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
Annual Report

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*This report for which the directors (the "**Directors**") of Ocean Line Port Development Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this 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' Road East
Hong Kong

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

CORPORATE INFORMATION

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

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Hong Kong Plaza
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Hong Kong

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, the People's Republic of China (the "**PRC**"). We commenced the operation at Jiangkou Terminal and Niutoushan Terminal in 2008 and 2013, respectively. The subsidiaries of Ocean Line Port Development Limited (the "**Company**", together with its subsidiaries, the "**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 Province (安徽省A級納税信用企業) and became the only terminal classified as national Category-1 port in Chizhou City and the largest public terminal.

2019 was the first full operating year following the Group's listing, as well as a year of rapid growth and strong results. As the entire Group worked together to "expand market externally and focus on management internally (外拓市場、內抓管理)", we enhanced our efforts in the development of our construction projects and insisted on environmental protection and work safety. The Group's operating results surged rapidly, achieving a cargo throughput volume of 22.9 million tonnes, representing a growth of 55.2% over the last year. We completed container throughput volume amounted to 18,138TEUs, representing a year-on-year growth of 5.8%; achieved a revenue of RMB146.2 million, representing a year-on-year growth of 55.0%; and achieved gross profits of RMB79.8 million, representing a growth of 79.8% . Investment in the new phase of our Jiangkou Terminal was proved to be effective, where two berths passed the quality and completion acceptance inspection in March 2019. The two berths commenced trial operation in April and October 2019, respectively, and achieved a throughput volume of 6.66 million tonnes with revenue amounting to RMB26.0 million during the year. Another two berths also passed the quality and completion acceptance inspection in January 2020, marking the full completion of the construction work of the new phase of Jiangkou Terminal. The project was highly acclaimed and recognised by industry experts in terms of construction quality, duration and costs, achieving the goal of "good quality, high efficiency, safety and low cost". In February 2020, the Group also obtained the port operation permit for four of the berths in the new phase of our Jiangkou Terminal. The Group's internal management demonstrated remarkable results. Through continuous strengthening of management and assessment, our cost and trade receivables control reached a higher standard, making the Group a "benchmark enterprise" in the same industry in terms of corporate management.

CHAIRMAN'S STATEMENT

2020 is not only the first year after the new phase of our Jiangkou Terminal being fully put into operation, but also a crucial year for the Company's development. As our corporate size further expands, the pressure we face relating to "market difficulties, pressures on environmental protection and safety responsibilities" also increases. In particular, the severe situation of the new coronavirus pneumonia epidemic has cast impacts on China 's real economy and posed enormous challenges to the operation of port enterprises. As a result, the Group's production and operation in the first quarter were under pressure. However, the government has already implemented a series of policies to strengthen market and enterprise confidence. We believe that the state has sufficient policy tools in place to cope with the economy's downward pressure. Once the epidemic eases, China's economy will quickly stabilise, while consumption and investment put off in the previous period will be released, and the economy is expected to experience compensatory recovery. Hence, in the coming year, the Group will continue to push itself forward, focusing on the market on the one hand, and the other, focusing on epidemic prevention. We will strive to innovate new measures in order to "develop new income source and reduce expenditure". Facing challenges head-on with a positive attitude and a diligent and responsible spirit, we will seize every opportunity and forge forward with a view to maximise corporate efficiency.

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

Hong Kong, 23 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Cost of services

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

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

Gross profit and gross profit margin

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

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

Administrative expenses

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

Income tax expenses

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

Profit for the year

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

Property, plant and equipment

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

Financing and credit facilities

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

DIVIDEND

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

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

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

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

USE OF PROCEEDS

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

BUSINESS UPDATE

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

   On 5 December 2019, Chizhou Guichi was deregistered. Base on the amount of the compensation received from the local government in the PRC upon deregistration, share of profit of Chizhou Guichi net of a loss on deregistration of Chizhou Guichi, approximately RMB6,276,000 was credited to profit or loss during the year.

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MANAGEMENT EXECUTIVE DIRECTOR AND CHAIRMAN

KWAI Sze Hoi (桂四海), aged 70, 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 57, 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 ten 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), 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 postgraduate 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 67, is one of our founders and a member of controlling shareholders and a non-executive Director of the Company. 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 13 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 43, 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 18 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 has been acting as a managing partner of Welight Capital HK Limited since December 2019.

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

WONG Chin Hung (黃展鴻), aged 41, 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 20 years of experience in corporate governance, corporate financing, auditing and financial reporting. 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. From February 2018 to July 2019, Mr. Wong served 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. Since July 2019 and January 2020, Mr. Wong has been respectively appointed as the vice president and joint company secretary of DaFa Properties Group Limited (Stock Code: 6111), 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 51, 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 26 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) 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; and (ii) 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 served as an independent director of the following companies: (i) Netac Technology Company Limited (朗科科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300042.SZ) from February 2014 to February 2017; (ii) 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) from September 2013 to November 2019; and (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) from September 2018 to December 2019.

SENIOR MANAGEMENT

Mr. LEE Chun Hin (李俊軒), aged 32, joined our Group on 10 July 2019 and is our financial controller and company secretary. He is primarily responsible for financial reporting, financial planning, treasury and financial control and corporate secretaries practices and procedures of our Group.

Mr. Lee has over 10 years of experience in providing accounting and auditing services. He worked in BDO Limited from June 2015 to July 2019 with his last position as an audit manager. He has extensive experience in auditing and financial reporting, particularly with respect of companies listed on the Stock Exchange..

Mr. Lee graduated from Edinburgh Napier University, with a bachelor's degree in Accounting in 2011. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2019.

Mr. GUI Siqing (桂四清), aged 55, 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 over ten 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 and the small commodity branch 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 May 2016, he worked in the financial department of Anqing Port Ocean Line Holdings Limited with his last position as the company general manager, where he was wholly responsible for the production and operation of the company.

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 2019.

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 2019 are set out in the consolidated statement of comprehensive income on page 70 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 25 May 2020 (Monday) to 28 May 2020 (Thursday) (both days inclusive, 4 business days in total) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 22 May 2020 (Friday).

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 29 to 39 of this annual report and note 35 to the consolidated financial statements.

Except as disclosed elsewhere in consolidated financial statement, 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, further 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 provided throughout the section "Environmental, Social and Governance Report".

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.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

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 73 to 74 and note 40 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2019, the Company had the aggregate amount of reserves of approximately RMB28,447,000 available for distribution to the shareholders of the Company ("**Shareholders**") (2018: RMB11,134,000).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 150 of this annual report.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed in note 37 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 32.9% (2018: 28.4%) of the Group's total revenue for the year and the revenue attributable from to the Group's largest customer amounted to approximately 11.1% (2018: 7.4%). Purchases from the Group's five largest suppliers accounted for approximately 63.8% (2018: 66.3%) to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 44.5% (2018: 45.3%).

