 Ocean Line Holdings Limited ("**Chizhou Port Holdings**"), a subsidiary of the Company, is engaging in qualifying public infrastructures. It is entitled to exemption from EIT from the financial year beginning on 1 January 2019 up to 31 December 2021, and a 50% reduction from the financial year beginning on 1 January 2022 to 31 December 2024. Therefore, the relevant profit generated from the Qualifying Project is computed at a reduced rate of 12.5% as taxable amount for the six months ended 30 June 2023 and 2022. Apart from the Qualifying Project, Chizhou Port Holdings has been recognised as a High and New Technology Enterprise under the applicable PRC tax law. Other infrastructure projects of Chizhou Port Holdings are subject to a reduced rate of 15% EIT for three consecutive financial years from 2022 to 2024.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in or derived from Hong Kong for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following information:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company	**33,612**	33,932
	Number of shares	
Weighted average number of ordinary shares in issue during the period	**800,000,000**	800,000,000

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on profit attributable to owners of the Company of approximately RMB33,612,000 (for the six months ended 30 June 2022: RMB33,932,000) and on the weighted average number of 800,000,000 (for the six months ended 30 June 2022: 800,000,000) ordinary shares in issue during the period.

Diluted earnings per share is the same as the basic earnings per share because the Group had no potentially dilutive shares in issue during the respective periods.

8. DIVIDENDS

During the six months ended 30 June 2023, the Board has proposed a final dividend of HK$3.0 cents per share and a special dividend of HK$3.0 cents per share for the year ended 31 December 2022 out of the share premium account within the equity section of the statement of financial position of the Company. The proposed final dividend and the proposed special final dividend were approved by the shareholders of the Company on 24 May 2023, and were paid on 21 June 2023.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

9. TRADE RECEIVABLES

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**10,370**	6,163
Less: Provision for impairment	**(1,006)**	(1,006)
Trade receivables, net	**9,364**	5,157

The credit period for trade receivables is generally ranging from 10 to 55 days.

Based on invoice dates, ageing analysis of the Group's trade receivables, net of impairment provision, as at the reporting dates is as follows:

	As at 30 June 2023 ***RMB'000*** **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
0 to 30 days	**9,364**	5,128
31 to 90 days	**–**	–
91 to 120 days	**–**	29
121 to 365 days	**–**	–
Over 1 year	**–**	–
	9,364	5,157

10. TRADE PAYABLES

The credit period is generally 30 days.

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

	As at 30 June 2023 ***RMB'000*** **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
0 to 30 days	**8,445**	7,461
31 to 90 days	**781**	80
91 to 120 days	**80**	12
121 to 365 days	**931**	439
Over 1 year	**864**	1,253
	11,101	9,245

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, the PRC. Chizhou City is located in the upper downstream section of the Yangtze River and it is an important port city in the southwestern region of Anhui Province. It is also a crucial component 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 eleven multi-purpose/bulk cargo berths in the two major terminals of the Group, 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 the first half of 2023, the Group overcame the adverse factors of the market downturn and took active measures to improve services. In general, the trend of production and operation was stable. Cost reduction and efficiency enhancement activities were sound and effective, and various key tasks were steadily advanced. For the six months ended 30 June 2023, the Group's total throughput volume of bulk cargo and break bulk cargo were 15.1 million tonnes (six months ended 30 June 2022: 14.8 million tonnes) and 7,867 TEUs (six months ended 30 June 2022: 6,133 TEUs), respectively, representing an increase of 2.2% and 28.3% as compared to the corresponding period in 2022. The Group's revenue and profit were RMB93.1 million (six months ended 30 June 2022: RMB96.1 million) and RMB45.2 million (six months ended 30 June 2022: RMB46.3 million), respectively, representing a decrease of 3.1% and 2.3%, respectively, as compared to the corresponding period of the previous year.

The throughput volume and performance of the ports for the first two quarters were mainly influenced by the following factors:

Firstly, economic trend. Global economic recovery has become the trend in the first half of this year, and the total value of import and export trade in goods of the PRC recorded a slight increase. However, due to the impact of the pandemic in the past three years, the overall economy was still in a weak position. The weak demand for non-metallic mineral products and construction materials products led to inactive markets and price declines, and the total shipment volume of our ports was affected.

Secondly, internal management. In response to the unfavorable external market environment, we strengthened internal management, explored our internal potentials, boosted income and reduced expenditure, reduced costs and enhanced efficiency, and maintained a healthy and sound operation. The specific performance includes:

1. **"Wolf marketing ("狼性行銷"), revenue of the Group was relatively stable".** We actively enhanced market study and judgement, seized opportunities, made efforts to increase our market share, and ensured steady growth of revenue by developing new customers and new cargo types.

