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

2018 ANNUAL REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Kwai Sze Hoi *(Chairman)*
Mr. Huang Xueliang

Non-executive Director:

Ms. Cheung Wai Fung

Independent non-executive Directors:

Mr. Nie Rui
Mr. Wong Chin Hung
Dr. Li Weidong

AUTHORISED REPRESENTATIVES

Mr. Kwai Sze Hoi
Ms. Law Kit Yu

AUDIT COMMITTEE

Mr. Wong Chin Hung *(Chairman)*
Mr. Nie Rui
Dr. Li Weidong

REMUNERATION COMMITTEE

Mr. Nie Rui *(Chairman)*
Mr. Wong Chin Hung
Dr. Li Weidong

NOMINATION COMMITTEE

Dr. Li Weidong *(Chairman)*
Mr. Nie Rui
Mr. Wong Chin Hung

COMPANY SECRETARY

Ms. Law Kit Yu *FACCA HKICPA*

COMPLIANCE ADVISER

Alliance Capital Partners Limited

COMPLIANCE OFFICER

Mr. Kwai Sze Hoi

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Agricultural Bank of China
Chizhou Jiuhua Rural Commercial Bank
Huishang Bank
Industrial and Commercial Bank of China
(Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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HEADQUARTERS, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

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COMPANY WEBSITE

www.oceanlineport.com

STOCK CODE

8502

CHAIRMAN'S STATEMENT

Dear Shareholders,

Starting from 2007, we established Chizhou Port Ocean Line Holdings Limited in Chizhou city, Anhui province, PRC. We commenced the operation at Jiangkou Terminal and Niutoushan Terminal in 2008 and 2013, respectively. The subsidiaries of our Group were granted recognitions such as National Outstanding Foreign Investment Enterprise as well as Outstanding Foreign Investment Enterprise in Anhui Province and in Chizhou City (全國、安徽省、池州市優秀外資企業), Credible Enterprise of Yangtze River Transportation System (長江航運系統誠信企業), Outstanding Transportation Enterprise in Anhui Province (安徽省聯合運輸優秀企業) and Grade A Tax Credit Enterprise in Anhui (安徽省A級納税信用企業) and became the only terminal classified as national Category-1 port in Chizhou and the largest public terminal. The year 2018 was a year full of challenges. Despite the implementation of stringent environmental protection policies and measures by the local government in the PRC, the Company seized its opportunities to further expand its market share and attracted a considerable number of quality customers. Cargo throughput volume for the year amounted to approximately 14,782,000 tonnes, representing a growth of 28.0% over last year. We achieved an operating revenue of approximately RMB94.3 million, representing an increase of approximately 48.3% as compared to last year. Profit for the year amounted to approximately RMB29,250,000 (excluding listing expenses of approximately RMB3,870,000 (2017: RMB10,799,000)), representing an increase of 147.4% over last year; the new phase of Jiangkou Terminal commenced construction and progressed as planned; the objectives of production safety and environmental protection for the year have been achieved; the Company was awarded "Outstanding Foreign Investment Enterprise in Anhui Province" (安徽省外商投資優秀企業) again and "2018 Exceptional Improvement Award" (2018年度突出進步獎) in Chizhou city. During the year, shares of the Company were successfully listed on GEM of The Stock Exchange of Hong Kong Limited on 10 July 2018 (the "Listing"). On behalf of the board of directors of Ocean Line Port Development Limited, I am pleased to present the first annual report of our Company.

2019 is a promising year. Though the Company has been facing a lot of challenges in its development, we are still optimistic about our business development and confident of our prospect. In the view of internal aspects, firstly, after the Listing of the Company, we will more focus on the improvement of internal management. Adhering to the principle of management of "flat, proficient, efficient", the Company has established a scientific management system and unimpeded operation mechanism, thereby fully unleashing the corporate management benefits; secondly, the additional market share captured by us through the "opportunity of environmental protection" in 2018 will continue to bear fruits; thirdly, as the Chizhou City Sand Distribution Hub is expected to commence operation in the second half of 2019, cargo throughput volume will be increased to a certain extent; fourthly, the construction of the new phase of Jiangkou Terminal will be completed and the trial operation will be commenced in the second half of the year, significantly boosting the capacity of Jiangkou Terminal at that time.

In view of external aspects, firstly, as the national economic conditions improve, the demand from corporate companies for terminal transportation services will further increase; secondly, the national environmental protection policy promotes business development and fair competition among the corporate companies and is in favour of the development of qualified terminal operators like us; thirdly, it is more beneficial for a number of our existing customers to expand their production scale with the escalating consolidation of mining resources in Chizhou.

CHAIRMAN'S STATEMENT

We will take active measures and deliver different business ideas to adapt to the new national policy, industrial trend and customer demand. We will endeavour to continue to explore new paths for terminal development and transformation. We will further polish our environmental protection facilities and devote ourselves to facilitate the development of the container business, so as to adapt better to the requirements of the national environmental protection policy. Meanwhile, the terminal operation will be diversified by developing "integrated logistics" business to provide better services to our customers and sustain the social economic development. We will further maximise the sustainable and expandable value for the investors.

I would like to express my heartfelt gratitude on behalf of the Group to all customers, suppliers, professional parties, management and staff members of the Group for their dedication, contribution and commitment throughout the year.

Ocean Line Port Development Limited
Kwai Sze Hoi
Chairman and Executive Director

Hong Kong, 18 March 2019

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 and a central hub for industrial transfers. With mining resources and ecological tourism as its biggest strengths, Chizhou City is an integral non-metallic mineral base in Eastern China. Meanwhile, there are 7 berths in the two major terminals of the Group, rendering them the largest public port and important drivers of the economic prosperity in Chizhou City.

In 2018, total throughput volume of bulk and break bulk cargo and container throughput of the Group were approximately 14.8 million tonnes (2017: approximately 11.6 million tonnes) and 17,150 TEUs (2017: approximately 15,196 TEUs), respectively, increasing by 28.0% and 12.9% respectively over last year. We have achieved significant economic improvement, safeguarded a stable terminal safety performance and complied with environmental protection standards and production objectives, with various economic indexes reaching record highs, mainly as a result of the following:

Firstly, the successful listing of the Company has motivated our employees and urged the management to set higher requirements. With enhanced measures, staff at all levels of the Group actively endeavored to broaden income sources and economise on expenditure, resulting in a significant improvement in the level of corporate management. Revenue for the second half of the year was 1.3 times over that of the first half of the year.

Secondly, management had planned in advance to commence systematic improvement of environmental protection facilities at the terminals as early as 2016 and 2017. Phase I of the environmental protection project, including dustproof walls, dust screen, dustproof shed, sprinkler systems, monitor systems and other dust control measures, were completed. Therefore, operation in the terminals has fully complied with environmental protection requirements. During 2018, we have faced the government's policies and renewed activities on protecting shoreline resources, a number of terminals nearby were forced to close down due to non-compliance with environmental protection standards. Meanwhile, the Group maintained normal cargo throughput volume during the year and even acquired new customers.

Thirdly, we enhanced our efforts in market exploitation and won over customers with quality services. We identified new customers and new products types to be handled by our terminals.

Fourthly, some of our existing customers have expanded their production capacity. Following the improved environmental protection measures executed by mining companies, they have exceeded their previous total production capacity. Productivity of single mine has increased.

Fifthly, good marketability of sand and building materials has boosted demand for sand processing and the processing of fragmented building materials. To promote centralisation of sand handling processes by Chizhou City local government, before the commencement of operation of Chizhou City Sand Distribution Hub in 2019, our Group had uploaded and unloaded the sand of approximately 100,000 tonnes in our terminals during 2018. Chizhou City Sand Distribution Hub is the centralised distribution centre for handling the demand for construction materials required by the urban areas of Chizhou City;

Sixthly, as a result of further regulation of cargo handling fee, unhealthy price competition has been effectively mitigated. In particular, cargo handling fee by using gantry crane was reasonably adjusted, resulting in higher growth rate of revenue compared with the growth rate of cargo throughput volume in 2018.

In conclusion, 2018 has been a year of fruitful results. Performance has been boosted because of ample preparation, reasonable decision-making and efforts made by the Group's management, laying a sound foundation for further development of the Group.

OUTLOOK

According to market analysis, 2019 is a promising year for the Group since there is still room for growth in the throughput volume of the terminals of the Group.

Firstly, given the improving macroeconomics, robust demand for building materials and expanded production capacity of mining companies, the shipment volume of non-metallic ores in Chizhou City will further increase;

Secondly, with the enhanced effort made by Chizhou City local government to attract foreign investment, manufacturing companies will set their foothold in the industrial park with considerable import of raw materials and shipment of finished products, thus boosting the demand for services from our terminals;

Thirdly, as the new phase of Jiangkou Terminal of the Group is expected to commence trial operation in the second half of 2019, the capacity of Jiangkou Terminal will increase substantially;

Fourthly, under the environmental protection regulation in the PRC, the increasing demand for highly processed products will bring about the corresponding increase in demand for container handling, which would secure the growth of the Group's container business.

We should be aware that mine exploration and highway transportation business can be affected as a result of stringent environmental protection requirements. Since highway transportation business poses greater pressure on road safety and environmental protection, we have to prepare adequate emergency measures. On one hand, we have to make sure the cargo uploading and unloading services in terminals comply with environmental protection standards; on the other hand, we shall urge and remind relevant mining companies and transportation parties to raise the awareness of environmental protection for ensuring normal shipment of non-metallic materials. Meanwhile, we will also proactively seek for new transportation methods to achieve the sustainable development of local economy.

FINANCIAL REVIEW

Revenue

	Year ended 31 December 2018 RMB'000	2017 RMB'000	Increase RMB'000	%
Revenue from provision of uploading and unloading services				
Bulk cargo and break bulk cargo	**82,733**	55,568	27,165	48.9
Container	**2,627**	2,485	142	5.7
Subtotal	**85,360**	58,053	27,307	47.0
Revenue from provision of ancillary port services	**8,984**	5,585	3,399	60.9
Total revenue	**94,344**	63,638	30,706	48.3

	Year ended 31 December 2018	2017	Increase	%
Total cargo throughput (thousand tonnes)	**14,781.5**	11,550.5	3,231.0	28.0
Container throughput (TEUs)	**17,150**	15,196	1,954	12.9

Our revenue which is principally generated from the provision of uploading and unloading services was approximately RMB85.4 million for the year ended 31 December 2018 and RMB58.1 million for the year ended 31 December 2017. The increase in revenue was mainly due to the increase in cargo handling revenue since (i) the throughput of cargo increased by approximately 3.2 million tonnes as compared with last year and (ii) the average handling fee increased from approximately RMB4.8 per tonne to RMB5.6 per tonne as compared with last year. The increase in throughput volume of cargo was mainly due to (i) 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 and (ii) addition of new customers due to implementation of the effective sales and marketing strategy.

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 2018, our cost of services was approximately RMB49.9 million (2017: RMB40.5 million), representing an increase of RMB9.4 million or approximately 23.2% as compared to the last year. The increase in cost of services was mainly attributable to (i) the increase in staff cost of approximately RMB2.9 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 RMB3.7 million which was driven by the increase in transportation and handling services as throughput volume rose and (iii) increase in electricity, fuel and oil expenses of approximately RMB2.2 million due to the increase in throughput volume of cargo by 28.0% in terms of tonnes.

Gross profit and gross profit margin

	Year ended 31 December			
	2018	2017	Increase	
				%
Gross profit (RMB'000)	44,408	23,127	21,281	92.0
Gross profit margin (%)	47.1	36.3	10.8	N/A

For the year ended 31 December 2018, our gross profit and gross profit margin increased to approximately RMB44.4 million and 47.1%, respectively. The increase was mainly attributable to the increase in revenue generated from our terminals and partially offset by the higher variable cost incurred, including transportation costs, fuel and oils, as result of the higher throughput volume for the current year.

Administrative expenses, net

For the year ended 31 December 2018, our administrative expenses increased by approximately RMB4.9 million or 73.0% which was primarily due to net effect of (i) increase in administrative staff costs and legal and professional fees of approximately RMB3.1 million and RMB0.8 million, respectively, and (ii) increase in the rental expenses of RMB0.4 million. The increase in administrative staff costs was mainly due to the growth of our business during the year. The increase in legal and professional fees was mainly due to the legal fee incurred in relation to Litigation Cases as defined in the Prospectus and regular professional services fees incurred after Listing.

Income tax expenses

For the year ended 31 December 2018, the Group's income tax expense amounted to approximately RMB7.8 million (2017: RMB4.1 million), representing an increase of RMB3.7 million or approximately 89.6% as compared to last year. The increase was mainly due to the increase in Group's profits before income tax. For the year ended 31 December 2018, the effective tax rate is approximately 23.4% (2017: 80.0%) which was mainly due to the incurred non-deductible expenses such as listing expenses of approximately RMB3.9 million (2017: RMB10.8 million). Should the listing expenses of approximately RMB3.9 million (2017: RMB10.8 million) incurred in 2018 be taken into account, the effective tax rate would have been approximately 21.0% (2017: 25.7%). Our effective tax rate was lower than that of the PRC EIT standard rate of 25% mainly because of the impact of 50% reduction for three years for Chizhou Niutoushan on PRC EIT from 2016 to 2018.

Profit for the year

As a result of the foregoing, we recorded profit for the year of approximately RMB25.4 million (2017: RMB1.0 million). Our net profit margin was approximately 26.9% (2017: 1.6%). Had the listing expenses been excluded, our net profit margin for the year would have been approximately 31.0% (2017: 18.6%).

Property, plant and equipment

As at 31 December 2018, net carrying amount property, plant and equipment amounted to approximately RMB314.5 million (31 December 2017: RMB243.7 million). It mainly represented (i) terminal facilities of approximately RMB184.5 million (31 December 2017: RMB188.8 million); (ii) port machinery and equipment of approximately RMB27.2 million (31 December 2017: RMB29.4 million) and (iii) construction-in-progress of approximately RMB81.2 million (31 December 2017: RMB3.7 million). The increase of the balance was mainly due to the net effect of (i) addition of property, plant and equipment of approximately RMB7.4 million; (ii) increase in construction-in-progress of approximately RMB80.0 million and (ii) deprecation charges of RMB16.1 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. The new phase of Jiangkou Terminal is expected to commence trial operation in the second half of 2019.

Financing and credit facilities

As at 31 December 2018, the Group's total outstanding bank borrowings amounted to RMB40.0 million (31 December 2017: RMB37.0 million) and cash balances amounted to approximately RMB65.3 million (31 December 2017: RMB10.5 million). Banking facilities available but unused facilities amounted to approximately RMB12.0 million (31 December 2017: RMB12.0 million).

DIVIDEND

The Board does not recommend the payment of dividend for the year (2017: 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 2018:

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)	Commencement of construction works involving (a) construction of terminal infrastructure primarily including two berths with an aggregate annual estimated maximum throughput capacity of 4.6 million tonnes; (b) construction of roads, stacking yards and storage facilities with a total area of approximately 58,500 sq.m. for bulk cargo and other cargos to meet the anticipated increase in demand for port logistic services and (iii) installation of utilities and drainage facilities.	The Group has completed the mentioned construction works
	(2)	Commencement of the construction of environmental protection facilities primarily including a green zone to separate the Jiangkou Terminal from the neighbouring properties in order to minimise the environmental impact of our operations.	The Group has completed certain environmental protection measures, such as, sewage collection and spraying. The Group has commenced the construction of green zone.
	(3)	Purchasing additional machineries and equipment necessary for the operation of the new phase of the Jiangkou Terminal, including floating barges, conveyor belts and portal cranes.	The Group has purchased and installed floating barges, conveyor belts and portal cranes.

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 dated 27 June 2018. 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.