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

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
Mr. Wong Chin Hung
Dr. Li Weidong

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, at each annual general meeting one-third of the directors of the Company (the "**Directors**") for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

In accordance with the Company's Articles of Association, each of Mr. Kwai Sze Hoi and Mr. Huang Xueliang will offer himself for re-election as an executive Director at the forthcoming annual general meeting of the Company ("**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 2019, 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 Rules Governing the Listing of Securities on GEM on the Stock Exchange of Hong Kong Limited ("**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 58.4% by Kwai Sze Hoi, 38.9% by Cheung Wai Fung and 2.7% by Hongkong Shun Yi Industrial Co. Limited, which is a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Huang Xueliang. 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)*	29,200 (L)	58.4%
Vital Force	Cheung Wai Fung *(Note 3)*	Beneficial owner *(Note 2)*	19,466 (L)	38.9%
Vital Force	Huang Xueliang	Interest of a controlled corporation *(Note 2)*	1,334 (L)	2.7%

Notes:

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

2. Vital Force is legally and beneficially owned as to 58.4% by Kwai Sze Hoi, 38.9% by Cheung Wai Fung and 2.7% by Hongkong Shun Yi Industrial Co. Limited, which is a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Huang Xueliang.

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

Save as disclosed above, as at 31 December 2019, 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 37 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 2019, 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 GEM Listing Rules.

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

As at 31 December 2019, 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 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 58.4% by Kwai Sze Hoi, 38.9% by Cheung Wai Fung and 2.7% by Hongkong Shun Yi Industrial Co. Limited, which is a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Huang Xueliang. 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 33 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

From 8 November 2019, the Board has adopted the policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company do not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles and Association of the Company and all applicable laws and regulations and the factors set out below:

(a) financial results;

(b) cash flow situation;

(c) business conditions and strategies;

(d) future operations and earnings;

(e) capital requirements and expenditure plan;

(f) interest of shareholders;

(g) any restrictions on payment of dividends; and

(h) any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

(a) interim dividend

(b) final dividend

(c) special dividend

(d) any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Articles of Association.

DIRECTOR NOMINATION POLICY

From 23 March 2020, the Board has adopted the policy which sets out (1) the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) the shareholders of the Company for election, as a director of the Company; (2) the nomination procedures; and (3) the requirement to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company.

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

(a) Skills and Experience: The candidate should possess the skills, knowledge and experience which are relevant to the operations of the Company and its subsidiaries.

(b) Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company including but not limited to gender, age, cultural and educational background, ethnicity and the balance of skills and experience in board composition.

(c) Commitment: The candidate should be able to devote sufficient time to attend Board meetings and participate in induction, trainings and other Board associated activities. In particular, if the proposed candidate will be nominated as an independent non-executive director and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reason given by the candidate for being able to devote sufficient time to the Board.

(d) Standing: The candidate must satisfy the Board and The Stock Exchange that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.

(e) Independence: The candidate to be nominated as an INED must satisfy the independence criteria set out in Rule 5.09 of the GEM Listing Rules.

(f) Others: Such other perspectives that are appropriate to the Company's business plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors.

If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate based on the criteria as set out above. The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board. On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate as director to fill a casual vacancy or as an addition to the Board or recommend such candidate to shareholders for election or re-election (where appropriate) at the general meeting.

The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board. The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above. The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting. Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the listing rules and/or applicable laws and regulations.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and this policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has complied with the relevant laws and regulations. For the year ended 31 December 2019, there was no incident of non-compliance with relevant laws and regulations which have a significant impact on the Group.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings of the Shares.

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 4.15 to the consolidated financial statements.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report from pages 29 to 39 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
23 March 2020

CORPORATE GOVERNANCE REPORT

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

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

THE BOARD

Board Composition

As at 31 December 2019, 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 year.

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 year, 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 year:

	No. of meeting attended/held				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting (Note)
Executive Directors					
Kwai Sze Hoi	4/4	N/A	N/A	N/A	1/1
Huang Xueliang	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Cheung Wai Fung	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Nie Rui	4/4	4/4	1/1	1/1	1/1
Wong Chin Hung	4/4	4/4	1/1	1/1	1/1
Li Weidong	4/4	4/4	1/1	1/1	1/1
Total number of meetings held:	4	4	1	1	1

Note:

AGM for 2018 was held on 28 May 2019.

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 year.

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

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 four meetings during the year for, inter alia, reviewing the Group's annual results, the first quarterly results, 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

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. The Remuneration Committee held one meeting during the year and performed the following:

1. Reviewed and approved the remuneration packages of all Directors and senior management of the Group to ensure that such remuneration is reasonable and not excessive.

2. Reviewed the staff policy and emolument policy of the Group.

3. **Nomination Committee**

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. The Nomination Committee held one meeting during the year and performed the following:

1. Approved the terms of reference of the Nomination Committee.

2. Approved the re-election of Directors of the Company.

3. Reviewed the structure, size and composition including the skills knowledge and experience of the Board.

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 year, 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 year, 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 year, the risk management process of the Group has been reviewed, and the Board considered that process was effective and adequate for the year.

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.

All the Directors of the Company attended the 2018 AGM and the Chairman of the Board as well Chairman of each of the Board Committees made themselves available to answer questions at the 2018 AGM. External auditor was invited and attended the AGM to address shareholders' enquiries.

The forthcoming AGM will be held on 28 May 2020 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 Investor Services 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 year.

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. The fee paid/payable to BDO for the year in respect of the audit services provided to the Company and its subsidiary amounted to RMB647,000.

METHODOLOGY

Ocean Line Port Development Limited (hereinafter referred to as "**Ocean Line Port**") and its subsidiaries (collectively referred to as the "**Group**") strives to enhance the transparency of the Group in respect of its influence on the environment and society. Ocean Line Port principally provides port logistic services, including cargo uploading and unloading services and related ancillary port services. Cargo uploading and unloading services include the uploading and unloading of bulk cargoes, containers and break-bulk cargoes; related ancillary port services include storage services of raw materials from customers, short distance land transportation and miscellaneous services.

While steering towards sustainable development, the Group takes into account numerous short-term and long-term factors, including business challenges, responsibilities to stakeholders, professional ethics, global trends, laws and regulations and risk management. We constantly seek for business opportunities which are beneficial to suppliers, customers and the social environment.

