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

2019 INTERIM REPORT

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

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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
Mr. Lee Chun Hin

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

Mr. Lee Chun Hin

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
BNP Paribas

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

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Chizhou Economic Development Zone
Chizhou, Anhui
PRC

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

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COMPANY WEBSITE

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STOCK CODE

8502

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2019

	Notes	Three months ended 30 June 2019 RMB'000 (Unaudited)	Three months ended 30 June 2018 RMB'000 (Unaudited)	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Unaudited)
Revenue	5	**45,447**	21,529	**77,721**	39,699
Cost of services rendered		**(14,697)**	(13,097)	**(29,147)**	(24,504)
Gross profit		**30,750**	8,432	**48,574**	15,195
Other income and gains		**970**	573	**2,068**	1,364
Selling and distribution expenses		**(224)**	(130)	**(345)**	(227)
Administrative expenses		**(2,336)**	(1,806)	**(5,155)**	(3,450)
Finance costs		**(306)**	(641)	**(737)**	(1,181)
Listing expenses		**–**	(622)	**–**	(2,482)
Other expenses		**(3)**	–	**(3)**	–
Share of loss of an associate		**(121)**	(121)	**(243)**	(362)
Profit before income tax	6	**28,730**	5,685	**44,159**	8,857
Income tax expense	7	**(5,750)**	(1,220)	**(9,962)**	(2,319)
Profit for the period and total comprehensive income for the period, net of tax		**22,980**	4,465	**34,197**	6,538
Profit for the period attributable to:					
Owners of the Company		**16,811**	3,185	**24,900**	4,222
Non-controlling interests		**6,169**	1,280	**9,297**	2,316
		22,980	4,465	**34,197**	6,538
Total comprehensive income for the period attributable to:					
Owners of the Company		**16,811**	3,185	**24,900**	4,222
Non-controlling interests		**6,169**	1,280	**9,297**	2,316
		22,980	4,465	**34,197**	6,538
Earnings per share attributable to owners of the Company					
Basic and diluted earnings per share	8	**RMB2.10 cents**	RMB0.53 cent	**RMB3.11 cents**	RMB0.70 cent

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**353,358**	314,494
Investment properties		**33,010**	33,010
Interests in an associate		**2,035**	2,278
Payments for leasehold land held for own use under operating leases		**53,723**	54,362
Deposits		**4,895**	716
Deferred tax assets		**2,486**	2,618
		449,507	407,478
Current assets			
Inventories		**1,617**	1,451
Trade receivables	*11*	**5,411**	2,350
Debt instruments at fair value through other comprehensive income		**10,063**	5,129
Deposits, prepayments and other receivables		**6,804**	10,073
Cash and cash equivalents		**61,560**	65,276
		85,455	84,279
Current liabilities			
Trade payables	*12*	**6,129**	5,012
Contract liabilities		**8,151**	3,286
Other payables, accruals and receipt in advance		**57,470**	56,711
Bank borrowings	*13*	**24,000**	40,000
Due to a related company		**6**	6
Due to an associate		**183**	183
Deferred government grant		**890**	890
Income tax payable		**6,854**	3,142
		103,683	109,230
Net current liabilities		**(18,228)**	(24,951)
Total assets less current liabilities		**431,279**	382,527

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Non-current liabilities			
Bank borrowings	*13*	**15,000**	–
Deferred government grant		**34,759**	35,204
Deferred tax liabilities		**683**	683
		50,442	35,887
Net assets		**380,837**	346,640
EQUITY			
Share capital	*14*	**6,758**	6,758
Reserves		**280,734**	255,834
Equity attributable to owners of the Company		**287,492**	262,592
Non-controlling interests		**93,345**	84,048
Total equity		**380,837**	346,640