	*Adjusted use of net proceeds HK$'million	Actual use of net proceeds up to 31 December 2018 HK$'million
Constructing and developing a new phase of the Jiangkou Terminal	49.9	**49.9**

* The planned use of net proceeds has been adjusted based on the actual total net proceeds of HK$49.9 million.

BUSINESS UPDATE

Reference is made to the paragraph headed "Recent Development" under the "Summary and Highlights" section of the Prospectus, pursuant to which it was disclosed that on 4 December 2017, 池州港遠航控股有限公司 (for transliteration purpose only, Chizhou Port Ocean Line Holdings Limited) ("**Chizhou Port Holdings**") has entered into a non-legally binding memorandum of understanding ("**MOU**") with another independent third party for a possible disposal of its entire interest in 池州市貴池港埠有限責任公司 (for transliteration purpose only, Chizhou Guichi Port Limited) ("**Chizhou Guichi**"). It was also disclosed that the parties to the MOU will further discuss and negotiate the terms of the formal sale and purchase agreement. As at the date of this report, the MOU was lapsed and no formal sale and purchase agreement was entered into for the disposal of Chizhou Guichi due to the local government in PRC that has been conducting 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 Chizhou Guichi. The compensation plan is to be finalised and executed. It is furnishing with the final approval from the local government in PRC.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR AND CHAIRMAN

KWAI Sze Hoi (桂四海), aged 68, is the chairman of our Board and an executive director of the Company. He was appointed as a director on 30 October 2017 and was re-designated as an executive Director on 1 June 2018.

As one of our founders and a member of controlling shareholders of the Company, he is mainly responsible for the overall management and development of the Group as well as the formulation and implementation of our business strategies. Mr. Kwai has over 40 years of experience in international shipping and port operation business. In the early 1990s, Mr. Kwai established Ocean Line Holdings Limited ("**Ocean Line Holdings**") in Hong Kong and has been serving as the Chairman of the Board and the chief executive officer since then. After nearly three decades of development, Ocean Line Holdings has become a diversified, sizable and integrated enterprise which primarily engages in international shipping business with port, logistic and mining as its ancillary businesses and financial investment as its supporting business. Currently, Ocean Line Holdings wholly-owns, operates and manages a fleet of seagoing vessels with a total deadweight tonnage of more than 3.5 million tonnes.

He also invests in and operates bulk cargo (such as ores) terminal business in Tianjin Port through joint ventures established by Ocean Line Holdings and Tianjin Port Development Holdings Limited.

In 2007, Mr. Kwai established Ocean Line Chizhou and is responsible for the formulation and development of business strategies. He has also served as the chairman of the board as well as a non-executive director of Brockman Mining Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0159) and the Australian Securities Exchange (stock code: BCK) since 2012.

Mr. Kwai graduated from Anhui University with a Bachelor degree in Foreign Language Studies in English in 1975. Mr. Kwai is the husband of Ms. Cheung Wai Fung.

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

HUANG Xueliang (黃學良), aged 56, is our executive Director and chief executive officer. He was appointed as a Director on 7 December 2017 and re-designated as an executive Director on 1 June 2018. He is responsible for the overall management and supervision of the operation of our PRC operating subsidiaries.

Mr. Huang has over nine years of experience in the port logistic services industry in Chizhou City, Anhui Province. Mr. Huang joined our Group in June 2008. Since June 2008, Mr. Huang has also served as the Assistant President of Ocean Line Holdings and has become the Vice President of Ocean Line Holdings since February 2019. Since June 2008, Mr. Huang has acted as the managing director of Ocean Line Group Chizhou Company Limited (遠航集團池州有限公司) (formerly known as Anhui Ocean Line Port Development Limited (安徽遠航港口發展有限公司)), an investment holding company which primarily held 33.325% equity interest in Chizhou Ocean Line Niutoushan Limited ("**Chizhou Niutoushan**") and 100% equity interest in Chizhou Qianjiang Chemical Port Terminal Limited ("**Chizhou Qianjiang**") prior to Reorganisation as defined in the Prospectus and invests in non-port related securities listed in the PRC and has been responsible for overseeing its investments in Chizhou Niutoushan and Chizhou Qianjiang.

Mr. Huang obtained a Professional diploma in Economic Management from Anhui Institute of Finance and Trade in 1994. He further obtained a Professional diploma in Business Administration from Anhui University in 1998 and a Professional diploma in World Economics from Fudan University in 2002. Mr. Huang has extensive experience in corporate management. Prior to joining our Group, he worked at various companies in the PRC in tourism, asset management, chemical engineering and garment industries at management level. Mr. Huang is currently a member of the Chizhou City People's Congress Standing Committee.

Mr. Huang has, on numerous occasions, received awards from port logistic industry organisations and governmental authorities after joining our Group. For instance, in 2017, Mr. Huang was awarded as one of the Top Ten Most Outstanding People in Yangtze River Shipping Industry (長航傑出人物) by Changjiang River Administration of Navigational Affairs (長江航務管理局).

NON-EXECUTIVE DIRECTOR

CHEUNG Wai Fung (張惠峰), aged 66, is one of our founders and a member of a group of Controlling Shareholders as defined in the Prospectus and a non-executive Director. She was appointed as a Director on 7 December 2017 and re-designated as a non-executive Director on 1 June 2018. Ms. Cheung is primarily responsible for providing advice to the Board on business strategy of our Group.

Ms. Cheung founded Ocean Line Holdings together with Mr. Kwai Sze Hoi in 1994 and was appointed as a director responsible for overseeing finance and human resources. In addition, Ms. Cheung has over 12 years of experience in hotel management industry. Since 2005, Ms. Cheung was appointed as the chairman of Anhui Jinjiuhua International Hotel Company Limited (安徽金九華國際大酒店有限公司), a PRC company conducting hotel businesses in Anhui Province, the PRC and she is responsible for the design and construction of the hotel as well as overseeing the management decisions of the company.

Ms. Cheung obtained a bachelor's degree in Chinese Medicine from the Guangzhou University of Chinese Medicine in 1978.

Ms. Cheung is the spouse of Mr. Kwai Sze Hoi.

INDEPENDENT NON-EXECUTIVE DIRECTOR

NIE Rui (聶睿), aged 42, was appointed as independent non-executive Director on 1 June 2018. He is the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Nie is responsible for supervising and providing independent judgement to our Board, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Nie has over 17 years of experience in investment banking and corporate finance. Between July 2000 and December 2001, Mr. Nie worked as an investment banking analyst at Morgan Stanley. From January 2002 to May 2005, Mr. Nie worked at the Deutsche Bank Group and his last position held with the Deutsche Bank Group was an investment banking associate. In June 2005, he joined HSBC and his last position held with HSBC was the Managing Director and Head of China Equity Capital Markets. Since September 2015, Mr. Nie joined Rainbow Capital Management Limited, where he is currently serving as the Chief Executive Officer.

Mr. Nie obtained a Bachelor of Arts in Philosophy, Politics and Economics from Oxford University in 2000.

WONG Chin Hung (黃展鴻), aged 40, was appointed as independent non-executive Director on 1 June 2018. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Wong is responsible for supervising and providing independent judgement to our Board, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Wong has over 17 years of experience in providing assurance and advisory services. Between September 2000 and June 2017, Mr. Wong worked at Ernst & Young and his last held position was audit partner where he led and co-ordinated initial public offerings, spinoff and mergers and acquisitions projects. In August 2017, Mr. Wong established Gunners Limited (鴻逸香港有限公司), a consultancy firm and is currently acting as a Director. Since February 2018, he has been appointed as the Chief Financial Officer and the Company Secretary of Yuzhou Properties Company Limited (Stock Code: 01628), the Shares of which are listed on the Main Board of the Stock Exchange.

Mr. Wong obtained a Bachelor degree (Honours) in Business Administration in Accountancy with Finance as minor, from the City University of Hong Kong in 2000. He has been a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants since January 2007 and July 2004 respectively.

LI Weidong (李偉東), aged 50, was appointed as independent non-executive Director on 1 June 2018. Dr. Li was admitted as a PRC lawyer in September 1993. Dr. Li also practices as a foreign lawyer in Hong Kong since May 2014. Dr. Li is the Chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee. Dr. Li is responsible for supervising and providing independent judgement to our Board, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Dr. Li has over 25 years of experience in the legal industry. He joined Nanjing Zhongshan Law Firm as an associate in September 1992. From February 1994 to April 1997, he worked as an associate at Jiangsu Jingwei Law Firm. He became a partner of Guangdong Haipei Law Firm in November 2003 and has served as a managing partner of the firm since July 2013.

Dr. Li graduated from Nanjing University with a Bachelor of Science degree in Geochemistry in 1990, before completing his Bachelor of Law degree at the same university in 1992. He further obtained a Doctor of Philosophy with the City University of Hong Kong in July 2004. Dr. Li has been acting as an independent director of following companies: (i) Shenzhen MYS Environmental Protection & Technology Company Limited (深圳市美盈森環保科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002303.SZ) since September 2013; (ii) Avic Sanxin Co., Ltd (中航三鑫股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002163.SZ) since June 2018; (iii) Shenzhen Liantronic Co., Ltd (聯建光電股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300269.SZ) since September 2018 and (iv) China Traditional Chinese Medicine Holdings Co. Limited (中國中藥控股有限公司), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00570) since February 2019. Dr. Li also served as an independent director of Netac Technology Company Limited, a company listed on the Shenzhen Stock Exchange (stock code: 300042.SZ) from February 2014 to February 2017.

SENIOR MANAGEMENT

Ms. LAW Kit Yu (羅潔茹), aged 37, joined our Group on 31 May 2017 and is our financial controller and company secretary. She is primarily responsible for financial reporting, financial planning, treasury and financial control and corporate secretaries practices and procedures of our Group.

Ms. Law has over 13 years of experience in providing accounting and auditing services. She worked in Ernst & Young from January 2005 to May 2017 with her last position as a senior manager. She has extensive experience in participating in various audited assignments for both Hong Kong listed companies and multi-national companies.

Ms. Law obtained a Bachelor of Arts (Honours) in Accountancy from The Hong Kong Polytechnic University in 2003. She has been a member of The Association of Chartered Certified Accountants since 2007 and has been a member of the Hong Kong Institute of Certified Public Accountants since 2008. Ms. Law became a Fellow of The Association of Chartered Certified Accountants in 2012.

Mr. GUI Siqing (桂四清), aged 54, is the deputy general manager of Chizhou Port Ocean Line Holdings Limited ("**Chizhou Port Holdings**"). He has over 30 years of experience in accounting and financial management. He also has nine years of experience in the port logistic services industry. Mr. Gui joined our Group on 3 June 2016 and is responsible for overseeing the day-to-day port operation and financial reporting of Chizhou Port Holdings. Prior to joining our Group, Mr. Gui worked at the Accounting Department of Anqing Department Store Company (安慶百貨公司) from July 1984 to December 2007 with his last position as a deputy manager, where he was responsible for overseeing the company's financial and accounting operations. From December 2007 to December 2016, he worked in the financial department of Anqing Port Ocean Line Holdings Limited with his last position as general manager, where he was responsible for managing the company's management accounts and budgeting.

Mr. Gui obtained a Professional diploma in Financial Accounting from Anhui College of Finance and Commerce in July 1991.

DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 30 October 2017. In preparing for the listing of the Company's shares on the GEM, the Company became the holding company of the companies comprising the Group underwent the corporate reorganisation (the "**Reorganisation**") upon the completion of the Reorganisation on 1 June 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on page 43 of this annual report.

The Directors did not recommend the payment of a final dividend for the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 May 2019 (Thursday) to 28 May 2019 (Tuesday) (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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 22 May 2019 (Wednesday).

BUSINESS REVIEW AND PERFORMANCE

A fair review of the Group's business, a discussion and analysis of the Group's performance during the year and an analysis of the likely future development of the Group's business are set out in the Management Discussion and Analysis from pages 6 to 13. Description of the principal risks and uncertainties facing the Group are set out in the Corporate Governance Report from pages 27 to 37 of this annual report and note 36 to the consolidated financial statements.

There is no important event affecting the Group that had occurred since the end of the year up to the date of this report. In addition, discussion on the key relationships with the Company's key stakeholders, the Group's environmental policies and performance as well as compliance with relevant laws and regulations which have a significant impact on the Group are set out in the Environmental, Social and Governance Report to be published in due course.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws/articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on from page 46 to 47 and note 31 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2018, the Company had the aggregate amount of reserves of approximately RMB11,134,000 available for distribution to the shareholders of the Company ("**Shareholders**") (2017: Nil).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 128 of this annual report.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed in note 38 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the revenue attributable from the Group's five largest customers accounted for approximately 28.4% (2017: 34.9%) of the Group's total revenue for the year and the revenue attributable from to the Group's largest customer amounted to approximately 7.4% (2017: 12.3%). Purchases from the Group's five largest suppliers accounted for approximately 66.3% (2017: 59.7%) to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 45.3% (2017: 31.2%).

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issue share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and five largest suppliers.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors:

Mr. Kwai Sze Hoi *(Chairman)*
Mr. Huang Xueliang

Non-executive Director:

Ms. Cheung Wai Fung

Independent Non-executive Directors:

Mr. Nie Rui *(appointed on 1 June 2018)*
Mr. Wong Chin Hung *(appointed on 1 June 2018)*
Dr. Li Weidong *(appointed on 1 June 2018)*

Biographical details of the Directors and senior management as at the date of this report are set out from pages 14 to 17 of this annual report. Details of Directors' remuneration are set out in note 10 to the consolidated financial statements.

In accordance with the Company's Articles of Association, all Directors will retire by rotation at the 2018 Annual General Meeting ("**AGM**") and, being eligible, will offer themselves for re-election thereat. Each of Mr. Kwai Sze Hoi and Mr. Huang Xueliang, the executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from the listing date of the Company, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. The non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material respects. The non-executive Director and each of the independent non-executive Directors is appointed with an initial term of three years commencing from the listing date of the Company subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Save as aforesaid, none of our Directors has or is proposed to have a service contract with the Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

DIRECTORS' SERVICE CONTRACTS

No contracts, other than the service agreement, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the year.

PERMITTED INDEMNITY PROVISIONS

During the year and up to the date of this report, the Company has in force permitted indemnity provisions which are provided for in the Company's Articles of Association and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors and the directors of the Group respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, will be as follows:

(A) Long position interests in the Ordinary shares of the Company (the "Shares")

Name of Director	Capacity/Nature of interests	Number of issued ordinary shares held	Percentage of the Company's share capital
Kwai Sze Hoi	Interest of a controlled corporation *(Note 2)*	600,000,000 (L)	75%
Cheung Wai Fung *(Note 3)*	Interest of a controlled corporation *(Note 2)*	600,000,000 (L)	75%

Notes:

1. The letter ''L" denotes to the long position in the Shares.

2. Vital Force Developments Limited ("**Vital Force**") is legally and beneficially owned as to 60% by Kwai Sze Hoi and 40% by Cheung Wai Fung. Kwai Sze Hoi and Cheung Wai Fung are deemed to be interested in all the Shares held by Vital Force under Part XV of the SFO.

3. Cheung Wai Fung is the spouse of Kwai Sze Hoi.

(B) Long position interests in ordinary shares of associated Corporation

Name of associated corporation	Name of Director	Capacity/Nature of interests	Number of issued ordinary shares held	Percentage of the Company's share capital
Vital Force	Kwai Sze Hoi	Beneficial owner *(Note 2)*	12 (L)	60%
Vital Force	Cheung Wai Fung *(Note 3)*	Beneficial owner *(Note 2)*	8 (L)	40%

Notes:

1. The letter "L" denotes to the long position in the Shares.

2. Vital Force is legally and beneficially owned as to 60% by Kwai Sze Hoi and 40% by Cheung Wai Fung. Kwai Sze Hoi and Cheung Wai Fung are deemed to be interested in all the Shares held by Vital Force under Part XV of the SFO.