The daily operation of Ocean Line Port is affected by its stakeholders. Through stakeholders, Ocean Line Port is able to understand the expectations of the stakeholders and society on the Group and achieve those expectations through sustainable development. The major stakeholders of the Ocean Line Port include the Group's customers, investors, shareholders, employees, suppliers, non-governmental organisations and local communities, which have considerable influence on the daily operation of the Group.

The management of Ocean Line Port is carried out on the basis of sustainable development. This report emphasizes on achieving a balance between business development, needs of society and environmental relations. Along with nowadays rapid global development, the Group constantly identifies risks and opportunities in its daily operation to satisfy the expectations and needs of all stakeholders. In addition, the Group has a corporate culture of high transparency which steers to maintain good communications with its employees, customers and other stakeholders.

Last but not least, in order to facilitate sustainable development, the Group has established a top-down management approach which has spread across each level of the Group and the effect of which has influenced communities outside the Group. The Group will maintain communications with all stakeholders concerning all environmental and social issues and solutions.

The Group implements the following sustainable development strategies with a top-down approach:

1. Achievement of environmental sustainability
2. Respect for human rights and social culture
3. Continuous communication with stakeholders
4. Support to employees
5. Preservation of local community development

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report is the second Environmental, Social and Governance Report (the "**ESG Report**") of Ocean Line Port Development Limited (the "**Group**" or "**We**"). This report explains the sustainable development policies implemented by and the work performance with respect to the environment and society of the Group from 1 January 2019 to 31 December 2019 (the "**Year**") in details.

Unless otherwise indicated, this ESG Report covers the achievement with respect to environmental protection and social development of two terminals operated by the Group, namely, Jiangkou Terminal and Niutoushan Terminal.

We believe that sustainable development can bring positive influence to the Group and other stakeholders on an ongoing basis. Therefore, the Group attaches great emphasis on the corporate social responsibilities and seeks to run our business in a way that is mutually beneficial for us and the society. Committed to contribute to environmental protection and social development, we spare no efforts in achieving sustainable development.

The Scope and Limits of the ESG Report

The ESG Report is prepared in accordance with disclosure responsibilities required by the "Comply or Explain" provision of the Appendix 20 Environmental, Social and Governance Reporting Guide of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which covers the overall ESG performance of the Group during the Year. The comparison between ESG Guideline Index and this report is set out on page 59 to 64 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group highly values the importance of making appropriate disclosures of corporate information to investors and shareholders and believes that a high level of transparency is the key to building trust among investors. Therefore, in this ESG Report, we highlighted our achievement in relation to the sustainable development in each of the following areas to give the stakeholders a better understanding of the work done by the Group for environmental protection and promotion of social harmony:

ESG Aspects	Issues
Environmental Protection	• Emissions • Use of Resources • Waste Generation
Employment and Labour Standards	• Employment • Health and Safety • Development and Training • Labour Standards
Operating Practice	• Supply Chain Management • Product Responsibility • Anti-corruption
Community	• Community Investment

For details of corporate governance, please refer to page 29 to 39 of "Corporate Governance Report" of this annual report.

Information and Feedback

For details of the financial performance and corporate governance of the Group during the Year, please refer to the website (www.oceanlineport.com) and this annual report.

Your opinion is of great value to the Group. If you have any suggestion and feedback on the performance of the Group in respect of sustainable development, please post them to the principal place of business of the Company in Hong Kong, which is located at Room 2715–16, 27th Floor, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.

Information of Stakeholders

Stakeholders	Possible matters involved	Communication and response
Stock Exchange	Compliance with the Listing Rules and timely and accurate publication of announcements	Meeting, training, seminar, programme, website update and announcement
The government	Compliance with laws and regulations, attention to social welfare and prevention of tax evasion	Interaction and inspection, governmental inspection, tax return and other information
Suppliers	Payment schedule and stable demand	On-site investigation
Investors	Corporate governance and system, business strategies and, results and investment returns	Organisation of and participation in seminar, interview, general meeting, provision of financial report or business report for investor
Media	Corporate governance, environmental protection and human rights	Notice published on the Company's website
Customers	Product/service quality, reasonable price, service value, labour protection and work safety	On-site inspection and after-sales service
Employees	Rights, interests and welfare, staff remuneration, training and development, working hours and work environment	Holding of team activity, training and interview, distribution of staff manual and internal memorandum
Community	Community environment, employment and community development and social welfare	Development of social welfare sponsorship and donation

This report has been approved by the Board on 23 March 2020.

ENVIRONMENT

Environmental Protection

Summary of Environment

The Group is an inland terminal operator in the PRC, and mainly operates two port terminals, namely, Jiangkou Terminal and Niutoushan Terminal, both of which are situated in Chizhou City, Anhui Province, the PRC. Our services principally consist of the uploading and unloading services of bulk cargo, the uploading and unloading services of containers, storage services and other relevant ancillary port services.

In 2019, we have established a safety and environment department, led by a senior management member, for supervising and managing issues relating to environmental protection and emission of hazardous dust and materials, in order to ensure the Company's compliance with existing requirements on environmental protection during its business operations

The Group strictly adheres to a series of national and local municipal government's laws on environmental protection by the state and local governments in the course of all business activities and production processes. During 2019, we obtained all necessary local and national permits as well as various emission approvals and licenses, including but not limited to Port Operation Licence (港口經營許可證), Statement of Compliance of a Port Facility (港口設施保安符合證書), Road Transportation Operation Licence (道路運輸經營許可證), Affiliate Permit for Handling Hazardous Goods at Ports (港口危險貨物作業附證).

During the Year, the Group complied with all environment-related laws, including but not limited to the Water Pollution and Prevention Law of the PRC (《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Solid Pollution and Prevention Law of the PRC (《中華人民共和國固體廢物污染環境防治法》), Cleaner Production Promotion Law of the PRC (《中華人民共和國清潔生產促進法》) and the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). Meanwhile, we were not involved in any confirmed non-compliance relating to environmental protection that would have a material impact on the Group.

The Group and Environment

Intensive transportation and cargo handling activities at our terminals generate limited noise and cause water and dust pollution. In regard to this, the Group has engaged a third-party agency with professional qualifications for conducting environment assessment of the Group. We hope to ensure observance of legal obligations and requirements for normal operation through regular monitoring and inspection.

In order to effectively control dust and water pollution, we have implemented the following environmental protection measures:

- Setting up dust screens, dust-prevention walls and nets;
- Setting up water spraying equipment and improving the sprinkling system;
- Setting up dust inspection system.

Emissions

The ESG Report is prepared in accordance with the Reporting Guidance on Environmental KPIs of the Stock Exchange with a focus on direct emissions (Scope 1) and indirect emissions (Scope 2), whereas other indirect emissions (Scope 3) are excluded from the Report. The Group's main source of direct greenhouse gas emission is the use of vehicles, and the main source of indirect emission is the electricity consumption.