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**35,384**	12,016
Net cash used in investing activities	**(37,212)**	(12,683)
Cash flows from financing activities		
Proceeds from bank borrowings	**43,000**	30,000
Repayments of bank borrowings	**(44,000)**	(21,000)
Dividend paid	**–**	(1,666)
Others	**(888)**	4,780
Net cash (used in)/generated from financing activities	**(1,888)**	12,114
Net (decrease)/increase in cash and cash equivalents	**(3,716)**	11,447
Cash and cash equivalents at 1 January	**65,276**	10,507
Cash and cash equivalents at 30 June	**61,560**	21,954
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	**48,560**	21,954
— Short-term deposit in bank	**13,000**	–
	61,560	21,954

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Assets revaluation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019 (audited)	6,758	50,277	369	4,094	36,691	172,860	376	(8,833)	262,592	84,048	346,640
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	–	24,900	24,900	9,297	34,197
Transfer to statutory reserve	–	–	–	–	12	–	–	(12)	–	–	–
Appropriation and utilisation of reserve	–	–	–	476	–	–	–	(476)	–	–	–
As at 30 June 2019 (unaudited)	6,758	50,277	369	4,570	36,703	172,860	376	15,579	287,492	93,345	380,837
At 1 January 2018 (audited)	–	–	–	3,491	31,891	172,860	376	(12,503)	196,115	66,449	262,564
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	–	4,222	4,222	2,316	6,538
Appropriation and utilisation of reserve	–	–	–	300	–	–	–	(300)	–	–	–
Dividend paid	–	–	–	–	–	–	–	(8,692)	(8,692)	–	(8,692)
As at 30 June 2018 (unaudited)	–	–	–	3,791	31,891	172,860	376	(17,273)	191,645	68,765	260,410

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 October 2017. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 2715–16, 27th Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong. The Company was listed on GEM of the Stock Exchange of Hong Kong Limited on 10 July 2018 (the "Listing").

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

The controlling shareholders of the Company are Mr. Kwai Sze Hoi ("Mr. Kwai"), Ms. Cheung Wai Fung ("Ms. Cheung") and Vital Force Developments Limited ("Vital Force"), parent company of the Company incorporated in the British Virgin Islands with limited liability.

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

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with HKFRSs issued by the HKICPA.

2. BASIS OF PREPARATION *(Continued)*

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning of 1 January 2019.

In the current period, the Group has applied all the new and amended HKFRSs which are first effective for the reporting period and relevant to the Group. Upon adoption of Hong Kong Financial Reporting Standard 16: Leases ("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 classify cash repayments of the lease liability into a principal portion and an interest portion and present 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. As at 30 June 2019, the Group, as the lessee, has non-cancellable operating lease commitments of approximately RMB70,000. The adoption of HKFRS 16 does not have material impact on the Group's financial performance and financial position.

The adoption of other new and amended HKFRSs do not have material impact on the Group's results of operations or financial position.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unaudited condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(Continued)

In preparing these unaudited condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2018.

4. SEGMENT INFORMATION

Operating segment information

The Group has identified its operating segment 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 HKFRS15.

Geographical information

The geographical location of revenue allocated is based on the location at which services are provided. The Group renders port services in the PRC. 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.

5. REVENUE

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

Revenue recognised during the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Port service income	**45,447**	21,529	**77,721**	39,699

6. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Costs of inventories recognised as an expense (included under cost of service rendered)	**1,528**	1,564	**2,759**	2,729
Employee benefit expenses (including directors' emoluments)				
— Wages, salaries and other benefits	**5,040**	5,714	**9,796**	9,546
— Defined contributions	**802**	447	**1,326**	894
	5,842	6,161	**11,122**	10,440
Direct operating expenses arising from investment properties that generated rental income	**452**	329	**485**	658
Depreciation of property, plant and equipment	**4,105**	3,709	**8,321**	7,264
Lease payments under operating leases	**104**	98	**207**	196
Amortisation of payments for leasehold land held for own use under operating leases	**316**	419	**639**	858
Amortisation of deferred government grant	**(222)**	(124)	**(445)**	(445)
Loss on disposal of property, plant and equipment	**3**	–	**3**	–
Listing expenses	**–**	622	**–**	2,482

7. INCOME TAX EXPENSE

(a) Income tax

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
— PRC enterprise income tax	**5,734**	1,191	**9,830**	2,261
Deferred tax charged to profit or loss	**16**	29	**132**	58
	5,750	1,220	**9,962**	2,319

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.