2. **"Cost reduction and efficiency enhancement, notable results in cost control have been achieved".** We have achieved notable results through refining the management of cost reduction and efficiency enhancement measures where we set out clear responsibilities for each employee, as well as the assessment, reward and punishment standards, and implemented the principles to "compare indicators, compare results, identify problems, investigate causes, and determine measures" ("對指標、比結果、找問題、查原因、定措施").

3. **"Transformation and upgrading, steady progress has been made in project construction".** The Multi-mode Transport Demonstration Project of Jiangkou Port is progressing smoothly. The project companies, Chizhou Railway and Chizhou Huida have been incorporated. In addition, the construction of Niutoushan Port complex building and Niutoushan No. 1 Warehouse have commenced and are expected to be put into use during the year.

4. **"Technology innovation, vitality was added to enterprise development".** Chizhou Port Holdings has been recognised as a High and New Technology Enterprise. Persisting in strengthening the technology center, we have focused on equipment maintenance, operating efficiency, safety and environmental protection, energy saving and emission reduction and green port construction, and organized small reforms and technological innovations to save costs for customers and improve efficiency for the enterprise.

5. **"Safety and environmental protection, relevant concepts were strictly adhered to ensure safety".** Adhering to the "Scoring System for Safety and Environmental Protection Assessment" ("安全環保積分制考核"), we resolutely implemented the "Five Accomplishments" ("五到位") of safety and environmental protection measures. In the first half of the year, safe and environmentally friendly production was ensured without accidents.

OUTLOOK

From the perspective of the external environment, economic recovery still needs to go through a process, and the business situation in the second half of the year remains grim. However, we are confident about the prospects of our operation in the second half of the year, and maintain a relatively optimistic expectation on the development of the port market. The main factors are as follows:

Firstly, in the second half of the year, the domestic demand will play an increasingly important role. With the gradual recovery of the industry and the accelerated implementation of major projects, It is expected that the positive trend of economic stability and improvement will be maintained, and the total cargo volume of our ports is on an upward path.

Secondly, the second half of the year will be the peak season for the port economy. The market supply and demand will gradually increase, and our port production is expected to usher in a peak.

Thirdly, our port logistics business will accumulate richly and break forth vastly ("厚積薄發"). While enhancing the traditional port stevedoring, we will focus on relying on ports for developing logistics business, achieving the two-wheel drive of "Port + Logistics" to ensure the long-term stable development of our port business.

Fourthly, with the construction progress of various projects, it is expected that our undertaking capacity will be further enhanced and our future development will be promising.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June		Increase/(decrease)	
	2023	2022		
	RMB'000	*RMB'000*	*RMB'000*	%
	(Unaudited)	(Unaudited)		
Revenue from provision of uploading and unloading services				
Bulk cargo and break bulk cargo	**77,828**	86,874	(9,046)	(10.4)
Container	**1,493**	1,056	437	41.4
Subtotal	**79,321**	87,930	(8,609)	(9.8)
Revenue from provision of ancillary port services	**13,818**	8,178	5,640	69.0
Total revenue	**93,139**	96,108	(2,969)	(3.1)

	Six months ended 30 June		Increase	
	2023	2022		
	(Unaudited)	(Unaudited)		%
Total cargo throughput (thousand tonnes)	**15,120**	14,796	324	2.2
Container throughput (TEUs)	**7,867**	6,133	1,734	28.3

Our revenue which is principally generated from the provision of uploading and unloading services and ancillary port services was approximately RMB79.3 million for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB87.9 million), representing a decrease of RMB8.6 million or approximately 9.8% as compared to the same period in 2022. However, the throughput of cargo increased by approximately 0.3 million tonnes as compared with the same period in 2022, as more customers required direct uploading and unloading without storing the goods in the stacking yards due to the rapid turnover of their goods, resulting in a decrease in the average handling fee per tonne charged by us. The revenue from provision of ancillary port services increased by approximately RMB5.6 million or 69.0%, as we vigorously promoted our "Port + Logistics" business model ("**two-wheel drive**") in an effort to expand our logistics business.

Cost of services

Our cost of services primarily consists of depreciation of property, plant and equipment, staff cost, subcontracting fee, fuel and oil, consumables, electricity, repairs and maintenance expenses and others.