To support our port logistic services, in addition to private vehicles for customers pick up, we are also equipped with loaders, tractors, sprinkler trucks and shuttle buses. We regularly conduct routine inspection to keep the vehicles at their optimal condition, thereby improving fuel consumption efficiency and ensuring road safety.

The Group is aware of the increasingly stringent laws and regulations in relation to environmental protection. Therefore, we are gradually using electric machines to replace the traditional diesel-powered horizontal transport machines at our ports with high emission. The Group has prepared a "survey on horizontal transport machine at port and the implementation of 'replacing diesel with electricity'" to record the progress of "replacing diesel with electricity".

As at 31 December 2019, we created 2,603.87 kg of nitrogen oxides, 179.53 kg of particle emissions, 8.40 kg of sulphur dioxide (SO2) and 12,543,465.74 kg of carbon dioxide (CO2) in total and the details of the emission data are set out as follows:

KPI — Emissions and greenhouse gas emissions KPI1.1	Source	Unit 2019	Unit 2018	Type of emissions	Amount of emissions 2019 (kg)	Amount of emissions 2018 (kg)
Emissions — Vehicle emission data						
	Kilometres travelled by vehicles	**662,697.61 km**	678,257.37 km	Nitrogen oxide Particle emissions	**2,603.28** **179.53**	3,549.71 258.10
	Units of fuel consumed by vehicles					
	Diesel	**514,876.58 litre**	477,372.85 litre	SO_2	**8.40**	7.83
	Petrol	**7,457.96 litre**	10,001.66 litre			

KPI — Emissions and greenhouse gas emissions KPI1.2	Source	Unit 2019	Unit 2018	Type of emissions	Amount of emissions 2019 (kg)	Amount of emissions 2018 (kg)
Greenhouse gas emissions in total						
Scope: Direct greenhouse gas emissions from operations that are owned or controlled by the Company						
Scope 1b — Combustion of fuels in mobile sources (e.g. motor vehicles and ships) controlled by the reporting entity	Fuel consumption			CO_2		
	Diesel	**514,876.58 litre**	477,372.85 litre		**1,393,111.35**	1,280,886.84
	Petrol	**7,457.96 litre**	10,001.66 litre			
Scope 2 — Energy indirect greenhouse gas emissions	Purchased electricity	**13,858,258.00 kWh**	9,633,781.00 kWh		**11,150,354.39**	7,789,875.32
Total CO_2 emissions for the reporting period:					**12,543,465.74**	9,070,762.15

Waste Generation

Waste generated by the Group arises from the ordinary operation of its office and mainly comprises paper for daily consumption.

The Group endeavours to reduce waste generation. We actively promote a "paperless" work environment and adopt a digital operation hub to handle documents and files. Meanwhile, we regularly circulate environmental protection information to our employees, such as requiring employees to print on both sides and reuse paper printed on only one side in order to minimise paper consumption.

Use of Resources

The Group's use of resources is primarily attributed to water and electricity consumption.

Our electricity consumption is mainly for the purpose of daily operation of the Group's office and the machines and equipment at the terminals. With respect to the office operation, electricity is required to maintain the operation of air conditioners, computers and other office equipment. Meanwhile, our machines and delivery equipment at the terminals, including conveyors belts and cranes, also need electricity to drive.

During the Year, the Group's electricity consumption was 13,858,258.00 kWh (2018: 9,633,781.00 kWh)(electricity consumption per capita was 55,655.65 kWh/staff (2018: 42,627.35 kWh/staff)), representing a total CO_2 emission of 11,150,354.39 kg (2018:7,789,875.32 kg).

To effectively use the Group's resources, we have taken the following measures to save electricity in the Group's office:

- Switch off the lightings and electrical appliances when not in use to reduce energy consumption;
- Maintain the indoor temperature at an optimal level and switch off the air conditioner when it is not needed;
- Switch off the air conditioner and lightings after office hours and in idle rooms; and
- Our staff are required to switch their computers and other equipment into hibernation mode or turn them off when they leave their desk during office hours, including when paying visits to clients and during lunch hour.

We will strictly control the consumption of electricity by each machine and equipment item in order to reduce the electricity consumption of the machines and equipment items at our terminals. Each and every production unit will, on a regular basis, inspect and control the electricity consumption of each machine and equipment. They will actively look into the reason when a certain machine and equipment item in a certain month consume more electricity than it does in other months and implement corresponding measures to reduce electricity consumption of the equipment.

In addition, our equipment department will carry out regular maintenance of the machines and equipment. We have put in place a set of maintenance specification, e.g. 1,000 hours of maintenance specification. Our equipment department will carry out a set of maintenance procedures according to our maintenance specification when our equipment items have been operated beyond a stipulated number of hours to ensure our equipment items are in effective operation and reduce unnecessary use of resources.

Given the nature of the Group's business, our consumption of water is minimal, which is primarily attributed to the daily use of water by the staff in our office during working hours, and does not contain hazardous waste water. Our domestic sewage is directly discharged into the municipal sewage network.

Water pipes are prone to crack in severely cold weather in winter, which may cause leakages. Therefore, our water pipes are wrapped with anti-freezing material to avoid the threat of low temperature and in turn prevents wastage of water resources.

The Group recorded a water consumption of 74,537.00 m^3 (2018: 62,626.00 m^3) for the Year (water consumption per capita of 299.35 m^3/staff (2018: 277.11 m^3/staff)).

SOCIETY

Employment and Labour Standards

Overview of Human Resources

We strongly believe that employees are the crucial cornerstone of corporate growth and an indispensable part of sustainable development. Therefore, we wish to attract and retain talents through competitive compensation and welfare mechanism and quality promotion opportunities. The Group strives to safeguard the statutory benefits of all of our staff, and strictly adheres to various labour laws and regulations in the PRC, including but not limited to the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), and the PRC Social Insurance Law (《中華人民共和國社會保險法》).

Furthermore, we hope to continuously enhance our service quality and increase the development opportunities for employees. Therefore, we provide a series of training to employees to improve their knowledge regarding business operation and safety guidelines.