7. INCOME TAX EXPENSE *(Continued)*

(a) Income tax *(Continued)*

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, engaging in qualifying public infrastructures, 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. Besides, one of the infrastructure projects (the "Qualifying Project") of Chizhou Port Ocean Line Holdings Limited ("Chizhou Port Holdings"), a subsidiary of the Company, is also entitled to the 3-Year Exemption Entitlement and the 3-Year 50% Tax Reduction Entitlement. The 3-Year Exemption Entitlement commenced for the financial year beginning on 1 January 2019 up to 31 December 2021 irrespective of whether the Qualifying Project is profit-making during this period and the 3-Year 50% Tax Reduction Entitlement will commence from the financial year beginning on 1 January 2022 to 31 December 2024.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company	**24,900**	4,222

	Number of shares	
Weighted average number of ordinary shares in issue during the period	**800,000,000**	600,000,000

The calculation of basic earnings per share for the period ended 30 June 2019 is based on profit attributable to owners of the Company of approximately RMB24,900,000 (six months ended 30 June 2018: RMB4,222,000) and on the weighted average number of 800,000,000 (six months ended 30 June 2018: 600,000,000) ordinary shares in issue during the six months period.

The weighted average number of 600,000,000 ordinary shares derived for calculation of basic earnings per share for the six months ended 30 June 2018 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 capitalisation issue as further explained in note 14(c) throughout the six months ended 30 June 2018.

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

9. INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, additions to the Group's property, plant and equipment amounted to approximately RMB34,500,000 (six months ended 30 June 2018: RMB13,200,000).

11. TRADE RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables	**6,373**	3,312
Less: Provision for impairment	**(962)**	(962)
	5,411	2,350

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

11. TRADE RECEIVABLES *(Continued)*

Based on invoices date, ageing analysis of the Group's trade receivables as at the reporting dates is as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0 to 30 days	**4,998**	1,828
31 to 90 days	**192**	478
91 to 120 days	**105**	–
121 to 365 days	**72**	–
Over 1 year	**44**	44
	5,411	2,350

12. TRADE PAYABLES

The credit period is generally 30 days.

Based on invoices date, ageing analysis of the Group's trade payable as at the reporting dates is as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0 to 30 days	**1,698**	3,033
31 to 90 days	**1,570**	789
91 to 120 days	**1,504**	56
121 to 365 days	**1,305**	613
Over 1 year	**52**	521
	6,129	5,012

13. BANK BORROWINGS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Secured bank borrowings		
— Amounts repayable within one year	**24,000**	40,000
— Amounts repayable after one year	**15,000**	–
	39,000	40,000

Notes:

(a) Bank borrowings are interest-bearing at the banks' base lending rate adjusted by certain basis points per agreed interval. As at 30 June 2019, the Group's bank borrowings of approximately RMB15,000,000 (31 December 2018: RMB10,000,000) bear floating interest rate at 5.1% (31 December 2018: 6.4%) per annum and of approximately RMB24,000,000 (31 December 2018: RMB30,000,000) bear fixed interest rate at 5.7% (31 December 2018: 5.7%) per annum.

(b) The Group's aggregate banking facilities amounted to approximately RMB74,000,000 (31 December 2018: RMB52,000,000) of which approximately RMB39,000,000 (31 December 2018: RMB40,000,000) has been utilised as at 30 June 2019.

14. SHARE CAPITAL

	Notes	Number of ordinary shares	HK'000	RMB'000
Authorised:				
As at 1 January 2018		38,000,000	380	324
Increase in authorised share capital upon reorganisation	(b)	4,962,000,000	49,620	40,605
As at 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)		5,000,000,000	50,000	40,929
Issued and fully paid:				
As at 1 January 2018		1	–	–
Issue of shares upon reorganisation	(a)	99	–	–
Share capitalisation	(c)	599,999,900	6,000	5,068
Issue of shares by public offer	(d)	200,000,000	2,000	1,690
As at 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)		800,000,000	8,000	6,758

Notes:

(a) On 1 June 2018, the Company acquired from Mr. Kwai and Ms. Cheung (i) two shares in Ocean Line Group (Chizhou) Port Development Inc. ("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.