3. Cheung Wai Fung is the spouse of Kwai Sze Hoi.

Save as disclosed above, as at 31 December 2018, none of the Directors nor chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The Company has adopted a share option scheme ("**Share Option Scheme**") on 10 July 2018 to provide incentive or rewards to participants including the Directors and eligible employees of the Group. Particulars of the Share Option Scheme are set out in note 38 to the consolidated financial statements. No share options were granted under the Share Option Scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options as stated above, at the end of the year and at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2018, none of the Directors nor their respective close associates was interested in any business which was considered to compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to The Rules Governing the Listing of Securities on GEM on the Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**").

SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as is known to any Director or chief executives of the Company, the persons or corporations (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have an interest and short position in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO ("**DI Register**") or as otherwise notified to the Company were as follows:

Long position in the Shares

Name	Capacity/Nature of interests	Number of issued ordinary shares held	Percentage of the Company's share capital
Vital Force	Beneficial owner *(Note 2)*	600,000,000 (L)	75%

Notes:

1. The letter "L" denotes to the long position in the Shares.

2. Vital Force is legally and beneficially owned as to 60% by Kwai Sze Hoi and 40% by Cheung Wai Fung. Kwai Sze Hoi and Cheung Wai Fung are deemed to be interested in all the Shares held by Vital Force under Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND CONNECTED TRANSACTIONS

Continuing connected transaction

During the year, the Group had the following transaction with connected person (as defined in the GEM Listing Rules) of the Company:

Tenancy Agreement

Name of counterparty	Location	(i) Date of agreement (ii) Term (D/M/Y)	Amount of the year HK$'000
Ocean Longevity Company Limited ("**Ocean Longevity**")	Room 2715–16, 27/F., Hong Kong Plaza 188 Connaught Road West, Hong Kong	(i) 27/11/2017 (ii) 1/1/2018 – 31/12/2020	480

As the total amount payable under the above tenancy agreement (including the estimated utilities and telephone charges) by Ocean Line Port Development (Hong Kong) Limited to Ocean Longevity for each of the three financial years ending 31 December 2020 would be approximately HK$500,000, which is less than HK$3,000,000 per annum and the percentage ratios (other than the profits ratio) mentioned in Rule 19.07 of the GEM Listing Rules are less than 5%, the total annual rent (including the estimated utilities and telephone charges) payable under the above tenancy agreement would fall below the de minimis threshold under Rule 20.74(1)(c) of the GEM Listing Rules and thus would not be subject to any reporting, announcement or independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Related party transactions

Save for the exempt continuing connected transaction disclosed above, the Group also entered into certain related party transactions during the year which are contained in note 34 to the consolidated financial statements.

Save as disclosed above, there was no transaction, arrangement or contract which is significant in relation to the business of the Company to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

REMUNERATION POLICY

A written remuneration policy (which ensures a clear link to business strategy and a close alignment with the Shareholders' interest and current market best practice) is in place and the remunerations of Executive Directors will take into account the Group's operating results, individual performance and comparable market statistics. The INEDs are paid fees in line with market practice. No individual should determine his or her own remuneration.

Employee's remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Remuneration package includes, as the case may be, basic salary, Directors' fee, contribution to pension schemes, discretionary bonus relating to financial performance of the Group and individual performance, and other competitive fringe benefits such as medical and life insurances. Details of the remunerations of the Directors and the five highest paid employees of the Group are set out in note 10 to the consolidated financial statements.

DIVIDEND POLICY

We do not have a fixed dividend policy. The form, frequency and amount of future dividends on the shares will be at the discretion of the Board and will depend on factors such as our results of operations, cash flows, financial conditions, future prospects and regulatory restrictions on the payment of dividends by us or our operating subsidiaries. There can be no assurance that any dividends will be paid.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has complied with the relevant laws and regulations. For the year ended 31 December 2018, there was no incident of non-compliance with relevant laws and regulations which have a significant impact on the Group.

CORPORATE GOVERNANCE IN RESPECT OF NON-COMPETITION DEED

Pursuant to a deed of non-competition undertaking dated 1 June 2018 ("**Deed**") provided by Vital Force Developments Limited, Mr. Kwai Sze Hoi and Ms. Cheung Wai Fung ("**Covenantors**") in favour of the Company, the Covenantors had given undertakings to the Company not to carry on, or be interested or involved or engaged in or acquire or hold any rights or interest, whether directly or indirectly, in any of the Restricted Business (as defined in the Deed).

1. Covenantors had confirmed that they had fully complied with the undertakings in the Deed and that the Company had not received nor was aware of any New Business Opportunities (as defined in the Deed) that required the Covenantors to offer to the Company by the Deed; and

2. the INEDs had made an annual review on the compliance of the terms of the Deed by the Covenantors and the enforcement of the non-competition undertakings in the Deed and formed the view that the Covenantors had fully complied with the undertakings in the Deed.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Group has appointed Alliance Capital Partners Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the compliance adviser agreement entered into between the Company and our compliance adviser dated on 15 December 2017, neither our compliance advisor nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in note 4.14 to the consolidated financial statements.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report from pages 27 to 37 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, there was sufficient public float of at least 25% of the Company's issued Shares as required under the GEM Listing Rules.

AUDITORS

BDO Limited will retire at the forthcoming AGM and a resolution for their reappointment as auditors of the Company will be proposed thereat.

On behalf of the Board

Kwai Sze Hoi
Chairman
Hong Kong
18 March 2019

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is presented for the period from 10 July 2018 (the "**Listing Date**"), being the date the shares of the Company commenced trading on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to 31 December 2018 (the "**Relevant Period**"). 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 Relevant Period. During the Relevant Period, 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.

THE BOARD

Board Composition

As at 31 December 2018, the Board comprised six Directors, with two Executive Directors, one Non-Executive Director and three INEDs who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The biographies of the Directors are set out on pages 14 to 17 of this annual report under the "Biographies of Directors and Senior Management" section. The Board includes at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during the Relevant Period.

Chairman and Chief Executive Officer

Code provision A.2.1 requires that the roles of the chairman and chief executive officer should be separate and not be performed by the same individual. Mr. Kwai Sze Hoi has been appointed as the Chairman of the Board who provides the Board with strong and consistent leadership. With the support of the company secretary of the Company ("**Company Secretary**"), he ensures that all Directors receive, in a timely manner, adequate information and are properly briefed on issues arising at the board meetings. He is responsible for ensuring that the Board works effectively.

Mr. Huang Xueliang is the Chief Executive Officer of the Group who is responsible for the Group's strategic planning, business growth and development as well as overseeing different functions. The Board considers that the current segregation of duties make the Board and the operation of the Group function effectively.

Non-executive Directors

The INEDs are all professionals with valuable experience and expertise in legal, accounting or auditing in business areas who contribute impartial view and make independent judgment on issues to be discussed at Board meetings. Each of them has been appointed for an initial term of three years commencing from 10 July 2018. The terms of the INEDs are subject to retirement by rotation and re-election provision under the Articles of Association of the Company.

The Company had received confirmation of independence from each of the INEDs. The Board considered each of them to be independent by reference to the factors as set out in Rule 5.09 of the GEM Listing Rules. The INEDs had been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

The Non-Executive Director has been appointed for an initial term of three years commencing from 10 July 2018. The term of the Non-Executive Director is also subject to retirement by rotation and re-election provision under the Articles of Association of the Company.

Roles and Responsibilities of the Board

The Company is headed by the Board which is responsible for the leadership, control and promotion of the success of the Group in the interests of the Shareholders by directing and supervising its affairs and by formulating strategic directions and monitoring the financial and management performance of the Group.

Delegation to the Management

The management is led by the Executive Committee of the Company (which comprises all the Executive Directors of the Board) and has delegated powers and authorities to carry out the day-to-day management and operation of the Group, formulate business policies and make decision on key business issues. The Executive Committee shall have all powers and authorities of the Board except the following matters as set out in a formal schedule of matters specifically reserved by the Board:

- Publication of final, interim and quarterly results of the Company
- Dividend distribution or other distributions
- Major issues of treasury policy, accounting policy and remuneration policy
- Changes to group corporate structure or Board composition requiring notification by announcements
- Publication of the announcement for notifiable transactions and non-exempted connected transaction/continuing connected transactions
- Non-exempted connected transactions/continuing connected transactions
- Notifiable transactions requiring Shareholders' approval
- Capital restructuring and issue of new securities of the Company
- Financial assistance to Directors

Board diversity policy

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness.

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board shall be independent non-executive Directors; and

2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives in the board diversity policy.

Induction, Support and Professional Development of Directors

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments of the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses in order to assist them to perform their duties to the Company.

The Directors confirmed that they had complied with the Code Provision A.6.5 of the Code on Directors' training. During the Relevant Period, each Director had participated in continuous professional development by attending seminars/workshops/reading materials on the following topics to develop and refresh their knowledge and skills and has provided a record of training to the Company.

Name of Directors	Topics of training covered for all Directors
Mr. Kwai Sze Hoi	(1) corporate governance
Mr. Huang Xueliang	(2) finance
Ms. Cheung Wai Fung	(3) industry specific
Mr. Nie Rui	(4) regulatory
Mr. Wong Chin Hung	
Dr. Li Weidong	

Relationship between the Board Members

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relations) among each other.

Directors' insurance

The Company has arranged appropriate insurance cover in respect of any legal action against the Directors in compliance with the requirements under the CG Code.

Directors' Attendance

The attendance of Directors at the meetings during the Relevant Period:

Name of Directors	No. of meeting attended/held Board	Audit Committee
Executive Directors		
Kwai Sze Hoi	2/2	N/A
Huang Xueliang	2/2	N/A
Non-executive Director		
Cheung Wai Fung	1/2	N/A
Independent Non-executive Directors		
Nie Rui	2/2	2/2
Wong Chin Hung	2/2	2/2
Li Weidong	2/2	2/2
Total number of meetings held:	2	2

Upon reviewing (a) the confirmation of the time commitment given by each Director; (b) the directorships and major commitments of each Director; and (c) the attendance rate of each Director on the meeting(s), the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the Relevant Period.

Board Meetings and Proceedings

Regular Board meetings will be held at approximately quarterly intervals. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team for ensuring that the Board procedures as well as all applicable rules and regulations are followed.

With the assistance of the Company Secretary, the meeting agenda is set by the Chairman of the Board in consultation with other Board members. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board meeting. Relevant meeting materials together with all appropriate, complete and reliable information are generally sent to all Directors and relevant committee members at least 3 days before each meeting to enable them to make informed decisions.

Minutes of Board meetings and Board committee meetings are drafted by the secretary of the meetings and recorded in sufficient details the matters considered and decisions reached, with draft and final versions being circulated to the Directors for their comment and records respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time with reasonable notice by any Director.

If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. That Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates has a material interest and he/she shall not be counted in the quorum present at the Board meeting. INEDs who, and whose close associates, have no material interest in the transaction are present at that Board meeting.

Board Committees

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee and Nomination Committee.

The majority of the members of the Audit Committee, Remuneration Committee and Nomination Committee are INEDs. Clear written terms of reference of all the Board Committees are given to the respective members of these Committees. Details of the Board Committees are set out below:

1. **Audit Committee** *(set up on 1 June 2018)*

   The Audit Committee consists of three INEDs, namely Mr. Wong Chin Hung (*Chairperson of the Committee*), Mr. Nie Rui and Dr. Li Weidong.

   The specific written terms of reference of the Audit Committee is available on the websites of the Stock Exchange and the Company. 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 held two meetings during the Relevant Period for, inter alia, reviewing the Group's interim results, the third quarterly results, the financial reporting and compliance procedures, the effectiveness of the risk management and internal control systems and discussing with the auditors about the audit plan.

2. **Remuneration Committee** *(set up on 1 June 2018)*

   The Remuneration Committee consists of three members, namely Mr. Nie Rui (*Chairman of the Committee*), Mr. Wong Chin Hung and Dr. Li Weidong.

   The specific written terms of reference of the Remuneration Committee is available on the websites of the Stock Exchange and the Company. The Remuneration Committee is primarily responsible for making recommendation to the Board on (a) the Company's policy and structure of the remuneration of Directors and senior management; (b) the remuneration of INEDs; and (c) the specific remuneration packages of individual Executive Directors and senior management. Details of the remuneration of each of the Directors for the year are set out in note 10 to the consolidated financial statements. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Directors and senior management. No Remuneration Committee meeting was held during the Relevant Period as the Company was newly listed on the Stock Exchange on 10 July 2018.

3. **Nomination Committee** *(set up on 1 June 2018)*

The Nomination Committee consists of three members, namely Dr. Li Weidong (*Chairman of the Committee*), Mr. Nie Rui and Mr. Wong Chin Hung.

The specific written terms of reference of the Nomination Committee is available on the websites of the Stock Exchange and the Company. The Nomination Committee is primarily responsible for (a) reviewing the structure, size and diversity of the Board; (b) reviewing the Board Diversity Policy; (c) determining the policy for the nomination of Directors and identifying potential candidates for directorship; (d) making recommendations to the Board on the appointment, re-appointment, re-election or re-designation of Directors and succession planning for Directors; (e) assessing the independence of INEDs; and (f) reviewing the time commitment of each Director. When selecting and recommending candidates for directorship during the year, the Nomination Committee considered the candidates based on merit having regard to the experience, skills and expertise as well as the overall board diversity and made recommendations to the Board as appropriate for its consideration. No Nomination Committee meeting was held during the Relevant Period as the Company was newly listed on the Stock Exchange on 10 July 2018.

As adopted by the Board, the Board Diversity Policy aims to achieve diversity on the Board in the broadest sense in order to have a balance of skills, experience and diversity of perspectives to the business nature of the Company. Selection of candidates on the Board is based on a range of diversity perspectives, including gender, age, cultural and educational background, ethnicity, professional qualification and experience, skill, knowledge and length of service. The Nomination Committee will also assess the merits and contribution of any Director proposed for re-election or any candidate nominated to be appointed as Director against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the Company's corporate strategy.

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 Relevant Period, they had fully complied with the required standard of dealings and there was no event of non-compliance.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibilities to prepare the consolidated financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and ensured the consolidated financial statements are prepared on a "going concern" basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor's Report.

The management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Group's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the design, implementation, monitor and review of the Group's internal control system including the internal control and risk management for the Company to ensure their effectiveness and efficiency. The objective of internal control is to safeguard the Company's assets and ensure its accounting records are properly maintained, so that all the financial information is accurate and reliable. The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving the objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. All employees are committed to continually enhancing the risk management measures to ensure that these measures work in line with the growth of our business strategies and integrated into day-to-day operation of the business. The Board shall at least annually review its risk management and internal control system.

Internal Controls

The Group has maintained internal control policies to provide sufficient guidelines for the management staff and employees of the Company to work efficiently under a standardised work procedure. The internal control policies cover various operating processes from risk assessment, financial reporting, cost management and staff recruitment. The internal control system is generally overseen by the executive Directors and senior management and is reviewed at least once a year. During the Relevant Period, the Group engaged an independent internal control consultant to perform the review on internal control of the Group, including financial, operational and compliance controls and risk management functions. The Board concluded that the Group has maintained effective internal control measures to ensure that the operations of the Group would be in full compliance with the CG Code and the applicable laws and regulations. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets and the internal control systems would be reviewed annually.

Risk Management

In the course of conducting the business of the Group, the Company is exposed to various types of risks, including business risks, financial risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group and the risk management system is reviewed at least once a year. At operational level, a risk management team is in place to carry out risk identification and monitoring procedures. The risk management team consists of the operation staff, the company secretary and Mr. Kwai Sze Hoi. The objectives of the risk management process are to ensure that the operations of the Group would be in full compliance with the CG Code and the applicable laws and regulations enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses. The risk management process of the Group would involve, among others, (i) risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) review of the implementation of the risk management plans and fine tune when necessary. During the Relevant Period, the risk management process of the Group has been reviewed, and the Board considered that process was effective and adequate for the Relevant Period.