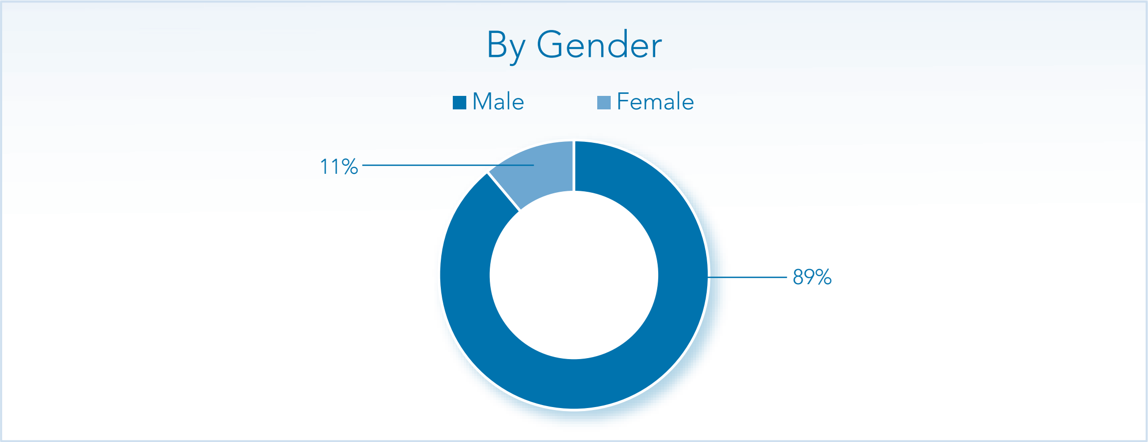
During the Year, the Group strictly complied with the labour laws and relevant regulations in the PRC and was not involved in any confirmed non-compliance relating to employment that would have a material impact on the Group.

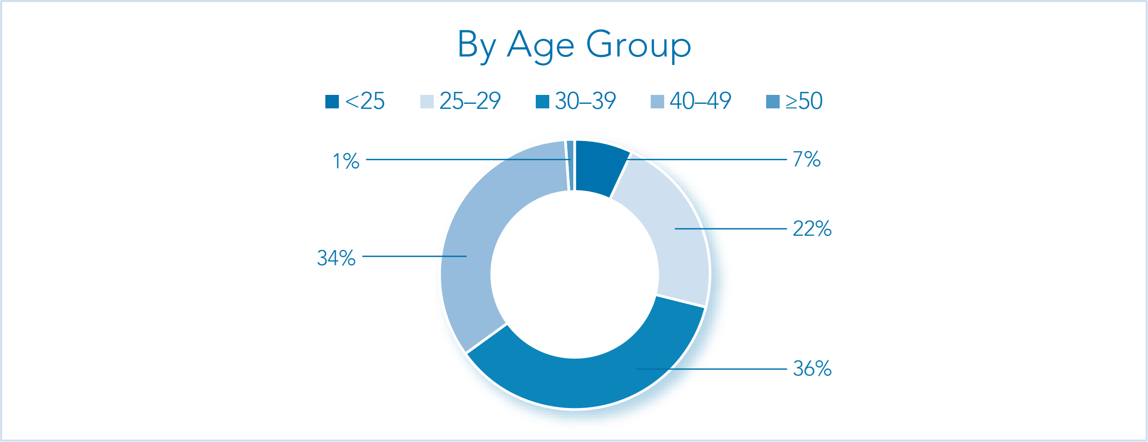
Employment

The Group has prepared the Staff Handbook in accordance with applicable labour laws and regulations, covering various policies on human resources, including but not limited to, recruitment and promotion procedures, training, performance assessment management, salary and benefits, working hours, leave and other vacations (including marriage leave, bereavement leave, work-related injury leave and maternity leave).

As of 31 December 2019, the Group has in total 250 employees.

Employee structure by gender and age group is set out as the follows:





* representing full-time employees who are hired for port logistic services and Hong Kong office provided by two terminals in the PRC.

During the Year, a total of 25 (2018: 18) employees of the Group terminated their employment. The following sets out the statistics of employee turnover:

Employee Turnover Rate	2019	2018
By gender		
Male	76%	72%
Female	24%	28%
By age group	**2019**	**2018**
< 25	4%	17%
25–29	20%	6%
30–39	32%	39%
40–49	16%	33%
≥ 50	28%	6%
By location	**2019**	**2018**
Mainland China	96%	100%
Hong Kong	4%	0%

Recruiting and Retaining Talents

We believe that the Group's business success and development depend on the contribution and devotion from our employees. Hence, we actively make resource investments and provide favourable compensation and benefit packages to attract and motivate talents. We have in place a clear incentive policy, and, based on the competence and performance of staff, grant rewards to them accordingly, so as to enhance employees' motivation.

In addition, we determine fair compensation based on employee contribution and market standards. We have established a comprehensive staff performance assessment mechanism to unify evaluation criteria regarding performance of each employee during the year, with the evaluation results linked to staff salary and annual performance bonus.

Welfare and Leave

The Group has adopted a standardised working hour system, pursuant to which, the daily working time of employee is kept within eight hours and the weekly working time is limited to within 40 hours. The Group ensures that the staff are entitled to all statutory holidays, as well as marriage, bereavement, maternity leave and paid annual leave, in strict compliance with the national requirements. Meanwhile, we make social security contributions for all our staff, including unemployment, medical, maternity, work injury, pension and housing provident funds. In order to ensure the personal health of employees and maintain a safe work environment, all employees are required to go through the health check organised by the Group before induction. We genuinely care about the physical and mental health of employees, and encourage them to participate in the sport, cultural and leisure activities organised by the Company to stay healthy both physically and mentally.

Tolerance

The Group strives to provide an all-embracing and harmonious work environment with zero harassment or discrimination being tolerated. All recruitment, promotion and termination decisions are solely based on performance and carried out through fair and transparent procedures, regardless of race, skin colour, nationality, religion, gender, age or disability. In the course of operation, we will not use violence, threatening measures, restriction of activity or other illegal means to force employees to work.

Diversity Policy

We attach great importance to the non-discrimination principle of management and strive to create a diversified working environment. In terms of Board composition, the Group has established a Director nomination procedure which enables the Group's shareholders to recommend any eligible person to stand for the election of Director.

Pursuant to our board diversity policy, recommendation for Board candidates will be based on different backgrounds and expertise, criteria of recommendation include but not limited to gender, age, cultural and educational background, professional knowledge, skills and relevant experience. Elected Directors should have certain advantages in the above criteria and are able to bring contribution to the Board. At least one male Director and one female Director should be included in the elected Directors in order to achieve board diversity. The Board comprises Directors with sufficient relevant experience and from various professional backgrounds, including financial accounting, as well as male and female members, as a result, we consider the current composition of the Board of the Group satisfies the requirements of diversity policy. The nomination committee is responsible for conducting consistent review on the Board composition to ensure the requirements of diversity policy are satisfied.

Save for the Board, we also implement non-discrimination and diversity policy in the working environment of general employees. The current employee structure of the Group comprises both male and female employees, both of which are entitled to similar career development opportunities and welfare. For instance, male and female employees are provided with similar trainings, the average hours of completed training are generally in line for both genders during the reporting year. We will continue to refine our diversity policy in the future, including increasing the proportion of female in the employee structure.