(b) 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.

14. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(c) 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.

(d) The Company successfully listed on the GEM of 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.

15. CAPITAL COMMITMENTS

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Contracted, but not provided for		
— Construction in progress	**43,160**	44,186
	43,160	44,186

16. RELATED PARTY TRANSACTIONS

(a) The Group had the following material related party transactions during the period:

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Rental expenses paid to a related company	(i)	**207**	196

Note:

(i) In November 2017, Ocean Line Port Development (Hong Kong) Limited ("Ocean Line (Hong Kong)") and a related company, of which Mr. Kwai and Ms. Cheung are the beneficial owners, 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 of HK$480,000 from 1 January 2018 and expiring on 31 December 2020.

The above transaction with the related company was negotiated and carried out in the ordinary course of business and at terms agreed between the Group and the related party.

(b) **Key management personnel compensation**

The remuneration of directors and other members of key management during the periods were as follow:

	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Fee	**550**	–
Salaries, allowances and benefits in kinds	**124**	249
Defined contributions	**34**	31
	708	280

17. EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period and on 2 July 2019, one of the Group's wholly owned subsidiaries, Chizhou Qianjing Chemical Port Terminal Limited, a company established in the PRC, was deregistered.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, other receivables, trade payables, other payables and accruals, amounts due to a related company and an associate and bank borrowings reasonably approximate to their fair values because these financial instruments are mostly short-term in nature.

Upon the adoption of HKFRS 9 at 1 January 2018, the bills receivables previously included as trade and bills receivables have been reclassified to debt instruments at fair value through other comprehensive income. The maturity period for the bills receivables is ranging from 3 to 6 months.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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 30 June 2019 and 31 December 2018.

The level in the fair value hierarchy within which the bills receivables under debt instruments at fair value through other comprehensive income is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	30 June 2019 Level 3 RMB'000	1 January 2019 Level 3 RMB'000	31 December 2018 Level 3 RMB'000
Debt instruments at fair value through other comprehensive income			
Bills receivables	**10,063**	5,129	5,129

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	2.6% to 3%

There were no changes to the valuation techniques during the six months ended 30 June 2019 and year ended 31 December 2018.

There were no transfer in Level 1, Level 2 and Level 3 during the six months ended 30 June 2019 and year ended 31 December 2018.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

	30 June 2019 RMB'000	31 December 2018 RMB'000
Opening balance (level 3 recurring fair value)	**5,129**	8,670
Fair value gain/(loss) recognised in other comprehensive income	**–**	–
Additions	**17,814**	33,866
Disposals	**(12,880)**	(37,407)
Closing balance (level 3 recurring fair value)	**10,063**	5,129

The unobservable input used in the fair value measurement of the bills receivables is discount rate. As at 30 June 2019, if the discount rates were 5% (31 December 2018: 5%) higher/lower, the fair value would be RMB2,000 (31 December 2018: RMB3,000) lower/higher.

BUSINESS REVIEW

The Group is an inland port operator in the PRC and is principally engaged in the provision of port logistic services (including loading and unloading of cargo, bulk cargoes handling, container handling, storage and other services). The Group operates two ports, namely, Jiangkou Port and Niutoushan Port, both of which are situated in Chizhou City, Anhui Province, the PRC. Chizhou City is located in the upper downstream section along the Yangtze River and it is an important port city in the southwestern region of Anhui Province. It is also a crucial member of the integrated development of the Yangtze River delta. With abundant mining resources as its biggest strength, Chizhou City is an integral non-metallic mining base in Eastern China. There are 7 berths in the two ports of the Group, 4 more berths will be provided in the new phase of Jiangkou Terminal, rendering them the largest public port in Chizhou City, as well as important drivers of the opening up and investment promotion of Chizhou City.