Procedures and Internal Controls for Handling and Dissemination of Inside Information

In handing and dissemination of inside information, the Group:

(i) will conduct immediate dissemination once inside information is available and/or respective decision is made, except the inside information falling into the Safe Harbours of Securities and Futures Commission that allow non-disclosure;

(ii) complies with applicable laws, rules and guidelines on disclosure of inside information issued by Securities and Futures Commission;

(iii) decides and implements monitoring procedures regarding dissemination of inside information; and

(iv) communicates with relevant persons about corporate information disclosure practices with respective training.

COMMUNICATION WITH SHAREHOLDERS

The Company had established a shareholders' communication policy and the Board reviews it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways: (i) the holding of annual general meetings ("**AGM**") and extraordinary general meetings, if any, which may be convened for specific purposes which provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports, quarterly reports and/or circulars as required under the Listing Rules and press releases providing updated information of the Group; and (iii) the availability of latest information of the Group in the Company's website at http://www.oceanlineport.com.

There is regular dialogue with institutional Shareholders and general presentations are made when financial results are announced. Shareholders and investors are welcome to visit the Company's website to raise enquiries. The contact details are available on the Company's website.

Separate resolutions will be proposed at the general meetings for substantial separate issues, including re-election of retiring Directors. The Company's notice to the Shareholders for the AGM will be sent to Shareholders at least 20 clear business days before the meeting and notices of all other general meetings will be sent to the Shareholders at least 10 clear business days before the meetings.

The forthcoming AGM will be held on 28 May 2019 which will be conducted by way of poll. The Chairman of the AGM and the chairman/members of the Board Committees will be available at the AGM to answer questions from the Shareholders. With the assistance of the Company Secretary, the Chairman of the meeting will explain the procedures for conducting a poll during the meeting.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the CG Code.

Convening an Extraordinary General Meeting/Right to call Extraordinary General Meeting

Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings may send a request to the Company pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**CO**"). The request must state the general nature of the business to be dealt with at the meeting, and may include the text of resolution that may properly be moved and is intended to be moved at the meeting. Requests may consist of several documents in like form. A request may be sent to the Company for the attention of the Company Secretary in hard copy form or in electronic form and must be authenticated by the relevant Shareholder(s). Such request will be verified with the Company's share registrar and the Company Secretary will request the Board to convene a general meeting within 21 days upon its confirmation that the request is in order. Such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting and such notice must include notice of the resolution.

Section 568 of the CO provides that if the Directors do not within 21 days as stated above to call a general meeting, the Shareholders representing more than one half of the total voting rights of all of them, may themselves call a general meeting, but the meeting so convened must be called for a date not more than 3 months after the Directors become subject to the requirement to call a meeting. The meeting must be called in the same matter, as nearly as possible, as that in which that meeting is required to be called by the Directors. The business that may be dealt with at the meeting includes a resolution to be dealt with at the meeting. All reasonable expenses incurred by the Shareholders of this purpose must be reimbursed by the Company.

Putting forward Proposals at General Meetings/Right to Circulate Resolution at AGM

Section 615 of the CO provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all Shareholders; or (ii) at least 50 Shareholders having a right to vote on the resolution at the AGM may request the Company to circulate a notice of a resolution may properly moved or is intended to be moved at that meeting. Such request must identify the resolution to be moved at the AGM, must be authenticated by the relevant Shareholder(s) and sent to the registered office of the Company for the attention of the Company Secretary in hard copy form or in electronic form not later than 6 weeks before the relevant AGM or if later, the time when the notice of AGM is despatched.

Proposing a Person for Election as a Director

The procedures for Shareholders to propose a person for election as a Director are available for viewing on the Company's website.

Enquires from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Secretaries Limited. Other Shareholders' enquiries can be directed to the Company Secretary of the Company whose contact details are shown on the Company's website.

CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the Relevant Period.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Audit Committee was of the view that the Company's auditor, Messrs. BDO Limited ("**BDO**") is independent and had recommended the Board to re-appoint it as the Company's auditor at the 2019 AGM. During the year, BDO has rendered audit services and certain non-audit services to the Group and the remuneration paid/payable to it by the Group is set out as follows:

Service rendered	Fees paid/payable (RMB'000)
Audit services:	
2018 annual audit	617
Non-audit services:	
Acting as reporting accountants in relation to the listing of the Company	818

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TO THE MEMBERS OF OCEAN LINE PORT DEVELOPMENT LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ocean Line Port Development Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 43 to 127, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Valuation of investment properties

Refer to note 4.5, 5(e) on the significant accounting policies and disclosure for the estimation of fair value of investment properties, and note 16 to the consolidated financial statements.

Management estimated the fair value of the Group's investment properties to be approximately RMB33,010,000 as at 31 December 2018, with a fair value gain of approximately RMB310,000 recorded in the consolidated statement of comprehensive income for the year then ended.

The fair value of the investment properties was arrived at on the basis of the valuation carried out by an independent qualified professional valuer. The valuations are dependent on valuation models used by management, certain key assumptions and estimations that require significant management judgement.

Our responses:

Our procedures in relation to this key audit matter included:

- Evaluating of the independent external valuer's competence, capabilities and objectivity;

- Evaluating the appropriateness of the valuation methodologies and the reasonableness of the key assumptions used in the valuation of the fair value of the investment properties; and

- Evaluating the reliability of the inputs used in the valuation.

Impairment assessment of trade receivables

Refer to note 4.9(A)(ii) and 5(c) on the significant accounting policies and disclosure for the impairment of trade receivables and note 19 to the consolidated financial statements.

The Group had trade receivables, net of provision for impairment loss, of approximately RMB2,350,000 as at 31 December 2018. Impairment loss on trade receivables of approximately RMB71,000 was recognised during the year. The conclusion was based on the assessments on the expected credit loss from the management, through a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. These assessments and estimations involved significant management judgement.

KEY AUDIT MATTERS (continued)

Impairment assessment of trade receivables (continued)

Our responses:

Our procedures in relation to this key audit matter included:

- Obtaining an understanding of how impairment is estimated by the management;
- Reviewing and testing the ageing analysis of the trade receivables, on a sample basis, to understand the settlement patterns of the customers; and
- Assessing the reasonableness of management's impairment assessment of trade receivables with reference to the economic environment, forward-looking factors and credit history including default in payments, settlement records, subsequent settlements and ageing analysis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092

Hong Kong
18 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	*7(a)*	94,344	63,638
Cost of services rendered		(49,936)	(40,511)
Gross profit		44,408	23,127
Other income and gains	*7(b)*	7,323	5,952
Change in fair value of investment properties	*16*	310	24
Selling and distribution expenses		(539)	(837)
Administrative expenses		(11,582)	(6,694)
Finance costs	*8*	(2,245)	(2,756)
Listing expenses		(3,870)	(10,799)
Other expenses		–	(2,223)
Share of loss of an associate		(667)	(676)
Profit before income tax	*9*	33,138	5,118
Income tax expense	*11*	(7,758)	(4,092)
Profit for the year		25,380	1,026
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value adjustment on leasehold land		–	373
Deferred tax on fair value adjustment of leasehold land		–	(93)
Other comprehensive income, net of tax		–	280
Total comprehensive income for the year, net of tax		25,380	1,306
Profit/(loss) for the year attributable to:			
Owners of the Company		17,765	(1,940)
Non-controlling interests		7,615	2,966
		25,380	1,026
Total comprehensive income for the year attributable to:			
Owners of the Company		17,765	(1,738)
Non-controlling interests		7,615	3,044
		25,380	1,306
		RMB cents	RMB cents
Earnings/(losses) per share attributable to owners of the Company			
Basic and diluted earnings/(losses) per share	*13*	2.55	(0.32)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**314,494**	243,739
Investment properties	*16*	**33,010**	29,300
Interests in an associate	*17*	**2,278**	2,945
Payments for leasehold land held for own use under operating leases	*15*	**54,362**	59,472
Deposits	*21*	**716**	514
Deferred tax assets	*11(b)*	**2,618**	3,044
		407,478	339,014
Current assets			
Inventories	*18*	**1,451**	689
Trade and bills receivables	*19*	**2,350**	13,172
Debt instruments at fair value through other comprehensive income	*20*	**5,129**	–
Deposits, prepayments and other receivables	*21*	**10,073**	5,918
Due from related companies/parties	*28(a)*	**–**	7,027
Short term investment	*22*	**–**	500
Restricted deposits	*23(b)*	**–**	412
Cash and cash equivalents	*23*	**65,276**	10,507
		84,279	38,225
Current liabilities			
Trade payables	*24*	**5,012**	3,168
Contract liabilities	*25*	**3,286**	–
Other payables, accruals and receipt in advance	*26*	**56,711**	28,574
Bank borrowings	*27*	**40,000**	8,000
Due to related companies	*28(a)*	**6**	6,657
Due to an associate	*28(b)*	**183**	183
Deferred government grant	*29*	**890**	890
Income tax payable		**3,142**	1,286
		109,230	48,758
Net current liabilities		**(24,951)**	(10,533)
Total assets less current liabilities		**382,527**	328,481

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Bank borrowings	*27*	–	29,000
Deferred government grant	*29*	35,204	36,094
Deferred tax liabilities	*11(b)*	683	823
		35,887	65,917
Net assets		346,640	262,564
EQUITY			
Share capital	*30*	6,758	–
Reserves	*31*	255,834	196,115
Equity attributable to owners of the Company		262,592	196,115
Non-controlling interests		84,048	66,449
Total equity		346,640	262,564

Kwai Sze Hoi
Director

Huang Xueliang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 30)	Share Premium RMB'000 (Note 31(a))	Special reserve RMB'000 (Note 31(b))	Statutory reserve RMB'000 (Note 31(c))	Other reserve RMB'000 (Note 31(d))	Assets revaluation reserve RMB'000 (Note 31(f))	Accumulated loss RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	–	–	2,870	29,310	172,860	174	(5,997)	199,217	64,344	263,561
Profit/(loss) for the year	–	–	–	–	–	–	(1,940)	(1,940)	2,966	1,026
Other comprehensive income										
— Fair value adjustment on leasehold land	–	–	–	–	–	269	–	269	104	373
— Deferred tax on fair value adjustment of leasehold land	–	–	–	–	–	(67)	–	(67)	(26)	(93)
Total comprehensive income for the year	–	–	–	–	–	202	(1,940)	(1,738)	3,044	1,306
Transfer to statutory reserve	–	–	–	2,581	–	–	(2,581)	–	–	–
Appropriations and utilisation of reserve	–	–	621	–	–	–	(621)	–	–	–
Arising from group reorganisation (note 31(d))	–	–	–	–	–	–	–	–	–	–
Dividends paid (note 12)	–	–	–	–	–	–	(1,364)	(1,364)	–	(1,364)
Dividends declared to non-controlling interests (note 12)	–	–	–	–	–	–	–	–	(939)	(939)
At 31 December 2017	–	–	3,491	31,891	172,860	376	(12,503)	196,115	66,449	262,564

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital RMB'000 (Note 30)	Share Premium RMB'000 (Note 31(a))	Capital reserve RMB'000 (Note 31(e))	Special reserve RMB'000 (Note 31(b))	Statutory reserve RMB'000 (Note 31(c))	Other reserve RMB'000 (Note 31(d))	Asset revaluation reserve RMB'000 (Note 31(f))	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	–	–	–	3,491	31,891	172,860	376	(12,503)	196,115	66.449	262,564
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	17,765	17,765	7,615	25,380
Transfer to statutory reserve	–	–	–	–	4,800	–	–	(4,800)	–	–	–
Appropriations and utilisation of reserve	–	–	–	603	–	–	–	(603)	–	–	–
Indemnification by the ultimate shareholder (note 31(e))	–	–	369	–	–	–	–	–	369	–	369
Dividends paid (note 12)	–	–	–	–	–	–	–	(8,692)	(8,692)	–	(8,692)
Dividends declared to non-controlling interests (note 39)	–	–	–	–	–	–	–	–	–	(1,684)	(1,684)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	11,668	11,668
Share issued pursuant to initial public offering, (note 30(e))	1,690	62,512	–	–	–	–	–	–	64,202	–	64,202
Share issue expenses (note 30(e))	–	(7,167)	–	–	–	–	–	–	(7,167)	–	(7,167)
Share capitalisation (note 30(d))	5,068	(5,068)	–	–	–	–	–	–	–	–	–
At 31 December 2018	6,758	50,277	369	4,094	36,691	172,860	376	(8,833)	262,592	84,048	346,640

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before income tax		33,138	5,118
Adjustments for:			
Interest income	*7(b)*	(292)	(181)
Interest expenses	*8*	2,702	2,940
Share of loss of an associate		667	676
Amortisation of payments for leasehold land held for own use under operating leases	*9*	1,282	1,386
Depreciation of property, plant and equipment	*9*	16,123	16,129
(Gain)/loss on disposal of property, plant and equipment	*9*	(14)	2,223
Gain on disposal of payment of leasehold land held for own use under operating leases	*9*	(938)	–
Expected credit loss on trade receivables	*9*	71	–
Gain on change in fair value of investment properties	*16*	(310)	(24)
Amortisation of deferred government grant	*9*	(890)	(890)
Listing expenses		3,870	–
Net cash inflow generated from operating activities		55,409	27,377
Increase in inventories		(762)	(128)
Decrease in trade and bills receivables		2,081	2,263
Decrease in debt instruments at fair value through other comprehensive income		3,541	–
Increase in trade payables		1,844	1,121
Decrease/(increase) in deposits, prepayments and other receivables		1,058	(3,308)
Increase in contract liabilities		2,780	–
Increase in other payables, accruals and receipt in advance		7,050	3,736
Cash generated from operations		73,001	31,061
Income tax paid		(5,616)	(4,993)
Net cash generated from operating activities		67,385	26,068

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(67,821)	(24,718)
Decrease/(increase) in restricted deposits		412	(412)
Payment incurred for investment properties		(3,400)	–
Payments incurred for leasehold land held for own use under operating lease		(1,394)	–
Proceeds from disposal of leasehold land held for own use under operating lease		6,160	–
Proceeds from disposal of property, plant and equipment		601	772
Purchase of short term investments		–	(12,300)
Disposal of short term investments		500	21,800
Decrease in amount due from related companies/parties		1	1,206
Interest received		273	181
Net cash used in investing activities		(64,668)	(13,471)
Cash flows from financing activities			
Advances from related companies		–	6,828
Indemnification received from the ultimate shareholder		369	–
Proceeds from issue of shares by public offer		64,202	–
Listing expenses paid		(14,484)	–
Repayments to related companies		(6,651)	(4,335)
Proceeds from bank borrowings		46,982	–
Capital injection by non-controlling interests		11,668	–
Dividends paid to the then equity shareholder	12	(1,666)	–
Dividends paid to non-controlling interests	39	(1,684)	(1,288)
Repayments of bank borrowings		(43,982)	(10,000)
Interest paid		(2,702)	(2,940)
Net cash generated from/(used in) financing activities		52,052	(11,735)
Net increase in cash and cash equivalents		54,769	862
Cash and cash equivalents at beginning of the year		10,507	9,645
Cash and cash equivalents at end of the year		65,276	10,507
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents with an original maturity of three months or less			
— Cash deposits at banks and on hand		52,451	10,507
— Short-term deposit in a bank		12,825	–
		65,276	10,507

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

Ocean Line Port Development Limited (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. Details of the principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

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 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 statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2018 and 2017 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 and 2017 have 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 dates.