Health and Safety

We attach great importance to occupational health and are committed to create a safe and healthy working environment for our staff.

The Group is in strict compliance with all applicable national and local laws and regulations in relation to health and safety, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Law on Prevention and Control of the PRC (《中華人民共和國預防控制法》) and the Law on Prevention and Control of Occupational Diseases (《職業病防治法》), etc.

During the Year, there was no work-related fatality in the Group. However, we recorded one case of work-related injuries during the period. The case was not serious in nature and one happened when the staff was on the way to work. The Group has placed social insurance for all staff in compliance with the law to ensure that those who experienced work-related incidents can obtain adequate medical coverage. We have held a special meeting concerning the incident to enhance education and reinforce the awareness of our staff regarding protection and safety.

In order to enhance our staff's safety awareness and ability to prevent accident, we have developed the Operation Procedures for Safety Production (《安全生產操作流程》), which primarily comprise details and key points for safety operation in each high-risk work, including operations of uploading and unloading packaged goods, clearing up vessels and importing bulk cargo. In addition, our Staff Manual for Safety Production (《員工安全生產手冊》) has set out safety working procedures, proper wearing of labour protection items and safety operation rules for each production unit.

Meanwhile, we have set up a safety committee which is responsible for organising safety training programmes and activities. Our safety committee will also update the Staff Manual for Safety Operation from time to time in accordance with applicable safety laws and regulations to ensure our operation procedures are executed in strict compliance with national requirement.

Moreover, we have implemented a series of policies, so as to create a favorably comfortable and healthy work environment:

- timely maintain our machines and equipment to ensure their proper operation;
- ensure that all staff are equipped with adequate labour protection items;
- carry out fire prevention and fire safety training and drills on a regular basis.

Development and Training

We firmly believe that employees' skills and experience are crucial cornerstones for the long-term development of the Group, and continuing education enables our employees to remain competitive in the industry. Therefore, we prepare Annual Training Plan every year and strive to enhance our employees' performance by providing on-the-job training and mentoring.

We expect to raise employees' awareness on safety by providing a series of safe operation training. The training includes but is not limited to delivering important tips for machine operations and safe operation procedures for respective positions. We also hold training sessions on safety regulations for employees above the middle level to keep them informed of major national safety laws and regulations and ensure our stringent compliance with the related national laws and regulations in our daily operations.

In addition, we provide orientation training to newcomers and assist them to fit themselves in the new work environment. The training includes but is not limited to corporate management system, corporate culture and safe production and skill training. Pre-employment training also equips our employees with adequate work knowledge, which further enhances our efficiency and work quality.

During the Year, the total training hours we provided to our employees in the PRC amounted to 1,020.50 hours (2018: 1,740.00 hours). Statistics in respect of development and training are set out below:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Percentage of employees trained		
By gender		
Male	88%	93%
Female	12%	7%
By employee category		
Entry-level employees	69%	19%
Middle-level employees	25%	26%
Senior-level employees	6%	55%

	For the year ended 31 December 2019	For the year ended 31 December 2018
Average training hours completed per employee		
By gender		
Male	6.82	5.34
Female	7.00	5.00
By employee category		
Entry-level employees	20.99	11.86
Middle-level employees	13.94	20.00
Senior-level employees	8.29	20.00

Labour Standards

The Group strives to protect human rights and comply with all relevant laws and regulations of Labour Standards.

To avoid forced labour and child labour, we have stringent requirements on the selection of employees. When recruiting for positions below the management level, the Group requires applicants to provide identity card, proof of highest education, professional qualifications (such as work permits for technical positions) and certificate of resignation to verify their identity.

In the event that the management discovered child labour or forced labour against the regulations, the Group would immediately terminate the labour contracts with the relevant employee, ascertain the causes and impose appropriate punishment on the employee responsible for the illegal employment.

During the Year, there was no forced labour and child labour in the Group.

Operating Practice

Supply Chain Management

As an inland terminal operator, good supply chain management is paramount to our success.

Terminal operation mainly requires machines, equipment components and consumables (such as fuel, electricity and water). As such, during the Year, our main suppliers comprised fuel suppliers, conveyor belt and equipment components suppliers. As at 31 December 2019, we have 63 suppliers in total (2018: 22), all of them are from China.

To ensure quality, we have set up a range of standards for selecting suppliers, which includes, inter alia, (1) quality of products; (2) capacity and reputation; (3) pricing of products; (4) timely supply of goods. Our purchasing staff will assess suppliers regularly based on the above standards and get rid of unqualified suppliers.

Product Responsibility

As an inland terminal operator in China, we focus on the provision of port logistic services (including the uploading and unloading of cargo, temporary storage services prior to/or after shipments and short distance land transport services. We place great emphasis on service quality and strive to improve and enhance service quality. All the businesses operated by the Group are in compliance with the state and regional laws and regulations in relation to product liability, including but not limited to Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and Tort Law of the People's Republic of China (《中華 人民共和國侵權責任法》).

During the Year, the Group had no non-compliance with relevant laws and regulations in relation to health and safety, advertising, labeling and privacy issues.

Quality Control

The Group has set up a comprehensive quality control system, which includes the quality control policy and standard operating procedures during our course of business to ensure the consistent quality of our services.

To ensure effective quality control, we only procure equipment components, machines and other supplies required in our operation from recognized suppliers. The procurement department is responsible for the management of our equipment. We select qualified suppliers with caution based on internal assessment standards (such as product quality and pricing). Meanwhile, all the equipment will be inspected by the procurement department upon receipt to ensure that the material and equipment purchased by the Group satisfy quality standards.

The equipment items used in port logistic services include portal cranes, belt conveyors, loaders, forklifts and container trucks. As the aging or damage of equipment affects our quality consistency, our procurement department performs full-dimensional inspection and maintenance on all equipment every two years and the findings of inspection will be recorded in regular inspection reports to ensure quality standard.

The Group has set up a complaint and feedback system. Customers may provide feedbacks through calls, email or SMS in the event that they are unsatisfied with our service quality. Upon receiving the opinion or complaint of customers, the management will timely understand the case and take measures according to the actual situation. In addition, the sales department will perform a customer satisfaction survey at the end of each year, to receive customers' feedback on the service quality of the Group. Based on the results of questionnaires, we will analyze and review our service quality and provide corresponding trainings to employees where appropriate.

During the Year, the Group did not receive any complaint in relation to our services.

Intellectual Property Rights

In 2017, the Group registered the trademark and domain name for its brand "Ocean Line Port Development Limited" and domain name "www.oceanlineport.com", and the brand and domain name has thereby been under the legal protection of intellectual property rights.