For the six months ended 30 June 2019, total throughput volume of bulk cargo, break bulk cargo and containers of the Group were approximately 12.5 million tonnes (for the six months ended 30 June 2018: approximately 5.9 million tonnes) and 8,824 TEUs (for the six months ended 30 June 2018: approximately 8,361 TEUs), respectively, representing an increase of 111.3% and 5.5% respectively over the corresponding period last year. We have achieved significant economic improvement, accelerated project construction, safeguarded a stable and safe terminal workplace and complied with environmental protection standards and production objectives, with various economic indices reaching record highs.

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

Firstly, the macro-economy continues to improve. Driven by a series of steady growth and construction of ecological civilisation policies of the local government in the PRC, the business environment has been improved, investment in infrastructure has been increased, and numerous key infrastructure construction projects have been accelerated. With a high demand for raw materials in steelworks and construction materials in the middle and lower reaches of the Yangtze River, it propels the rapid growth in the non-metallic mining industry.

Secondly, the operating environment has been significantly improved. With the promotion of the large-scale policies of shoreline resources protection along the Yangtze River, the operational qualifications and operating environment of the port terminals along the Yangtze River have been systematically improved, with a significant reduction in improper competitive practices. The advantage and leading position of large-scale qualified public terminals in providing water transportation services to the local economy have gradually become apparent.

Thirdly, the construction work of the new phase of Jiangkou Terminal is being expedited, expanding the production capacity of the port. The new phase of the Jiangkou Terminal has advanced rapidly. One new berth has commenced trial operation. For the six months ended 30 June 2019, the new phase has contributed 2.16 million tonnes throughput volume of the Group.

Fourthly, internal management has been strengthened and productivity has been improved. The Group has reduced ship berthing time through better internal management and scientific adjustments. Operational efficiency has been enhanced through coordination work with customers on timing and volume arrangement of transport vehicles. The goods positioning of storage has been improved to shorten transport distance. By adopting such measures, port throughput has been significantly boosted with input of labour and equipment remaining unchanged.

OUTLOOK

According to market analysis, in the second half of 2019, the throughput volume of the terminals of the Group is expected to improve continuously.

Firstly, Chizhou City currently regards the full compliance with the national strategy of the Yangtze River Delta integration as its strategic priority to promote high-quality development of Chizhou City, while the Chizhou City municipal government adheres to the philosophy of "integrating into the great strategy and invigorating the city (融入大戰略、帶活一座城)". The Chizhou City municipal government strives to create a central hub for industrial transfers in the Yangtze River Delta;

Secondly, given the robust demand for non-metallic mining products arising from the key infrastructure projects in China and expanded production capacity of mining companies, the shipment volume of non-metallic raw materials in Chizhou City is expected to further increase;

Thirdly, the Group will boost its productivity by refined management. The Group will maximise benefits by broadening sources of income, reducing expenditure, improving efficiency and improving internal management.

We believe that the cargo loading and unloading throughput volume of the Group will continue to grow in 2019. In the second half of the year, we will attach more importance to safe production and environmental protection work and formulate the next development direction for the Group. We will capture opportunities, expand and move forward with even greater enthusiasm and professionalism.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	Increase/(decrease) RMB'000	%
Revenue from provision of uploading and unloading services				
Bulk cargo and break bulk cargo	**70,225**	33,018	37,207	112.7
Container	**1,273**	1,465	(192)	(13.1)
Subtotal	**71,498**	34,483	37,015	107.3
Revenue from provision of ancillary port services	**6,223**	5,216	1,007	19.3
Total revenue	**77,721**	39,699	38,022	95.8

	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)	Increase	%
Total cargo throughput (thousand tonnes)	**12,522**	5,926	6,596	111.3
Container throughput (TEUs)	**8,824**	8,361	463	5.5

Our revenue which is principally generated from the provision of uploading and unloading services and ancillary port services was approximately RMB77.7 million for the six months ended 30 June 2019 and RMB39.7 million for the same period in 2018. The increase in revenue was mainly due to the increase in cargo handling revenue since the throughput of cargo was increased by approximately 6.6 million tonnes as compared to the same period of last year. The increase in throughput volume of cargo was mainly due to the increased demand from customers that was driven by the stringent environment requirements, increased operation capacity of customers and steady growth of mining and processing industry in Chizhou City.