For the six months ended 30 June 2023, our cost of services was approximately RMB33.5 million (six months ended 30 June 2022: RMB35.0 million), representing a decrease of RMB1.5 million or approximately 4.2% as compared to the same period in 2022. The decrease in cost of services was mainly attributable to the impacts of the following: (i) a decrease in depreciation of approximately RMB0.6 million due to certain property, plant and equipment of the Group were fully depreciated during the second half of 2022 and the first half of 2023; (ii) a decrease in fuel and oil and consumables of approximately RMB0.4 million due to our active promotion of energy saving and emission reduction; and (iii) a decrease in repairs and maintenance expenses of approximately RMB0.2 million.

Gross profit and gross profit margin

	Six months ended 30 June		Increase/(decrease)	
	2023	2022		
	(Unaudited)	(Unaudited)		%
Gross profit (RMB'000)	**59,659**	61,151	(1,492)	(2.4)
Gross profit margin (%)	**64.1**	63.6	0.5	N/A

For the six months ended 30 June 2023, our gross profit decreased to approximately RMB59.7 million. The decrease in gross profit was primarily due to decrease of our total revenue by 3.1% for the six months ended 30 June 2023 as compared to the same period of last year. Our gross profit margin was approximately 64.1%, which remained at similar level to the same period of last year.

Administrative expenses

For the six months ended 30 June 2023, our administrative expenses increased by approximately RMB1.6 million or 21.8% which was primarily due to increase in administrative staff costs of approximately RMB1.0 million. The increase in administrative staff costs was mainly due to the growth of our business and research and development related staff costs for the improvement and development of port equipment, computer system and technique to be used in our port operations incurred during the period.

Income tax expenses

For the six months ended 30 June 2023, the Group's income tax expense amounted to approximately RMB11.6 million (six months ended 30 June 2022: RMB11.9 million), representing a decrease of RMB0.3 million or approximately 2.5% as compared to the same period of last year. The profit generated from one of the Qualifying Project of Chizhou Port Holdings for the six months ended 30 June 2023 and 2022 enjoyed 50% tax reduction (the "**3-Year 50% Tax Reduction Entitlement**"). Save for the mentioned better tax preferential policy being enjoyed by the Qualifying Project, as a High and New Technology Enterprise, Chizhou Port Holdings will pay the enterprise income tax at the rate of 15% for three consecutive financial years from 2022 to 2024 ("**3-Year High and New Technology Enterprises Tax entitlement**"). As Chizhou Port Holdings has not yet been recognised as a High and New Technology Enterprise during the first half of 2022, the financial impact of 3-Year High and New Technology Enterprises Tax entitlement has not been reflected in the income tax expenses for the six months ended 30 June 2022. For the six months ended 30 June 2023, the effective tax rate is approximately 20.5% (six months ended 30 June 2022: 20.4%). Should the deferred tax charge for the six months ended 30 June 2023 of approximately RMB1.4 million be excluded, the adjusted effective tax rate would have been approximately 18.0%. Our adjusted effective tax rate for the six months ended 30 June 2023 was lower than that of the PRC EIT standard rate of 25% mainly because of the 3-Year 50% Tax Reduction Entitlement for the Qualifying Project and the 3-Year High and New Technology Enterprises Tax Entitlement for Chizhou Port Holdings from 2022 to 2024.

Profit for the six months ended 30 June 2023

As a result of the foregoing, we recorded profit for the six months ended 30 June 2023 of approximately RMB45.2 million (six months ended 30 June 2022: RMB46.3 million). Our net profit margin was approximately 48.5% (six months ended 30 June 2022: 48.1%).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares of the Company were successfully listed on GEM of the Stock Exchange on 10 July 2018. There has been no change in the capital structure of the Group since then. The capital of the Company only comprises ordinary shares.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 30 June 2023, including time deposits over three months, the Group had bank and cash balances of approximately RMB278.0 million (31 December 2022: RMB288.8 million).

As at 30 June 2023, the Group's total equity attributable to owners of the Company amounted to approximately RMB461.8 million (31 December 2022: RMB472.0 million). As of the same date, the Group's total debts, comprising amounts due to non-controlling interests, amounted to approximately RMB16.0 million (31 December 2022: Nil).

The Directors believe that the Group is in a healthy financial position to expand its business and achieve its business objectives.

BORROWINGS AND GEARING RATIO

As at 30 June 2023, the Group had total debts of approximately RMB16.0 million (31 December 2022: Nil). The Group's bank borrowing, if any, is primarily used in financing the working capital requirement of its operations.

As at 30 June 2023, the gearing ratio of the Group, calculated as the total debts divided by the total equity, was approximately 2.6% (31 December 2022: N/A).