During the Year, the Group did not encounter any incidents of controversies, disputes and claims relating to the intellectual property rights against any third parties.

Privacy Policies

We endeavor to establish long-term and trusting relationships with customers. In order to enhance the customers' confidence in our Group, we are committed to avoid the disclosure of confidential information of customers to third parties and to maintain and process the confidential information of customers prudently.

The Group requires employees to use the computers provided by the Company only to save customer information. Our information management department is responsible for monitoring and ensuring the proper operation of the Company's network and servers to prevent and detect any unauthorised access.

The Group required employees to sign the "Employee Service Commitment" to undertake to abide by the confidentiality duties and strictly observe the Company's confidentiality to safeguard the interests of the Group. In addition, the Group's Employee Handbook set out the content and scope of confidentiality of employees, confidentiality obligations and liabilities for default. According to the Employee Handbook, all employees are strictly prohibited from leakage, illegal usage or improper utilization of the Company's confidential information obtained from business or other ways. If any of the Group's business confidential information is disclosed or copied without the consent of the Group, the Group will take disciplinary actions against the staff involved in accordance with the disciplinary provisions detailed in the Employee Handbook and reserve the right to legal proceedings.

During the Year, the Group did not receive any complaints in relation to leakage of customer information.

Anti-corruption

All the businesses operated by the Group are in compliance with the national and local laws and regulations regarding the prevention of bribery, extortion, fraud and money laundering, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》and the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》). The Group requires its employees to strictly follow the requirements of the aforesaid ordinances in order to prevent behaviors such as bribery, extortion, fraud and money laundering.

In addition, we strictly prohibit all employees from using their powers for personal interests through the violations of laws and regulations or illegal activities such as bribery, extortion, fraud and money laundering in order to promote anti-corruption resolutely. The Group has set up a reporting and complaint channel. If any suspected case is observed, employees are able to report to the management in absolute confidentiality by telephone, email and SMS.

To protect the Group's interest, the Group requires employees to strictly follow the code of conduct listed in the Employee Handbook. In addition, the Group provides relevant training to employees on a regular basis.

During the Year, there were no litigation cases regarding allegations against the corruption of the Group or employees of the Group.

COMMUNITY

Community Investment

We deeply acknowledge the importance of giving back to the society and spare no effort in providing help to the community. We strongly encourage our staff to participate in community activities and contribute to the sustainable development of the harmonious society.

INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

Key Performance Indicator (KPI)	Environmental, Social and Governance Report Provisions	Disclosure Section	Notes
A. Environment			
Aspect A1: Emissions			
General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions discharges into water and land, and generation of hazardous and non-hazardous waste.		Environmental Protection	
A1.1	The types of emissions and respective emissions data	Emissions	
A1.2	Greenhouse gas emissions in total	Emissions	
A1.3	Total hazardous waste produced	N/A	No chemical or medical hazardous waste is generated in the course of our operation.
A1.4	Total non-hazardous waste produced	N/A	No significant amount of hazardous wastes is generated in the course of our operation. Hence, data of non-hazardous waste is not included in the calculation.
A1.5	Description of measures to mitigate emissions and results achieved	Emissions	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Waste Generation	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report Provisions	Disclosure Section	Notes
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection	
A2.1	Direct and/or indirect energy consumption by type in total	Use of Resources	
A2.2	Water consumption in total and intensity	Use of Resources	
A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources	
A2.5	Total packaging material used for finished products	N/A	Our operation process does not involve the use of packaging materials.
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Use of Resources	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report Provisions	Disclosure Section	Notes
B. Social			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.		Employment	
B1.1	Total workforce by gender, employment type, age group and geographical region	Employment	
B1.2	Employee turnover rate by gender, age group and geographical region	Employment	
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe work environment and protecting employees from occupational hazards.		Health and Safety	
B2.1	Number and rate of work-related fatalities	N/A	During the Year, no serious work injury incidents occurred in the Group.
B2.2	Lost days due to work injury	N/A	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report Provisions	Disclosure Section	Notes
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Development and Training	
B3.1	The percentage of employees trained by gender and employee category	Development and Training	
B3.2	The average training hours completed per employee by gender and employee category	Development and Training	
Aspect B4: Labour Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		Labour Standards	
B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards	
B4.2	Description of steps taken to eliminate such practices when discovered	Labour Standards	
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supply Chain Management	
B5.1	Number of suppliers by geographical region	Supply Chain Management	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report Provisions	Disclosure Section	Notes
Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Operating Practice	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	N/A	As a terminal operator, we do not produce any physical products, so the indicator is not applicable to us.
B6.2	Number of products and service related complaints received and how they are dealt with	Product Responsibility — Quality control	
B6.3	Description of practices relating to observing and protecting intellectual property rights	Non-discloseable	
B6.4	Description of quality assurance process and recall procedures	Product Responsibility — Quality control	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility — Privacy Policies	

Key Performance Indicator (KPI)	Environmental, Social and Governance Report Provisions	Disclosure Section	Notes
Aspect B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-corruption	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-corruption	During the reporting period, there were no accusations and legal cases regarding corruption in which the Group or the employees of the Group are involved.
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	Anti-corruption	
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community — Community Investment	
B8.1	Focus areas of contribution	Non-discloseable	
B8.2	Resources contributed to the focus area	Non-discloseable	

INDEPENDENT AUDITOR'S REPORT

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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 70 to 149, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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(d) 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 RMB52,530,000 as at 31 December 2019, with a fair value gain of approximately RMB7,138,000 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(ii) and 5(b) 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 RMB2,333,000 as at 31 December 2019 and the loss allowance amounting to approximately RMB1,006,000 has been made. 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 HKFRSs 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
Cheung Wing Yin
Practising Certificate Number P06946