Cost of services

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

For six months ended 30 June 2019, our cost of services was approximately RMB29.1 million (six months ended 30 June 2018: RMB24.5 million), representing an increase of RMB4.6 million or approximately 18.8% as compared to the same period of last year. The increase in cost of services was mainly attributable to (i) the increase in staff cost of approximately RMB3.0 million due to the increase in revenue as staff cost is partially linked to the financial performance of our port, and (ii) the increase in subcontracting fee of approximately RMB1.5 million which was driven by the increase in transportation and handling services as throughput volume rose due to the increase in throughput volume of cargo by 111.3% in terms of tonnes.

Gross profit and gross profit margin

	Six months ended 30 June			
	2019 (Unaudited)	2018 (Unaudited)	Increase	%
Gross profit (RMB'000)	**48,574**	15,195	33,379	219.7
Gross profit margin (%)	**62.5**	38.3	24.2	N/A

For the six months ended 30 June 2019, our gross profit and gross profit margin increased to approximately RMB48.6 million and 62.5%, 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 period of six months ended 30 June 2019.

Administrative expenses

For the six months ended 30 June 2019, our administrative expenses increased by approximately RMB1.7 million or 48.6% which was primarily due to increases in administrative staff costs and legal and professional fee of approximately RMB1.3 million and RMB0.1 million, respectively. The increase in administrative staff costs was mainly due to the growth of our business and increase in number of staff during the six months ended 30 June 2019.

Income tax expenses

For the six months ended 30 June 2019, the Group's income tax expense amounted to approximately RMB10.0 million (six months ended 30 June 2018: RMB2.3 million), representing an increase of RMB7.7 million or approximately 335% as compared to the same period of last year. The increase was mainly due to the increase in Group's profits before tax. For the six months ended 30 June 2019, the effective tax rate is approximately 22.6% (six months ended 30 June 2018: 26.2%). The lower effective tax rate for the six months ended 30 June 2019 as compared to the same period last year was mainly due to the absence of non-deductible expenses such as listing expenses of approximately RMB2.5 million which was incurred in the six months ended 30 June 2018. Should the listing expenses for the six months ended 30 June 2018 of approximately RMB2.5 million be taken into account, the effective tax rate would have been approximately 20.5%. Our effective tax rates for the six months ended 30 June 2018 was lower than that of the PRC EIT standard rate of 25% mainly because of the representing 50% reduction for three years for Chizhou Niutoushan on PRC EIT from 2016 to 2018. Besides, our effective tax rates for the six months ended 30 June 2019 was lower than that of the PRC EIT standard rate of 25% mainly because of full tax exemption for three years for one of the infrastructure projects of Chizhou Port Holdings from 2019 to 2021.

Profit for the period

As a result of the foregoing, we recorded profit for the six months ended 30 June 2019 of approximately RMB34.2 million (six months ended 30 June 2018: RMB6.5 million). Our net profit margin was approximately 44.0%, (six months ended 30 June 2018: 16.5%). Had listing expenses been excluded, our net profit margin for six months ended 30 June 2018 would have been approximately 22.7%.

USE OF PROCEEDS FROM THE PUBLIC OFFER

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 (the "Prospectus"). In light of the difference between the actual and estimated amount of the net proceeds, the Group has adjusted the use of proceeds as shown in the Prospectus. Nevertheless, the said difference does not result in significant impact on the implementation of our business plan as shown in the Prospectus. Up to 31 December 2018, the Group had fully utilised the proceeds from the public offer and applied the proceeds according to the future plan and use of proceeds as disclosed in the Prospectus.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 30 June 2019, the Group had bank and cash balances of approximately RMB61.6 million (31 December 2018: RMB65.3 million).