In the opinion of the directors, the Company's immediate and ultimate parent is Vital Force Developments Limited ("**Vital Force**"), a company incorporated in the British Virgin Islands (the "**BVI**").

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the board of directors on 18 March 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new and revised HKFRSs — effective 1 January 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

A. Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

B. Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these consolidated financial statements as the Group is not a venture capital organisation.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new and revised HKFRSs — effective 1 January 2018 (continued)

C. HKFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("**FVTPL**"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new and revised HKFRSs — effective 1 January 2018 (continued)

C. HKFRS 9 — Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(1) As of 1 January 2018, short term investment purchased from a major bank in People's Republic of China (the "PRC") was reclassified from available-for-sale financial assets to financial assets at FVTPL. The short term investment has no quoted price in an active market. As at 1 January 2018, there is no difference between the previous carrying amount and the fair value of the investment.

(2) As of 1 January 2018, bills receivables were reclassified from loans and receivables to FVOCI, as the Group's business model is to collect contractual cash flow and sell these financial assets. Bills receivables meet the SPPI criterion. As such, bills receivables with a fair value of approximately RMB8,670,000 were reclassified from loans and receivables to financial assets at FVOCI. No fair value gain or loss was resulted from the reclassification.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new and revised HKFRSs — effective 1 January 2018 (continued)

C. HKFRS 9 — Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB'000	Carrying amount as at 1 January 2018 under HKFRS 9 RMB'000
Trade receivables	Loans and receivables	Amortised cost	4,502	4,502
Bills receivables	Loans and receivables (note 2(a)C(i)(2))	FVOCI	8,670	8,670
Other receivables	Loans and receivables	Amortised cost	2,183	2,183
Due from related companies/parties	Loans and receivables	Amortised cost	7,027	7,027
Restricted deposits	Loans and receivables	Amortised cost	412	412
Cash and cash equivalents	Loans and receivables	Amortised cost	10,507	10,507
Short term investment	Available-for-sale (at fair value) (note 2(a)C(i)(1))	FVTPL	500	500

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new and revised HKFRSs — effective 1 January 2018 (continued)

C. HKFRS 9 — Financial Instruments (continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new and revised HKFRSs — effective 1 January 2018 (continued)

C. HKFRS 9 — Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For the adoption of HKFRS 9, the Group's management has made detailed assessment on any ECL to be recognised on 1 January 2018. There is no significant ECL to be further recognised on 1 January 2018 and for the year ended 31 December 2018.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables, and cash and cash equivalents. For the adoption of HKFRS 9, there is no significant ECL to be further recognised on 1 January 2018 and for the year ended 31 December 2018.

(c) Impairment of debt instruments at FVOCI

Debt instruments at FVOCI of the Group include bills receivables. For the adoption of HKFRS 9, there is no significant ECL to be further recognised on 1 January 2018 and for the year ended 31 December 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new and revised HKFRSs — effective 1 January 2018 (continued)

C. HKFRS 9 — Financial Instruments (continued)

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules, if any, are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9, if any, are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held; and
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL;

D. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The adoption of HKFRS 15 has no material impact on the opening balances of retained earnings and non-controlling interests.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new and revised HKFRSs — effective 1 January 2018 (continued)

D. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

The following tables summarised the impact of transition to HKFRS 15 on the Group's consolidated statement of financial position as at 1 January 2018.

	Carrying amount under HKAS 18 RMB'000	Increase/ (decrease) RMB'000	Carrying amount under HKFRS 15 RMB'000
Liabilities			
Other payables, accruals and receipt in advance	28,574	(506)	28,068
Contract liabilities	–	506	506
Total current liabilities	48,758	–	48,758
Total liabilities	114,675	–	114,675
Total equity and liabilities	377,239	–	377,239

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. There was no material impact on the Group's and its consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018:

Impact on the consolidated statement of financial position as of 31 December 2018

	Carrying amount under HKAS 18 RMB'000	Increase/ (decrease) RMB'000	Carrying amount under HKFRS 15 RMB'000
Liabilities			
Other payables, accruals and receipt in advance	59,997	(3,286)	56,711
Contract liabilities	–	3,286	3,286
Total current liabilities	109,230	–	109,230
Total liabilities	145,117	–	145,117
Total equity and liabilities	491,757	–	491,757

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new and revised HKFRSs — effective 1 January 2018 (continued)

D. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's services are set out below:

Notes	Service	Nature of the services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	Port service — container and cargo handling service and other ancillary service	Revenue from container and cargo handling service and other ancillary service is recognised at a point in time when the handling service of container, general and bulk cargos and other service is delivered to the customers. Storage service included in general port service contracts is provided to customers to store their goods temporarily prior to/or after shipments, and it is supplementary service for assisting the handling service of container, general and bulk cargos. Considering the customer cannot benefit from storage service by standalone, it is not considered a performance obligation to be separately accounted for. Invoices for port services are issued on a monthly basis upon completion of service. Customers are usually offered with a credit period ranging from 10 days to 55 days from the date of issue of the invoice. For certain customers, they are required to pay the port service fee before rendering of port service by the Group.	Impact HKFRS 15 did not result in significant impact on the Group's accounting policies. Upon the adoption of HKFRS 15, the Group has to made reclassification from other payables, accruals and receipt in advance to contract liability since under HKFRS 15, if the entity has a right to an amount of consideration that is unconditional, before the entity provides the port service to the customer, the entity should recognise a contract liability. As of 1 January 2018, there is an increase in contract liability of RMB506,000 and a decrease in other payables, accruals and receipt in advance of RMB506,000.
(b)	Port service — transportation service	Revenue from transportation service is recognised in the accounting period in which the services are rendered. Revenue is recognised over time when the Group transfers the control of the services over time, based on actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. Invoice for transportation services are issued on a monthly basis upon completion of service. Customers are usually offered with a credit period ranging from 25 days to 40 days from the date of issue of the invoice. For certain customers, they are required to pay the transportation service fee before rendering of transportation service by the Group.	

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new and revised HKFRSs — effective 1 January 2018 (continued)

E. Amendments HKFRS 15-Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

F. Amendments to HKAS 40, Investment Property — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

G. HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no significant impact on these financial statements as the Group has no significant amount of advance consideration paid or received in a foreign currency.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) 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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[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 2019
2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 16 — Leases (continued)

As at 31 December 2018, the Group, as the lessee, has non-cancellable operating lease commitments of approximately RMB70,000 as disclosed in note 32. The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that the commitments due after 31 December 2019 will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

HK(IFRIC)-Int 23 — Uncertainly over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met — instead of at FVTPL.

Amendments to HKAS 28

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (continued)

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Except as described above, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Basis of compliance

The consolidated financial statements on pages 43 to 127 have been prepared in accordance with all applicable 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.

(b) 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 FVOCI which are stated at fair value. The measurement bases are fully described in the accounting policies are fully described in the accounting policies below.

3. BASIS OF PREPARATION (continued)

(b) Basis of measurement and going concern assumption (continued)

As at 31 December 2018, the Group had net current liabilities of approximately RMB24,951,000. 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:

(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) The Group has prepared a detailed 12-months cashflow projection for the year ending 31 December 2019, and it is expected to derive stable cash inflows from its operating activities and have adequate cash flows to maintain the Group as a going concern for the year ending 31 December 2019; and

(iii) Subsequent to the year end date and on 13 March 2019 and 15 March 2019, the Group has successfully obtained new banking facilities of approximately RMB150,000,000 and new bank loan of approximately RMB14,000,000 (the "New Facilities") from two bankers, of which the credit period of the New Facilities will be up to March 2029 and March 2020, respectively. The net carrying amounts of property, plant and equipment of approximately RMB109,965,000, investment properties of approximately RMB14,400,000 and payments for leasehold land held for own use under operating leases of approximately RMB49,614,000, are pledged as security for the New Facilities.

In light of the abovementioned measures taken, the assumptions made and factors considered in the preparation of the cash flow projection of the Group for the year ending 31 December 2019, the directors of the Company consider that the Group will have sufficient working capital to finance its operations in order to maintain its operation and meet its obligations in the next twelve months from the year end date. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

The consolidated financial statements have been prepared on the assumption that the Group and the Company will continue to operate as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the values of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which might arises. These adjustments have not been reflected in the financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

3. BASIS OF PREPARATION (continued)

(c) 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.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4.3 Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associate is accounted for using the equity method whereby they are initially recognised at cost and thereafter, its carrying amount is adjusted for the Group's share of the post-acquisition change in the associate's net assets except that losses in excess of the Group's interest in the associate is not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associate are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is provided over their estimated useful lives, using the straight line method. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each of the reporting dates. The estimated useful lives are as follows:

Terminal facilities	25 years
Buildings	10–40 years
Port machinery and equipment	8-12 years
Vessels	25 years
Motor vehicles	5-8 years
Furniture and office equipment	5 years
Leasehold improvements	The shorter of the lease terms and 5-30 years

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Investment property

Investment property is held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

4.6 Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4.7(A) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7(A) Revenue recognition (accounting policies applied from 1 January 2018) (continued)

(a) Port service

(i) *Container and cargo handling service and other ancillary service*

Revenue is recognised at a point in time when the handling service of container, general and bulk cargos and other service is delivered to the customers. Storage service included in general port service contracts is provided to customers to store their goods temporarily prior to/or after shipments, and it is supplementary service for assisting the handling service of container, general and bulk cargos. Considering the customer cannot benefit from storage service by standalone, it is not considered a performance obligation to be separately accounted for.

(ii) *Transportation service*

Revenue from transportation service is recognised in the accounting period in which the service are rendered. Revenue is recognised over time when the Group transfers the control of the services over time, based on actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Invoices for port services are issued on a monthly basis upon completion of service. Customers are usually offered with a credit period ranging from 10 days to 55 days from the date of issue of the invoice. For certain customers, they are required to pay the port service fee before rendering of port service by the Group.

HKFRS 15 did not result in significant impact on the Group's accounting policies. Upon the adoption of HKFRS 15, the Group has to made reclassification from other payables, accruals and receipt in advance to contract liability since under HKFRS 15, if the entity has a right to an amount of consideration that is unconditional, before the entity transfers the port service to the customer, the entity should recognise a contract liability.

(b) Interest income

Interest income is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(c) Rental income

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7(B) Revenue recognition (accounting policies applied until 31 December 2017)

(a) **Provision of services**

Port service income (including container handling, storage and other service, transportation service, general and bulk cargoes handling service) is recognised when service is rendered.

(b) **Interest income**

Interest income is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(c) **Rental income**

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

4.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9(A) Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9(A) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(i) Financial assets (continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9(A) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(ii) Impairment loss on financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, due to non-controlling interests, related companies and an associate, and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9(A) Financial Instruments (accounting policies applied from 1 January 2018) (continued)

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vi) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term highly liquid investments with original maturities of three months or less that are readily convertible into know amounts of cash which are subject to an insignificant risk of changes in value.

4.9(B) Financial Instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and bills receivables, deposits and other receivables, due from non-controlling interests, due from related companies, restricted deposits and cash and cash equivalents in the statement of financial position. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9(B) Financial Instruments (accounting policies applied until 31 December 2017) (continued)

(ii) **Impairment loss on financial assets**

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Objective evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9(B) Financial Instruments (accounting policies applied until 31 December 2017) (continued)

(iii) **Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, due to non-controlling interests, related companies and an associate, and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) **Derecognition**

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vi) **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand, and short-term highly liquid investments with original maturities of three months or less that are readily convertible into know amounts of cash which are subject to an insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4.11 Accounting for income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.12 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Foreign currency

Transactions entered into by the Group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4.14 Employee benefits

(a) **Short term employee benefits**

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(b) **Defined contribution retirement plan**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(c) **Termination benefits**

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, investment properties and interests in an associate to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4.16 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

4.20 Share-based payments

The Group operates equity settled share-based compensation plan for remuneration of its employees and parties other than its employees.

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group and the Company have the capability to continue as a going concern and the going concern assumption is set out in note 3(b).

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTION (continued)

(b) Impairment of non-financial assets (including interests in an associate)

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. The recoverable amount has been determined on the higher of value-in-use ("**VIU**") calculations or fair value less costs of disposal ("**FVLCOD**") calculations. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. FVLCOD is determined by the management with reference to valuation work performed by independent professional valuers. In determining the fair value, the management has based on a method of valuation which involves uses of assumptions and certain estimates of market condition. Change in discount rate, estimations and/or assumptions applied in the calculations of VIU and FVLCOD will result in an adjustment to the estimated impairment provision previously made.

The Group assesses at the end of each reporting period whether there is an indication that the interests in an associate, namely Chizhou Guichi Port Limited ("**Chizhou Guichi**") may be impaired. As at 31 December 2018, impairment assessment of the interests in an associate has been carried out by the management and the FVLCOD is determined with reference to the valuation work of an independent valuer. The recoverable amount determined based on FVLCOD was higher than the respective carrying amount, and therefore, the Group did not record any impairment on its interests in an associate.

(c) Impairment of trade and other receivables

The Group's management assesses the collectability of trade and other receivables on a regular basis to determine if any provision for impairment is necessary. The implementation of HKFRS 9 resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial instruments. In determining ECL, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The carrying amounts and the expected credit loss rate of trade and other receivables are disclosed in note 19, note 21 and note 36(c).

(d) Estimated useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each of the reporting period, based on changes in circumstances. The carrying amount of property, plant and equipment is disclosed in note 14.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTION (continued)

(e) Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

(f) Income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the year in which such determination is made.

(g) Judgments on the cost and completion date of construction-in-progress

The construction of terminal facilities involves various points in time and different part of the construction projects. The Group transfers the construction-in-progress to relevant categories of property, plant and equipment in batches upon the completion of respective parts of the terminal facilities. The cost of terminal facilities may not be paid in full when the construction is completed and ready for its intended use. The Group estimates the completion progress, time to reach its intended use and the cost of the construction-in-progress to be transferred to property, plant and equipment where necessary. If the estimation differs significantly from the final settlement of the completed construction projects, the difference will impact the cost of property, plant and equipment and the depreciation charge.

(h) Government grants

Government grants should be recognised in the profit or loss to match them with the expenditure towards which they are intended to compensate. Management will recognise the grants as grants to asset or income according to terms. Sometimes there will be some conditions attached to the grants, management will carefully assess whether the Group will comply with the conditions and grants will be only recognised when the Group is certain to comply with the conditions even if the grants has already been received.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTION (continued)

(i) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures investment properties at fair value (note 16).

For more detailed information in relation to the fair value measurement of the item above, please refer to the applicable note.

6. 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 People's Republic of China ("**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.

6. SEGMENT INFORMATION (continued)

(c) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2018 RMB'000	2017 RMB'000
Customer A	N/A	7,803

For the year ended 31 December 2018, there is no revenue attributed from customer that accounted for 10% or more of the Group's total revenue.

(d) Disaggregation of revenue

	2018 RMB'000	2017 RMB'000
Major Services		
Provision of unloading and unloading services		
Bulk cargo and break bulk cargo	82,733	55,568
Container	2,627	2,485
Provision of ancillary port services	8,984	5,585
	94,344	63,638
Timing of revenue recognition		
At a point in time	88,590	60,895
Transferred over time	5,754	2,743
	94,344	63,638

Revenue recognised during the year represents revenue from contracts with customers within the scope of HKFRS 15.

7. REVENUE, OTHER INCOME AND GAINS

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

Revenue recognised during the year is as follows:

	2018 RMB'000	2017 RMB'000
Port service income	94,344	63,638

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2018 RMB'000	2017 RMB'000
Receivables	2,350	4,502
Contract liabilities *(note 25)*	3,286	–

There are no contract liabilities as of 1 January 2018 recognised as revenue for the year ended 31 December 2018 from performance obligations satisfied in previous year. The Group has applied the practical expedient to its port service contracts and therefore it does not disclose about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under contracts for provision of port services that had an original expected duration of one year or less.