FOREIGN CURRENCY RISK

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in RMB, the Group's functional currency. The Group's policy requires the management monitors foreign exchange exposure by monitoring the movement of foreign currency rates and may enter into foreign currency options or forward contracts, when and where appropriate.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and had maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any contingent liabilities (31 December 2022: Nil).

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2023, the Group did not acquire or hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2023, save as disclosed elsewhere in this announcement, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group has approximately 218 (31 December 2022: 216) employees. Total staff costs for the six months ended 30 June 2023 amounted to approximately RMB14.0 million (six months ended 30 June 2022: RMB11.8 million).

Employee's remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level.

CAPITAL COMMITMENT

The capital commitments of the Group as at each of the reporting dates are as disclosed in 2023 interim report of the Company.

PLEDGE OF ASSETS

As at 30 June 2023, the Group has pledged its property, plant and equipment with an aggregate net book value of approximately RMB138.8 million (31 December 2022: RMB142.7 million) and investment properties with aggregate net book value of approximately RMB15.4 million (31 December 2022: RMB15.4 million).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, no significant events affecting the Group have occurred since the end of the reporting period and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

BUSINESS UPDATE

1. On 16 June 2023, Chizhou Port Holdings entered into a project cooperation agreement with five independent third parties, pursuant to which the parties thereto agreed to establish a joint venture company, namely Chizhou Railway Construction and Operation Company Limited*（池州鐵路建設營運有限公司）("**Chizhou Railway**") in Chizhou City, the PRC. Chizhou Railway was incorporated on 16 June 2023 and is engaged principally in railway construction and operation, advertising, consultancy, inspection, repair, storage and logistics etc in the PRC. Chizhou Railway is owned beneficially as to 36%, 15%, 24%, 10% and 10%, respectively by the five independent third parties, and the remaining 5% by Chizhou Port Holdings. Pursuant to the terms of the project cooperation agreement, the proposed registered capital of Chizhou Railway is RMB18,000,000 and investment by Chizhou Port Holdings is expected to be RMB900,000. On 7 July 2023, Chizhou Port Holdings injected RMB500,000 into Chizhou Railway.

2. On 30 June 2023, Chizhou Port Holdings entered into a joint venture agreement with two independent third parties, pursuant to which the parties thereto agreed to establish a joint venture company, namely Chizhou City Huida Port Transportation Company Limited*（池州市滙達港口運輸有限公司）("**Chizhou Huida**") in Chizhou City, the PRC. Chizhou Huida was incorporated on 6 July 2023 and is principally engaged in port operations and waterway general cargo transportation, specifically including port tallying, domestic freight forwarding, general cargo warehousing services and port cargo loading and unloading activities in the PRC. Chizhou Huida is owned beneficially as to 40% and 34%, respectively by the two independent third parties, and the remaining 26% by Chizhou Port Holdings. Pursuant to the terms of the agreement, the proposed registered capital of Chizhou Huida is RMB100,000,000 and investment by Chizhou Port Holdings is expected to be RMB26,000,000. For details of the formation of Chizhou Huida, please refer to the announcement of the Company dated 30 June 2023.

3. On 14 July 2023, Chizhou Ocean Line Niutoushan Limited ("**Chizhou Niutoushan**"), a subsidiary of the Company, entered into an agreement ("**Construction Contract**") with an independent constructor, pursuant to which the constructor would undertake the construction works of a warehouse of approximately 12,041 square meters situated at Niutoushan Qianjiang Industrial Park, Guichi District, Chizhou City, Anhui Province, the PRC at the consideration of approximately RMB15,117,000. For details of the Construction Contract, please refer to the announcement of the Company dated 14 July 2023.

* *For identification purpose only*

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2023.

COMPETING INTERESTS

The Directors confirm that none of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the six months ended 30 June 2023.

CORPORATE GOVERNANCE CODE

The Corporate Governance Code (the "**Code**") in Appendix 15 to the GEM Listing Rules sets out the principles of good corporate governance, code provisions and recommended best practices. Issuers are expected to comply with the code provisions or devise their own code on corporate governance on the terms they consider appropriate provided that considered reasons are given. Throughout the reporting period, the Company had complied with the applicable code provisions of the Code and there had been no deviation from the Code by the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the reporting period.

AUDIT COMMITTEE

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 D.3.3 and D.3.7 of the Code. The Audit Committee consists of three members, namely Mr. Cheung Sze Ming, Mr. Nie Rui and Dr. Li Weidong, all being independent non-executive Directors. Mr. Cheung Sze Ming currently serves as the chairman of the Audit Committee. The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 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, 10 August 2023

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. Cheung Sze Ming and Dr. Li Weidong.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company at www.oceanlineport.com.