As at 30 June 2019, the Group's total equity attributable to owners of the Company amounted to approximately RMB287.5 million (31 December 2018: RMB262.6 million). As of the same date, the Group's total debts, comprising amounts due to a related company and an associate and bank borrowings, amounted to approximately RMB39.2 million (31 December 2018: RMB40.2 million).

On the Listing Date, the Company was listed on GEM by way of public offer and completed the share offer of 200,000,000 shares by offer price of HK$0.38 per offer share of the Company. The actual net proceeds from the listing were approximately HK$49.9 million. The Directors believe that the Group is in a healthy financial position to expand its business and achieve its business objectives.

BORROWINGS AND GEARING RATIO

As at 30 June 2019, the Group had total debts of approximately RMB39.2 million (31 December 2018: RMB40.2 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 30 June 2019, the gearing ratio of the Group, calculated as the total debts divided by the total equity, was approximately 10.3% (31 December 2018: 11.6%).

FOREIGN CURRENCY RISK

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

TREASURY POLICY

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

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any contingent liabilities (31 December 2018: Nil).

CAPITAL COMMITMENT

As at 30 June 2019, the Group has capital commitments contracted but not provided for amounting to RMB43.2 million (31 December 2018: RMB44.2 million) in respect of construction of port facilities.

PLEDGE OF ASSETS

As at 30 June 2019, the Group has pledged its property, plant and equipment with an aggregate net book value of approximately RMB107.3 million (31 December 2018: RMB110.0 million), investment properties with aggregate net book value of approximately RMB14.4 million (31 December 2018: RMB14.4 million) and payments for leasehold land held for own use under operating lease of approximately RMB49.0 million (31 December 2018: RMB49.6 million).

EVENTS AFTER THE REPORTING PERIOD

Significant events affecting the Group that have occurred since the end of the reporting period and up to the date of this report, are as disclosed in note 17 to the unaudited condensed consolidated financial statements.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(a) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding
Mr. Kwai Sze Hoi	Interest in a controlled corporation	600,000,000	75%
Ms. Cheung Wai Fung	Interest in a controlled corporation	600,000,000	75%

Notes:

1. Vital Force is legally and beneficially owned as to 60% by Mr. Kwai Sze Hoi and 40% by Ms. Cheung Wai Fung. Mr. Kwai Sze Hoi and Ms. Cheung Wai Fung are deemed to be interested in all the Shares held by Vital Force under Part XV of the SFO. Mr. Kwai Sze Hoi is the chairman and an executive Director of the Company and a director of Vital Force. Ms. Cheung Wai Fung is a non-executive Director of the Company and a director of Vital Force.

2. Ms. Cheung Wai Fung is the spouse of Mr. Kwai Sze Hoi.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, as at 30 June 2019, the following shareholders and persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Vital Force	Beneficial owner	600,000,000	75%

Notes:

1. Vital Force Developments Limited ("Vital Force") is legally and beneficially owned as to 60% by Mr. Kwai Sze Hoi and 40% by Ms. Cheung Wai Fung. Mr. Kwai Sze Hoi and Ms. Cheung Wai Fung are deemed to be interested in all the Shares held by Vital Force under Part XV of the SFO. Mr. Kwai Sze Hoi is the chairman and an executive Director of the Company and a director of Vital Force. Ms. Cheung Wai Fung is a non-executive Director of the Company and a director of Vital Force.

2. Ms. Cheung Wai Fung is the spouse of Mr. Kwai Sze Hoi.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2019.

COMPETING INTERESTS

The Directors confirm that none of the Controlling Shareholders or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the six months ended 30 June 2019.

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.

CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

Other Information

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. There is no option outstanding, granted, exercised, cancelled and lapsed under the Share Option Scheme during the six months ended 30 June 2019. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

AUDIT COMMITTEE

An audit committee of the Board (the "Audit Committee") has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The Audit Committee consists of three members, namely Mr. Wong Chin Hung, Mr. Nie Rui and Dr. Li Weidong, all being independent non-executive Directors. Mr. Wong Chin Hung currently serves as the chairman of the Audit Committee. The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 13 August 2019

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