7. REVENUE, OTHER INCOME AND GAINS (continued)

(b) An analysis of the Group's other income and gains during the year is as follows:

	2018 RMB'000	2017 RMB'000
Bank interest income	292	53
Interest income from short term investment	–	128
Rental income from investment properties	2,294	1,720
Government grants		
— relating to investment properties and leasehold land held for own use under operating leases	890	890
— other grants #	65	58
Gain on disposal of property, plant and equipment	14	–
Gain on disposal of payment for leasehold land held for own use under operating leases	938	–
Refund of freight-based port charges from port authority	364	2,979
Exchange gain, net	1,820	–
Others	646	124
	7,323	5,952

It represents unconditional cash subsidies from government.

8. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on borrowings	2,702	2,940
Less: Interests capitalised as qualifying assets	(457)	(184)
	2,245	2,756

During the year, the borrowing costs have been capitalised at the weighted average rate of its general borrowing of 5.6% (2017: 6.5%).

9. PROFIT BEFORE INCOME TAX

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

	2018 RMB'000	2017 RMB'000
Auditor's remuneration	617	6
Costs of inventories recognised as an expense (included under cost of services rendered)	5,184	3,911
Employee benefit expenses (including directors' emoluments (note 10))		
— Wages, salaries and other benefits	18,298	12,818
— Defined contributions	2,367	2,098
	20,665	14,916
Direct operating expenses arising from investment properties that generated rental income	549	768
Expected credit loss on trade receivables	71	–
Depreciation of property, plant and equipment	16,123	16,129
Lease payments under operating leases	401	–
Amortisation of payments for leasehold land held for own use under operating leases	1,282	1,386
Amortisation of deferred government grant	(890)	(890)
(Gain)/loss on disposal of property, plant and equipment *(note (a))*	(14)	2,223
Gain on disposal of payment of leasehold land held for own use under operating leases *(note (b))*	(938)	–
Listing expenses	3,870	10,799

Note:

(a) Loss on disposal of property, plant and equipment had been included in other expenses of approximately RMB2,223,000 during the year ended 31 December 2017.

(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 (the "**Disposal 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 sq. m. (the "**Relevant Land**"). Chizhou Port Holdings agreed to dispose 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.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

The emolument of each of the directors for the year is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Defined contributions RMB'000	Total RMB'000
Year ended 31 December 2018					
Executive directors:					
Mr. Kwai	140	–	–	–	140
Mr. Huang Xueliang	214	454	–	54	722
	354	454	–	54	862
Non-executive director:					
Ms. Cheung	100	–	–	–	100
Independent non-executive directors (note):					
Mr. Nie Rui	75	–	–	–	75
Mr. Wong Chin Hung	75	–	–	–	75
Dr. Li Weidong	75	–	–	–	75
	225	–	–	–	225
Year ended 31 December 2017					
Executive directors:					
Mr. Kwai	–	–	–	–	–
Mr. Huang Xueliang	–	233	–	47	280
	–	233	–	47	280
Non-executive director					
Ms. Cheung	–	–	–	–	–

Note: Mr. Nie Rui, Mr. Wong Chin Hung and Dr. Li Weidong were appointed as the independent non-executive directors of the Company on 1 June 2018.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group included one director (2017: one director) during the year, whose emoluments are reflected in note (a).

The analysis of the emolument of four (2017: four) highest paid non-director individuals during the year are set out below:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	1,150	682
Pension scheme contributions	31	30
	1,181	712

The emolument paid or payables to each of the above non-director individuals during the year fell within the following band:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	4	4

During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments (2017: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group (2017: Nil).

11. INCOME TAX EXPENSE

(a) Income tax

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

	2018 RMB'000	2017 RMB'000
Current tax		
— PRC enterprise income tax	**7,472**	3,352
Deferred tax charged to profit or loss	**286**	740
	7,758	4,092

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.

Pursuant to the PRC tax law, its rules and regulations, enterprises that invest in qualifying public infrastructure projects are eligible for certain tax benefits. In accordance with the relevant income tax laws in the PRC, Chizhou Ocean Line Niutoushan Limited ("**Chizhou Niutoushan**"), a subsidiary of the Company, is engaging in qualifying public infrastructures and 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 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.

Withholding tax was calculated at 10% of the dividends declared in respect of profits earned by PRC entities to a non-PRC holding company.

11. INCOME TAX EXPENSE (continued)

(a) Income tax (continued)

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	**33,138**	5,118
Taxation calculated at PRC EIT rate of 25%	**8,285**	1,280
Non-taxable income	**(327)**	(240)
Expenses not deductible for tax	**1,688**	4,164
Tax effect of preferential tax rates for certain subsidiaries	**(2,181)**	(1,301)
Withholding tax on dividend	**293**	189
Income tax expense	**7,758**	4,092

(b) Deferred tax

Details of the deferred tax assets and liabilities recognised and movements in the year:

	Deferred government grant RMB'000	Fair value adjustment of investment properties RMB'000	Interests capitalised as qualifying assets RMB'000	Withholding tax on undistributed dividends RMB'000	Total RMB'000
As at 1 January 2017	5,113	(1,545)	(143)	(371)	3,054
Charged to profit or loss	(116)	(135)	(37)	(452)	(740)
Charged to other comprehensive income	–	(93)	–	–	(93)
As at 31 December 2017 and 1 January 2018	4,997	(1,773)	(180)	(823)	2,221
(Charged)/credited to profit or loss	(115)	(207)	(104)	140	(286)
As at 31 December 2018	**4,882**	**(1,980)**	**(284)**	**(683)**	**1,935**

11. INCOME TAX EXPENSE (continued)

(b) Deferred tax (continued)

As at 31 December 2018, the Group recognised deferred tax liabilities of approximately RMB683,000 (2017: RMB823,000), for withholding tax that would be payable on the retained profits of the Group's subsidiaries established in the PRC. There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**2,618**	3,044
Deferred tax liabilities	**(683)**	(823)

12. DIVIDENDS

No dividend has been paid or declared by the Company during the period from its date of incorporation to 31 December 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., ("**Ocean Line Chizhou**"), 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.

Dividends of approximately RMB1,364,000 for the year ended 31 December 2016 was declared by Chizhou Niutoushan to its then equity shareholders on 13 July 2017.

Dividends of approximately RMB734,000 for the year ended 31 December 2016 was declared by Chizhou Port Ocean Line Holdings Limited ("**Chizhou Port Holdings**"), a subsidiary of the Company, to non-controlling interests on 11 July 2017.

Dividends of approximately RMB205,000 for the year ended 31 December 2016 was declared by Chizhou Niutoushan to non-controlling interests on 13 July 2017.

13. EARNINGS/(LOSSES) PER SHARE

	2018 RMB'000	2017 RMB'000
Profit/(loss) for the year attributable to owners of the Company used in the basic earnings per share calculation	17,765	(1,940)

	2018	2017
Weighted average number of ordinary shares used in the basic earnings per share calculation	695,890,411	600,000,000

The calculation of basic earnings per share for the year ended 31 December 2018 is based on profit attributable to owners of the Company of approximately RMB17,765,000 (2017: loss of RMB1,940,000) and on the weighted average number of 695,890,411 (2017: 600,000,000) ordinary shares in issue during the year.

The weighted average number of 600,000,000 ordinary shares derived for calculation of basic losses per share for the year ended 31 December 2017 represents the number of ordinary shares of the Company in issue and issuable, in which assuming that 600,000,000 ordinary shares were in issue pursuant to the Reorganisation throughout the year ended 31 December 2017.

Diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share because the Group has no dilutive potential shares during the years ended 31 December 2018 and 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Terminal facilities RMB'000	Buildings RMB'000	Port machinery and equipment RMB'000	Vessels RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2017									
Cost	233,881	17,091	61,866	10,457	3,026	2,008	3,287	1,719	333,335
Accumulated depreciation	(51,431)	(2,764)	(32,768)	(4,065)	(1,713)	(1,722)	(727)	–	(95,190)
Net carrying amount	182,450	14,327	29,098	6,392	1,313	286	2,560	1,719	238,145
Year ended 31 December 2017									
Opening net carrying amount	182,450	14,327	29,098	6,392	1,313	286	2,560	1,719	238,145
Additions	11,793	–	3,112	–	498	121	10	9,184	24,718
Transfers in/(from)	4,190	266	2,462	–	–	294	–	(7,212)	–
Disposals	–	–	(1,976)	(5,380)	–	–	–	–	(7,356)
Depreciation	(9,603)	(485)	(4,963)	(456)	(348)	(131)	(143)	–	(16,129)
Eliminated on disposals	–	–	1,716	2,645	–	–	–	–	4,361
Closing net carrying amount	188,830	14,108	29,449	3,201	1,463	570	2,427	3,691	243,739
At 31 December 2017 and 1 January 2018									
Cost	249,864	17,357	65,464	5,077	3,524	2,423	3,297	3,691	350,697
Accumulated depreciation	(61,034)	(3,249)	(36,015)	(1,876)	(2,061)	(1,853)	(870)	–	(106,958)
Net carrying amount	188,830	14,108	29,449	3,201	1,463	570	2,427	3,691	243,739
Year ended 31 December 2018									
Opening net carrying amount	188,830	14,108	29,449	3,201	1,463	570	2,427	3,691	243,739
Additions	5,246	131	1,035	–	624	330	50	80,049	87,465
Transfers in/(from)	840	–	1,484	–	–	182	–	(2,506)	–
Disposals	(558)	–	–	–	(671)	(3)	–	–	(1,232)
Depreciation	(9,886)	(475)	(4,759)	(321)	(395)	(152)	(135)	–	(16,123)
Eliminated on disposals	7	–	–	–	638	–	–	–	645
Closing net carrying amount	184,479	13,764	27,209	2,880	1,659	927	2,342	81,234	314,494
At 31 December 2018									
Cost	255,392	17,488	67,983	5,077	3,477	2,932	3,347	81,234	436,930
Accumulated depreciation	(70,913)	(3,724)	(40,774)	(2,197)	(1,818)	(2,005)	(1,005)	–	(122,436)
Net carrying amount	184,479	13,764	27,209	2,880	1,659	927	2,342	81,234	314,494

14. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2018, the Group's property, plant and equipment with net carrying amount of approximately RMB57,556,000 (2017: RMB24,973,000) were pledged to banking facilities and bank borrowings as set out in note 27.

As at 31 December 2018, the Group is in the process of obtaining the building ownership certificates of certain buildings with carrying amount of approximately RMB118,000. In the opinion of the directors of the Company, the Group does not expect any legal obstacles in obtaining the remaining building ownership certificates.

15. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	RMB'000
Cost	
At 1 January 2017	68,135
Transfer to investment properties	(728)
At 31 December 2017 and 1 January 2018	67,407
Additions	1,394
Disposals	(6,096)
At 31 December 2018	**62,705**
Accumulated amortisation	
At 1 January 2017	6,610
Amortisation	1,386
Transfer to investment properties	(61)
At 31 December 2017 and 1 January 2018	7,935
Amortisation	1,282
Eliminated on disposals	(874)
At 31 December 2018	**8,343**
Net carrying amount	
At 31 December 2018	**54,362**
At 31 December 2017	59,472

15. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES (continued)

The Group's interest in land use rights are located in the PRC.

As at 31 December 2018, the Group's leasehold land held for own use under operating leases with net carrying amount of approximately RMB14,240,000 (2017: RMB56,038,000) were pledged to banking facilities and bank borrowings as set out in note 27.

As at 31 December 2017, the Group's payments for leasehold land held for own use under operating leases with net carrying amount of approximately RMB15,684,000 was under asset preservation executed by the court.

During the year, the asset preservation was released following the closure of the legal proceedings (note 26).

16. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Fair value			
At 1 January 2017	28,236	–	28,236
Additions	–	–	–
Transfer from payments for leasehold land for own use under operating leases	667	–	667
Changes in fair value	397	–	397
At 31 December 2017 and 1 January 2018	29,300	–	29,300
Additions	–	3,400	3,400
Changes in fair value	160	150	310
At 31 December 2018	29,460	3,550	33,010

The fair value of the Group's investment properties at 31 December 2018 and 2017 have been arrived at based on market value basis carried out by D&P China (HK) Limited, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

16. INVESTMENT PROPERTIES (continued)

Information about level 3 fair value measurements:

	Valuation techniques	Unobservable input	Range
Land and buildings in the PRC	Direct comparison method	Properties-specific adjustment rate taking into account of individual factors such as transaction status, location, property condition, economic environment, usage, size and time etc.	(15%) to 20%

The fair value measurement is positively correlated to the property condition, economic environment and negatively correlated to the property age.

There were no changes to the valuation techniques during the year.

A reconciliation of the opening and closing fair value balance of the Group's investment properties is provided below.

	2018 RMB'000	2017 RMB'000
Opening balance (level 3 recurring fair value)	29,300	28,236
Cost incurred	3,400	–
Transfer from payments for leasehold land held for own use under operating leases	–	667
Fair value adjustment on revaluation included in other comprehensive income, upon transfer of assets	–	373
Gains on change in fair value included in profit or loss	310	24
Closing balance (level 3 recurring fair value)	33,010	29,300
Change in unrealised gains for the year included in profit or loss	310	24

There were no transfers between Level 1, Level 2 and Level 3 valuation during the year.

As at 31 December 2018, the Group's investment properties of approximately RMB1,960,000 (2017: RMB24,600,000) were pledged to banking facilities and bank borrowings as set out in note 27.

17. INTERESTS IN AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Share of net assets	**2,165**	2,832
Goodwill	**113**	113
	2,278	2,945

Particulars of the associate, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name	Place and date of incorporation	Issued and fully paid up share capital	Percentage of equity interest held by the Group	Principal activity
Chizhou Guichi	The PRC 5 October 1998	RMB10,000,000	40%	Port operation

The associate is an unlisted corporate entity whose quoted market price is not available.

The summarised financial information of Chizhou Guichi extracted from management accounts prepared in accordance with HKFRS is set out below:

	2018 RMB'000	2017 RMB'000
Non-current assets	**3,675**	3,816
Current assets	**1,961**	3,736
Current liabilities	**(45)**	(294)
Non-current liabilities	**(179)**	(177)

17. INTERESTS IN AN ASSOCIATE (continued)

	2018 RMB'000	2017 RMB'000
Revenue	11	1,349
Other comprehensive income	–	–
Loss after tax and total comprehensive loss	(1,669)	(1,690)
Dividends received from the associate	–	–

Reconciliation to the Group's interests in Chizhou Guichi as at the reporting dates:

	2018 RMB'000	2017 RMB'000
Net assets of Chizhou Guichi	5,412	7,081
Percentage of equity interest attributable to the Group	40%	40%
The Group's share of Chizhou Guichi's net assets	2,165	2,832
Goodwill	113	113
Carrying amount of the Group's interest in Chizhou Guichi	2,278	2,945

18. INVENTORIES

	2018 RMB'000	2017 RMB'000
Consumables	1,451	689

19. TRADE AND BILLS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**3,312**	5,393
Less: Provision for impairment	**(962)**	(891)
	2,350	4,502
Bills receivables (note 20)	**–**	8,670
Less: Provision for impairment	**–**	–
	2,350	13,172

The credit period for trade receivables is generally ranging from 10 to 55 days, whereas the maturity period for bills receivables is ranging from 3 to 6 months. The directors of the Company consider that the fair values of the above 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 as at the end of the year, net of impairment provision, is as follows:

	2018 RMB'000	2017 RMB'000
0 to 30 days	**1,828**	3,591
31 to 90 days	**478**	482
91 to 120 days	**–**	63
121 to 365 days	**–**	366
Over 1 year	**44**	–
	2,350	4,502

19. TRADE AND BILLS RECEIVABLES (continued)

The below table reconciled the provision of impairment loss on trade receivables during the year:

	2018 RMB'000	2017 RMB'000
Balance at 1 January	891	899
Expected credit loss recognised during the year	71	–
Bad debt written off	–	(8)
Balance at 31 December	962	891

20. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Current assets — Debt instruments at fair value through other comprehensive income comprise:			
Bills receivables	5,129	8,670	–

The Group has initially applied HKFRS 9 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of HKFRS 9, the bills receivables previously included as trade and bills receivables (note 19)have been reclassified to debt instrument through other comprehensive income. The maturity period for the bills receivables is ranging from 3 to 6 months.

The directors of the Company consider that the carrying value of the bills receivables under debt instruments at fair value through other comprehensive income approximates the fair value as at 31 December 2018 and 1 January 2018.

20. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	31 December 2018 Level 3 RMB'000	1 January 2018 Level 3 RMB'000	31 December 2017 Level 3 RMB'000
Debt instruments at fair value through other comprehensive income			
Bills receivables	5,129	8,670	–

Information about level 3 fair value measurements:

	Valuation techniques	Unobservable input	Range
Bills receivables	Income approach — in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables	Discount rate	3.7% to 3.9%

There were no changes to the valuation techniques during the year.

There were no transfer in Level 1, Level 2 and Level 3 during the year.

	2018 RMB'000	2017 RMB'000
Opening balance (level 3 recurring fair value)	8,670	–
Fair value gain/(loss) recognised in other comprehensive income	–	–
Additions	33,866	–
Disposals	(37,407)	–
Closing balance (level 3 recurring fair value)	5,129	–

The unobservable input used in the fair value measurement of the bills receivables is discount rate. As at 31 December 2018, if the discount rates were 5% higher/lower, the fair value would be RMB3,000 lower/higher.

20. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

As at 31 December 2018, the Group endorsed certain bills receivables accepted by banks in the PRC to certain of its suppliers to settle the payables to these suppliers with carrying amounts in aggregate of approximately RMB7,229,000 (2017: RMB2,742,900) (collectively referred to as the "**Derecognised Bills**"). The Derecognised Bills have a maturity term from 3 to 6 months at the reporting dates. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated advances on payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their face amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement of bills receivables have been made evenly throughout the year.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Deposits *(note)*	798	527
Prepayments	171	3,722
Other receivables	9,820	2,183
	10,789	6,432
Classified as:		
Non-current assets	716	514
Current assets	10,073	5,918
	10,789	6,432

The Group considers that other receivables that were neither past due nor impaired under review are of good credit quality. The Group does not hold any collateral over these balances.

Note: As at 31 December 2018, included in deposits, RMB70,000 (2017: Nil) represents rental deposit paid to a related company of which Mr. Kwai and Ms. Cheung are the beneficial owners.

22. SHORT TERM INVESTMENT

As at 31 December 2017, the Group had a short term investment with principal balance of RMB500,000 purchased from a major bank in the PRC and the balance was not subject to maturity. The Group was entitled to redeem the investment at its principal amount with the bank at anytime unconditionally with immediate effect. The accrued and unpaid interest were received monthly from the bank. The directors of the Company considered that the carrying value of the short-term investment approximated the fair value as at 31 December 2017. The short term investment was disposed during the year.

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value are grouped into the fair value hierarchy as follows:

	2018 Level 3 RMB'000	2017 Level 3 RMB'000
Short term investment — unlisted	–	500

Information about level 3 fair value measurements:

	Valuation techniques	Unobservable input	Range
Unlisted short term investment	Latest transaction price	Expected annual interest rate	N/A

There were no changes to the valuation techniques during the year.

There were no transfer in Level 1, Level 2 and Level 3 during the year.

	2018 RMB'000	2017 RMB'000
Opening balance (level 3 recurring fair value)	500	10,000
Purchases	–	12,300
Disposals	(500)	(21,800)
Closing balance (level 3 recurring fair value)	–	500

The unobservable input used in the fair value measurement of the short term investment is expected annual interest rate. As at 31 December 2017, if the expected annual interest rates were 5% higher/lower, the fair value gain/loss would be RMB25,000 higher/lower.

23. CASH AND BANK DEPOSITS

	2018 RMB'000	2017 RMB'000
Cash deposits at banks and on hand	52,451	10,507
Short-term deposit in a bank	12,825	–
Cash and cash equivalents	65,276	10,507

(a) Cash and cash equivalents

Cash deposits at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposit in a bank is made for 1 month and earns interest at 2.25% per annum.

(b) Restricted deposits

As at 31 December 2017, restricted deposits represented bank deposits of approximately RMB412,000 under asset preservation executed by the court. The restricted deposits earned interest at floating rates based on daily bank deposit rates. During the year, the asset preservation was released following the closure of the legal proceedings (note 26).

As at 31 December 2018, the Group has cash and bank balances denominated in RMB amounted to approximately RMB51,429,000 (2017: RMB9,254,000), of which the remittance of cash out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

24. TRADE PAYABLES

The credit period is generally 30 days.

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

	2018 RMB'000	2017 RMB'000
0 to 30 days	3,033	2,168
31 to 90 days	789	413
91 to 120 days	56	2
121 to 365 days	613	386
Over 1 year	521	199
	5,012	3,168

25. CONTRACT LIABILITIES

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract liabilities arising from:			
Provision of port services	3,286	506	–

Typical payment terms which impact on the amount of contract liabilities recognised

Provision of port services

The deposit that the Group receives on port services remains as a contract liability until such time as the port services provided to date outweigh it.

Movement in contract liabilities

	2018 RMB'000
Balance at 1 January *(note)*	506
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(377)
Increase in contract liabilities as a result of billing in advance of port services being provided	3,157
Balance at 31 December	3,286

Note:

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of HKFRS 15, amounts previously included as "receipt in advance" (note 26), excluding rental deposit received from customers, have been reclassified to "Contract Liabilities".

26. OTHER PAYABLES, ACCRUALS AND RECEIPT IN ADVANCE

	31 December 2018 RMB'000	31 December 2017 RMB'000
Other payables *(note)*	41,184	18,806
Accruals	10,938	8,464
Receipt in advance *(note 25)*	4,589	1,304
	56,711	28,574

Note:

Since 2011, a PRC subsidiary of the Company has ongoing civil proceedings with one of the customers of the Group. Pursuant to the advice from the Group's PRC legal advisor on the civil proceeding against the PRC subsidiary, in the opinion of the directors of the Company, the Group made best estimation on litigation liabilities and recorded provision of claims, of approximately RMB1,500,000 during the year ended 31 December 2015.

According to a civil litigation certificate (民事調解書) endorsed by the Intermediate People's Court of Ningbo City, Zhejiang Province, the PRC, on 6 June 2018, the PRC subsidiary and the customer had agreed to settle all claims or counter claims in the aforementioned civil proceedings. Both counterparties had voluntarily and mutually agreed, that an one-off settlement in the amount of approximately RMB9,091,000 (the "**Settlement Sum**") under various instalments should be paid by the PRC subsidiary to the customer.

The Settlement Sum comprised of (i) relevant provision of RMB1,500,000 recorded by the Group during the year ended 31 December 2015 as aforementioned, and (ii) port service income of approximately RMB7,591,000 not recognised by the Group resulting from the relevant revenue recognition criteria not being fulfilled in previous years. The amount of approximately RMB7,591,000 (the "**Secured Sum**") was secured by Chizhou City Guichi District People's Court. During the year, the provision of RMB1,500,000 was settled by the PRC subsidiary to the customer, the Secured Sum was released by the court to the customer and the preserved assets (note 15 and 23) were released.

27. BANK BORROWINGS

	2018 RMB'000	2017 RMB'000
Current liabilities		
Secured bank borrowings		
— Amounts repayable within one year	**40,000**	6,000
Secured and guaranteed bank borrowings		
— Amounts repayable within one year	–	2,000
	40,000	8,000
Non-current liabilities		
Secured bank borrowings		
— Amounts repayable after one year	–	10,000
Secured and guaranteed bank borrowings		
— Amounts repayable after one year	–	19,000
	–	29,000
Total bank borrowings	**40,000**	37,000

Notes:

(a) Bank borrowings are interest-bearing at the banks' base lending rate adjusted by certain basis points per agreed interval. As at 31 December 2018, the Group's bank borrowings of approximately RMB10,000,000 bear floating interest rate at 6.4% (2017: 6.4%) per annum and of approximately RMB30,000,000 bear fixed interest rate at 5.7% (2017: nil) per annum.

(b) As at 31 December 2017, bank borrowings of approximately RMB21,000,000 were attached with financial covenants. The Group regularly monitors its compliance with these covenants and all these covenants had been complied by the Group.

27. BANK BORROWINGS (continued)

Notes: (continued)

(c) Based on the schedule repayment dates set out in the loan agreements, the bank borrowings are repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	40,000	8,000
More than one year, but not exceeding two years	–	12,000
More than two years, but not exceeding five years	–	16,000
After five years	–	1,000
	40,000	37,000

(d) As at 31 December 2018, the Group's banking facilities and the bank borrowings are secured by:

(i) the pledge of certain property, plant and equipment of the Group with net carrying amount of approximately RMB57,556,000 (note 14) (2017: RMB24,973,000) as at 31 December 2018;

(ii) the pledge of leasehold land under operating leases of the Group with net carrying amount of approximately RMB14,240,000 (note 15) (2017: RMB56,038,000) as at 31 December 2018;

(iii) the pledge of investment properties under operating lease of the Group of approximately RMB1,960,000 (note 16) (2017: RMB24,600,000) as at 31 December 2018;

(e) The Group's aggregate banking facilities amounted to approximately RMB52,000,000 (2017: RMB49,000,000) of which approximately RMB40,000,000 (2017: RMB37,000,000) has been utilised as at 31 December 2018.

(f) As disclosed in note 3(b), subsequent to the year end date on 13 March 2019 and 15 March 2019, the Group has obtained New Facilities of approximately RMB150,000,000 and RMB14,000,000, respectively, from two banks.

(g) As at 31 December 2017, a banking facility and bank borrowings of the Group were secured by the corporate guarantee provided by a related company. The corporate guarantee was released following an early repayment of borrowings made during the year.

28. DUE FROM/(TO) RELATED COMPANIES/PARTIES AND AN ASSOCIATE

(a) Due from/(to) related companies/parties

The details of due from/(to) related companies/parties at the reporting dates are as follows:

	Notes	2018 RMB'000	2017 RMB'000
Amount due from related companies/parties	*(i)*	–	7,027
Amounts due to related companies	*(ii)*	6	6,657

Notes:

(i) The balances are unsecured, interest free, repayable on demand and non-trade in nature. As at 31 December 2017, included in the balances of the amount due from related companies, of which Mr. Kwai and Ms. Cheung are the beneficial owners, represented receivables of approximately RMB7,027,000. The maximum amount due from the related companies during the years ended 31 December 2017 amounted to approximately RMB9,017,000. Furthermore, amounts of RMB41 and RMB28, respectively as at 31 December 2017, were due from Mr. Kwai and Ms. Cheung, which were also the maximum amount due from them during the year ended 31 December 2017. The balance were settled during the year.

(ii) The balances are unsecured, interest free, repayable on demand and non-trade in nature. As at 31 December 2018, included in the balances of the amounts due to related companies, of which Mr. Kwai and Ms. Cheung are the beneficial owners, represent payables of approximately RMB6,000 (2017: RMB6,657,000).

(b) Due to an associate

The balance is unsecured, interest free, repayable on demand and non-trade in nature.

29. DEFERRED GOVERNMENT GRANT

	2018 RMB'000	2017 RMB'000
At beginning of the year	**36,984**	37,874
Amortisation	**(890)**	(890)
At end of the year	**36,094**	36,984
Classified as:		
Non-current liabilities	**35,204**	36,094
Current liabilities	**890**	890
	36,094	36,984

The Group's deferred government grants mainly related to the Group's acquisition payments for investment properties and leasehold land held for own use under operating leases. The Group does not have any unfulfilled conditions and other contingencies attaching to government assistance in regard to the government grants at the reporting dates.

30. SHARE CAPITAL

		2018			2017		
	Notes	Number of ordinary shares	HK'000	RMB'000	Number of ordinary shares	HK'000	RMB'000
Authorised:							
As at 1 January		38,000,000	380	324	–	–	–
On 30 October 2017	*(a)*	–	–	–	38,000,000	380	324
Increase in authorised share capital upon Reorganisation	*(c)*	4,962,000,000	49,620	40,605	–	–	–
As at 31 December		5,000,000,000	50,000	40,929	38,000,000	380	324
Issued and fully paid:							
As at 1 January		1	–	–	–	–	–
On 30 October 2017	*(a)*	–	–	–	1	–	–
Issue of shares upon Reorganisation	*(b)*	99	–	–	–	–	–
Share capitalisation	*(d)*	599,999,900	6,000	5,068	–	–	–
Issue of shares by public offer	*(e)*	200,000,000	2,000	1,690	–	–	–
As at 31 December		800,000,000	8,000	6,758	1	–	–

Notes:

(a) The Company was incorporated in the Cayman Islands on 30 October 2017 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, 1 nil-paid share in the share capital of the Company was allotted and issued to the initial subscriber, and transferred to Vital Force, which is owned by Mr. Kwai and Ms. Cheung.

(b) On 1 June 2018, the Company acquired from Mr. Kwai and Ms. Cheung (i) two shares in Ocean Line Chizhou, representing the entire issued share capital of Ocean Line Chizhou; and (ii) 10 shares in Noble Century Ventures Limited ("Noble Century"), a subsidiary of the Company, representing the entire issued share capital of Noble Century in consideration of the Company allotting and issuing 99 new shares to Vital Force, credited as fully paid. Immediately upon completion of the foregoing, Ocean Line Chizhou and Noble Century became wholly-owned by the Company.

(c) On 1 June 2018, the authorised share capital of the Company was increased from HK$380,000 (equivalent to approximately RMB324,000) divided into 38,000,000 shares of HK$0.01 each to HK$50,000,000 (equivalent to approximately RMB40,929,000) divided into 50,000,000,000 shares of HK$0.01 each by the creation of an additional 4,962,000,000 shares of HK$0.01 each to rank pari passu in all respects with the existing shares.

(d) Pursuant to the written resolutions passed on 1 June 2018, 599,999,900 shares are authorised to issue and credited as fully paid at par value by way of capitalisation of the sum of HK$5,999,999 (equivalent to approximately RMB5,068,000) from the share premium account of the Company.

(e) The Company successfully listed on the Stock Exchange on 10 July 2018 by way of public offer of 200,000,000 ordinary shares at the price of HK$0.38 per share. Net proceeds of approximately RMB57,035,000 were raised, comprising share capital of HK$2,000,000 (equivalent to approximately RMB1,690,000) and share premium of HK$74,000,000 (equivalent to approximately RMB62,512,000), net of share issue expenses of approximately RMB7,167,000.

31. RESERVES

(a) Share premium

The share premium represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(b) Special reserve

In accordance with the regulations of the State Administration of Work Safety, the PRC subsidiaries have commitment to appropriate 1% of corresponding turnover to a special reserve which will be used for enhancement of safety production environment and improvement of facilities.

(c) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiaries, they are required to appropriate 10% of the annual net profits of the PRC subsidiaries after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve before distributing any net profit. Such appropriation is applicable to Chizhou Niutoushan and Chizhou Qianjiang Chemical Port Terminal Limited ("**Chizhou Qianjiang**"), the subsidiaries of the Group.

When the balance of the statutory reserve reaches 50% of the registered capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of registered capital.

In accordance with the relevant laws and regulations in the PRC and Articles of Association of Chizhou Port Holdings, as a Sino-foreign equity joint venture, it is required to appropriate 20% of its annual net profit, determined by the board of directors, to the statutory reserve fund before distributing any net profit.

(d) Other reserve

Other reserve represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital and capital reserve (if any) of the Company's subsidiaries.

During the year ended 31 December 2017, Noble Century issued share capital of US$10 (equivalent to approximately RMB69) which was recorded as other reserve account upon the Reorganisation.

(e) Capital reserve

During the year, a controlling shareholder indemnified the Group against legal cost of RMB369,000 incurred by the Group. The amount was credited to the capital reserve, which represents capital contribution from the controlling shareholder to the Group.

(f) Assets revaluation reserve

Assets revaluation reserve represents the revaluation surplus arising from transfer of payments for certain leasehold land held for own use under operating leases to investment properties upon change in use.

32. OPERATING LEASE ARRANGEMENT

The Group as lessor

At the reporting date, the minimum rent receivables under non-cancellable operating leases are as follows:

	2018 RMB'000	2017 RMB'000
Not later than one year	2,436	1,335
Later than one year and not later than five years	4,513	4,642
Later than five years	2,610	3,387
	9,559	9,364

The Group leased its investment properties under operating leases. The leases run for an initial period of 1 to 20 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. As at 31 December 2017, certain leases include contingent rentals which are refundable if certain annual sales targets from the tenants are met. No contingent rent in respect of these leases was recognised in profit or loss during the year ended 31 December 2017.

The Group as lessee

At the reporting date, the future minimum rental payables under non-cancellable operating leases are as follows:

	2018 RMB'000	2017 RMB'000
Not later than one year	70	400
Later than one year and not later than five years	–	67
Later than five years	–	–
	70	467

33. CAPITAL COMMITMENTS

As at each of the reporting dates, the Group had the following capital commitments:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for		
— Construction in progress	**44,186**	3,360

34. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions during the year:

	Notes	2018 RMB'000	2017 RMB'000
Service income received from a related company	*(i)*	**–**	141
Purchase of assets from a related company	*(ii)*	**–**	11,633
Rental expense paid to a related company	*(iii)*	**401**	–

Notes:

(i) The service income was contributed from a related company which is wholly owned by Mr. Kwai and Ms. Cheung.

(ii) During the year ended 31 December 2017, Chizhou Niutoushan entered into a sales and purchase agreement with the related company to acquire certain terminal assets from a related company at consideration of approximately RMB11,633,000. The consideration of the transfer is approximate to their fair values of the terminal assets on the date of transfer. Mr. Kwai and Ms. Cheung are the beneficial owners of the related company.

(iii) Ocean Line Port Development (Hong Kong) Limited ("Ocean Line Hong Kong"), a subsidiary of the Company and a related company entered into a tenancy agreement pursuant to which the related party as the landlord agreed to lease certain premises to Ocean Line Hong Kong as the tenant. The annual rental under the tenancy agreement amounted to approximately HK$480,000 from 1 January 2018 and expiring on 31 December 2020. Mr. Kwai and Ms. Cheung are the beneficial owners of the related company.

The above transactions with the related companies were negotiated and carried out in the ordinary course of business and at terms agreed between the Group and the related parties.

(b) Key management personnel compensation

The directors of the Company consider that the key management personnel compensation comprises only the emoluments of the directors as disclosed in note 10.

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	As at 1 January 2017 RMB'000	Financing cash flow RMB'000	Non-cash changes: Interest expense recognised RMB'000	Non-cash changes: Dividend declared RMB'000	At 31 December 2017 RMB'000
Year ended 31 December 2017					
Due to related companies	4,164	2,493	–	–	6,657
Bank borrowings	47,000	(12,940)	2,940	–	37,000
Due to non-controlling interests	349	(1,288)	–	939	–

	As at 1 January 2018 RMB'000	Financing cash flow RMB'000	Non-cash changes: Interest expense recognised RMB'000	Non-cash changes: Dividend declared RMB'000	At 31 December 2018 RMB'000
Year ended 31 December 2018					
Due to related companies	6,657	(6,651)	–	–	6
Bank borrowings	37,000	298	2,702	–	40,000

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

These risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

Other than cash at banks and on hand (note 23) and interest-bearing borrowings (note 27), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

At 31 December 2018 and 2017, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year (through the impact on the Group's interest-bearing borrowings subject to floating interest rate) by approximately RMB50,000 and RMB185,000 respectively. There would be no impact on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of the reporting dates and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The measures to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(b) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has foreign currency exposures. Such exposures arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by the directors of the Company are stated as follows:

	2018 RMB'000	2017 RMB'000
Assets:		
HK dollar ("**HK$**")	**13,835**	–
Liabilities		
HK$	**(766)**	–
Net exposure to foreign currency risk	**13,069**	–

The Group's policy requires the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate and may enter into foreign currency options or forward contracts, when and where appropriate.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

The following table illustrates the sensitivity of the Group's profit for the year and accumulated losses at end of the year in regard to a 5% depreciation in the functional currency of the Group's entities against the foreign currency. These rates are the rates used when reporting foreign currency risk internally to key management personnel and represent management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the year has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the year and held constant throughout the year.

	Increase on profit for the year and decrease in accumulated losses	
	2018	2017
	RMB'000	RMB'000
HK$	653	–

The same percentage appreciation in the functional currencies of the Group's entities against the respective foreign currency would have the same magnitude on the Group's profit or loss and equity but of opposite effect.

(c) Credit risk

As at 31 December 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is primarily attributable to trade and other receivables, due from related companies, short term investments and bank deposits. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Cash and short term investments are deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

The Group has concentration of credit risk from various customers. In view of their good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At 31 December 2018 and 2017, 0% and 10% of the total trade receivable balance was due from the Group's largest customer respectively and 16% and 26% of the total trade receivable balance was due from the Group's five largest customers respectively.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLS, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.1%	2,030	–
1–30 days past due	0.2%	275	–
31–90 days past due	0.75%	–	–
91–120 days past due	2.4%	–	–
Over 120 days past due	13.5%	1,007	962
		3,312	962

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4.9(B)(ii)). At 31 December 2017, trade receivables of RMB891,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	3,980
1 to 30 days past due	67
31 to 90 days past due	90
91 to 120 days past due	7
Over 120 days past due	358
	522

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The Group's trade receivables as at the reporting date that were neither past due nor impaired have no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at 31 December under HKAS 39	891	899
Expected credit losses recognised during the year	71	–
Bad debt written off	–	(8)
Balance at 31 December	962	891

There is no significant changes in the gross carrying amount of trade receivables contributed to the increase in the loss allowance during the year.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms. The Group also monitors the utilisation of borrowings and ensures compliance with loan covenants.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the reporting dates based on the contractual undiscounted payments, are as follows:

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	More than two years but not more than five years RMB'000	More than five years RMB'000
At 31 December 2017						
Trade payables	3,168	3,168	3,168	–	–	–
Other payables and accruals	27,270	27,270	27,270	–	–	–
Due to related companies	6,657	6,657	6,657	–	–	–
Due to an associate	183	183	183	–	–	–
Bank borrowings	37,000	42,881	10,300	13,610	17,961	1,010
	74,278	80,159	47,578	13,610	17,961	1,010

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within one year RMB'000	More than one year but not exceeding two years RMB'000	More than two years but not more than five years RMB'000	More than five years RMB'000
At 31 December 2018						
Trade payables	5,012	5,012	5,012	–	–	–
Other payables and accruals	48,856	48,856	48,856	–	–	–
Due to related companies	6	6	6	–	–	–
Due to an associate	183	183	183	–	–	–
Bank borrowings	40,000	40,770	40,770	–	–	–
	94,057	94,827	94,827	–	–	–

(e) Fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and bills receivables, deposits and other receivables, trade payables, other payables and accruals, bank borrowings, a related company and an associate.

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Summary of financial assets and financial liabilities by category

The carrying amounts of each of the categories of financial instruments as at the reporting dates are as follows:

Financial assets

	2018 RMB'000	2017 RMB'000
Loans and receivables/financial assets at amortised cost		
— Trade and bills receivables	2,350	13,172
— Other receivables	890	2,183
— Due from related companies/parties	–	7,027
— Restricted deposits	–	412
— Cash and cash equivalents	65,276	10,507
Debt instruments at fair value through other comprehensive income	5,129	–
Short term investment	–	500
	73,645	33,801

Financial liabilities

	2018 RMB'000	2017 RMB'000
At amortised costs		
— Trade payables	5,012	3,168
— Other payables and accruals	48,856	27,270
— Due to related companies	6	6,657
— Due to an associate	183	183
— Bank borrowings	40,000	37,000
	94,057	74,278

37. CAPITAL MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to the owners of the Company.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts.

38. SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") has been conditionally adopted by way of shareholder's written resolution passed on 1 June 2018. The Share Option scheme has become unconditional on the 10 July 2018 (i.e. the listing date of the Company) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Summary of the terms of the Share Option Scheme are set out below:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants who, has contributed or may contribute to the Group as incentive or reward for their contribution to the Group to subscribe for the Company's shares ("**the Shares**") thereby linking their interest with that of the Group.

(b) Eligibility of the Share Option Scheme

The "Eligible participants" of the Share Option Scheme include any employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner who, in the absolute discretion of the Company's Board, has contributed or may contribute to the Group as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group.

38. SHARE OPTION SCHEME (continued)

(c) Maximum number of Shares

The total number of Shares available for issue under the share options, which may be granted under the Share Option Scheme shall not exceed 80,000,000 Shares, being 10% of the total number of the Shares in issue as at the date of approval of the Share Option Scheme. The limit on the number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under any other share option schemes of the Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Group if this will result in the limit being exceeded.

(d) Maximum entitlement of each participant

No Participants shall be granted an option if total number of the Shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholder of the Company in general meeting with proposed grantee and its associates (as defined in the GEM Listing Rules) abstaining from voting.

(e) Period within which the Shares must be taken up under an option

An option may be exercised in accordance at any time during the period to be determined and identified by the Company's Board ("**the Board**") to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

(f) Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Company's directors ("**the Directors**") may, at their discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

(g) Amount payable upon acceptance of the option and the period within which the payment must be made

HK$1.00 shall be paid within 21 days from, and inclusive of the date of offer of the option.

(h) Basis of determining the exercise price of the option

The exercise price for Shares under the Share Option Scheme shall be a price determined at the discretion of the Directors, but in any case will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a business date;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer; or

(iii) the nominal value of a Share on the offer date of the particular option.

38. SHARE OPTION SCHEME (continued)

(i) Remaining life of the Share Option Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme becomes effective, i.e. 1 June 2018 and ending on 31 May 2028.

During the year, there is no option outstanding, granted, exercised, cancelled and lapsed under the Share Option scheme.

39. NON-CONTROLLING INTERESTS

Chizhou Port Holdings, a 72% owned subsidiary of the Company and Chizhou Niutoushan, a 77.7% owned subsidiary of the Company, have material non-controlling interests ("**NCI**"). Summarised financial information in relation to Chizhou Port Holdings and Chizhou Niutoushan, before intra-group eliminations, is presented below:

(a) Chizhou Port Holdings

	2018 RMB'000	2017 RMB'000
Revenue	**59,026**	41,459
Profit for the year	**14,678**	6,658
Total comprehensive income	**14,678**	6,938
Total comprehensive income allocated to NCI	**3,923**	1,045
Dividends paid to NCI *(note)*	**(1,684)**	(734)
Cash flows generated from operating activities	**19,663**	12,702
Cash flows (used in)/generated from investing activities	**(59,829)**	10,769
Cash flows generated from/(used in) financing activities	**56,097**	(26,166)
Net cash inflows/(outflows)	**15,931**	(2,695)

Note: On 12 December 2018, Chizhou Port Holdings declared dividend of approximately RMB6,014,000 (the "**Declared Dividend**") to its Shareholders. The Declared Dividends were distributed in accordance with the respective individual equity interests of the Shareholders out of the Declared Dividend, the Group was entitled to dividend of approximately RMB4,330,000 in respect of its equity interest of 72%, and of approximately RMB1,684,000 to the parties with equity interest of 28% in Chizhou Port Holdings, respectively.

39. NON-CONTROLLING INTERESTS (continued)

(a) Chizhou Port Holdings (continued)

	2018 RMB'000	2017 RMB'000
Current assets	38,018	19,146
Non-current assets	350,024	284,706
Current liabilities	(78,368)	(43,734)
Non-current liabilities	(35,203)	(36,093)
Net assets	274,471	224,025
Accumulated non-controlling interests	72,720	58,812

(b) Chizhou Niutoushan

	2018 RMB'000	2017 RMB'000
Revenue	35,319	22,179
Profit for the year	16,578	8,976
Total comprehensive income	16,578	8,976
Total comprehensive income allocated to NCI	3,692	1,999
Dividends paid to NCI	–	(554)
Cash flows generated from operating activities	44,812	16,326
Cash flows used in investing activities	(5,591)	(1,713)
Cash flows used in financing activities	(13,000)	(12,940)
Net cash inflows	26,221	1,673
Current assets	37,493	31,367
Non-current assets	107,212	103,214
Current liabilities	(38,906)	(16,360)
Non-current liabilities	–	(29,000)
Net assets	105,799	89,221
Accumulated non-controlling interests	11,328	7,637

40. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		31	–
Investment in subsidiaries		144,000	–
		144,031	–
Current assets			
Prepayments and other receivables		19	3,516
Due from subsidiaries		31,218	–
Cash and cash equivalents		13,835	–
		45,072	3,516
Current liabilities			
Accruals		766	6,963
Due to a related company		–	6,562
Due to a subsidiary		1,935	790
		2,701	14,315
Net current assets/(liabilities)		42,371	(10,799)
Net assets/(liabilities)		186,402	(10,799)
EQUITY			
Share capital	*30*	6,758	–
Reserve		194,646	–
Accumulated losses		(15,002)	(10,799)
Total equity/(deficits)		186,402	(10,799)

Kwai Sze Hoi
Director

Huang Xueliang
Director

41. PARTICULAR OF SUBSIDIARIES

Company name	Place and date of incorporation	Particulars of issued and fully paid up share capital	Effective Percentage of equity held by the Company		Principal activities
			Directly	Indirectly	
Ocean Line Chizhou	BVI 9 October 2007	US$2	100.00%	–	Investment holding
Noble Century	BVI 26 April 2017	US$10	100.00%	–	Investment holding
Chizhou Port Holdings	The PRC 18 December 2007	RMB241,670,000	–	72%	Port operation
Yuan Hang Port Development (Chizhou) Limited	The PRC 28 November 2017	RMB100,000	–	100.00%	Investment holding
Chizhou Niutoushan	The PRC 11 April 2012	RMB80,000,000	–	77.73%	Port operation
Chizhou Qianjiang	The PRC 27 October 2015	RMB2,200,000	–	100.00%	Port operation
Ocean Line Hong Kong	Hong Kong 30 October 2017	HK$1	–	100.00%	Investment holding

42. EVENTS AFTER THE REPORTING DATE

Except as disclosed elsewhere in this report, 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.

FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for the years ended 31 December 2015, 2016, 2017 and 2018:

The summary of the results, assets and liabilities of the Group for the years ended 31 December 2015, 2016 and 2017 were extracted from the prospectus of the Company dated 27 June 2018. No financial statements of the Group for the year ended 31 December 2014 have been published.

	For the year ended 31 December			
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
REVENUE	47,310	49,008	63,638	**94,344**
PROFIT BEFORE TAX	7,105	7,222	5,118	**33,138**
INCOME TAX EXPENSE	(1,629)	(2,457)	(4,092)	**(7,758)**
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	4,063	3,441	(1,940)	**17,765**

	As at 31 December			
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
TOTAL ASSETS	390,078	381,950	377,239	**491,757**
TOTAL LIABILITIES	(128,012)	(118,389)	(114,675)	**(145,117)**
NET ASSETS	262,066	263,561	262,564	**346,640**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	195,728	199,217	196,115	**262,592**