Hong Kong
23 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	*7(a)*	146,225	94,344
Cost of services rendered		(66,381)	(49,936)
Gross profit		79,844	44,408
Other income and gains	*7(b)*	6,563	7,323
Change in fair value of investment properties	*16*	7,138	310
Selling and distribution expenses		(969)	(539)
Administrative expenses		(19,079)	(11,582)
Finance costs	*8*	(1,320)	(2,245)
Listing expenses		–	(3,870)
Share of profit/(loss) of an associate		6,405	(667)
Profit before income tax	*9*	78,582	33,138
Income tax expense	*11*	(18,485)	(7,758)
Profit and total comprehensive income for the year		60,097	25,380
Profit for the year attributable to:			
Owners of the Company		41,432	17,765
Non-controlling interests		18,665	7,615
		60,097	25,380
		RMB cents	RMB cents
Earnings per share attributable to owners of the Company			
Basic and diluted earnings per share	*13*	5.18	2.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	439,741	314,494
Investment properties	*16*	52,530	33,010
Interests in an associate	*17*	–	2,278
Payments for leasehold land held for own use under operating leases	*15*	–	54,362
Deposits	*21*	615	716
Deferred tax assets	*11(b)*	500	2,618
		493,386	407,478
Current assets			
Inventories	*18*	1,375	1,451
Trade receivables	*19*	2,333	2,350
Debt instruments at fair value through other comprehensive income	*20*	10,459	5,129
Deposits, prepayments and other receivables	*21*	24,297	10,073
Cash and cash equivalents	*22*	84,161	65,276
		122,625	84,279
Current liabilities			
Trade payables	*23*	8,724	5,012
Contract liabilities	*24*	29,473	3,286
Other payables, accruals and receipt in advance	*25*	93,686	56,711
Lease liabilities	*26*	417	–
Bank borrowings	*27*	–	40,000
Due to a related company	*28(a)*	–	6
Due to an associate	*28(b)*	–	183
Deferred government grant	*29*	890	890
Income tax payable		1,512	3,142
		134,702	109,230
Net current liabilities		(12,077)	(24,951)
Total assets less current liabilities		481,309	382,527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Bank borrowings	*27*	34,188	–
Deferred government grant	*29*	34,314	35,204
Deferred tax liabilities	*11(b)*	3,592	683
		72,094	35,887
Net assets		409,215	346,640
EQUITY			
Share capital	*30*	6,758	6,758
Reserves	*31*	300,946	255,834
Equity attributable to owners of the Company		307,704	262,592
Non-controlling interests		101,511	84,048
Total equity		409,215	346,640

Kwai Sze Hoi	**Huang Xueliang**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 38)	–	–	–	–	–	–	–	–	–	(1,684)	(1,684)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	11,668	11,668
Share issued pursuant to initial public offering, (note 30(d))	1,690	62,512	–	–	–	–	–	–	64,202	–	64,202
Share issue expenses (note 30(d))	–	(7,167)	–	–	–	–	–	–	(7,167)	–	(7,167)
Share capitalisation (note 30(c))	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 CHANGES IN EQUITY

For the year ended 31 December 2019

	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) /retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	6,758	50,277	369	4,094	36,691	172,860	376	(8,833)	262,592	84,048	346,640
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	41,432	41,432	18,665	60,097
Transfer to statutory reserve	–	–	–	–	12,548	–	–	(12,548)	–	–	–
Appropriations and utilisation of reserve	–	–	–	718	–	–	–	(718)	–	–	–
Equity settled share-based transaction	–	–	–	–	–	3,680	–	–	3,680	–	3,680
Dividends declared to non-controlling interests (note 38)	–	–	–	–	–	–	–	–	–	(1,202)	(1,202)
At 31 December 2019	6,758	50,277	369	4,812	49,239	176,540	376	19,333	307,704	101,511	409,215

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Profit before income tax		78,582	33,138
Adjustments for:			
Interest income	*7(b)*	(442)	(292)
Interest expenses	*8*	2,176	2,702
Share of (profit)/loss of an associate		(6,405)	667
Amortisation of payments for leasehold land held for own use under operating leases	*9*	–	1,282
Depreciation of property, plant and equipment	*9*	19,856	16,123
Loss/(gain) on disposal of property, plant and equipment	*9*	1,754	(14)
Gain on disposal of payment of leasehold land held for own use under operating leases	*9*	–	(938)
Loss on deregistration of an associate	*9*	129	–
Expected credit loss on trade receivables	*9*	44	71
Change in fair value of investment properties	*16*	(7,138)	(310)
Amortisation of deferred government grant	*9*	(890)	(890)
Listing expenses		–	3,870
Equity settled share-based payment expenses	*9*	3,680	–
Net cash inflow generated from operating activities		91,346	55,409
Decrease/(increase) in inventories		76	(762)
(Increase)/decrease in trade receivables		(27)	2,081
(Increase)/decrease in debt instruments at fair value through other comprehensive income		(5,330)	3,541
Increase in trade payables		3,712	1,844
Decrease in deposits, prepayments and other receivables		3,906	1,058
Increase in contract liabilities		26,187	2,780
Increase in other payables, accruals and receipt in advance		4,671	7,050
Cash generated from operations		124,541	73,001
Income tax paid		(15,100)	(5,616)
Net cash generated from operating activities		109,441	67,385

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(71,884)	(67,821)
Decrease in restricted deposits		–	412
Payment incurred for investment properties		(9,526)	(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		12	601
Disposal of short term investments		–	500
Decrease in amount due from a related company		–	1
Interest received		425	273
Net cash used in investing activities		(80,973)	(64,668)
Cash flows from financing activities			
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)	(6,651)
Proceeds from bank borrowings		62,188	46,982
Repayment of principal portion of the lease liabilities		(423)	–
Capital injection by non-controlling interests		–	11,668
Dividends paid to the then equity shareholder	12	–	(1,666)
Dividends paid to non-controlling interests	38	(1,202)	(1,684)
Repayments of bank borrowings		(68,000)	(43,982)
Interest paid		(2,140)	(2,702)
Net cash (used in)/generated from financing activities		(9,583)	52,052
Net increase in cash and cash equivalents		18,885	54,769
Cash and cash equivalents at beginning of the year		65,276	10,507
Cash and cash equivalents at end of the year		84,161	65,276
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		72,589	52,451
— Short-term deposit in a bank		11,572	12,825
		84,161	65,276

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. The Group is principally engaged in port operation in Chizhou City, Anhui Province, the People's Republic of China (the "**PRC**"). 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 of the Stock Exchange on 10 July 2018 (the "**Listing**").

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

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

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 2019 were approved and authorised for issue by the board of directors on 23 March 2020.

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

(a) Adoption of new and revised HKFRSs — effective 1 January 2019

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

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

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

HKFRS 16 — Leases

i. *Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 (continued)

HKFRS 16 — Leases (continued)

i. Impact of the adoption of HKFRS 16 (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included. The information presented for 2018 has not been restated.

	Carrying amounts at 31 December 2018 RMB'000	Impacts of adopting HKFRS 16 RMB'000	Carrying amounts at 1 January 2019 RMB'000
Assets:			
Property, plant and equipment	314,494	55,158	369,652
Payments for leasehold land held for own use under operating leases	54,362	(54,362)	–
Liabilities:			
Lease liabilities (non-current)	–	410	410
Lease liabilities (current)	–	386	386

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	RMB'000
Operating lease commitment as of 31 December 2018	70
Add: lease payments for additional periods where the Group considers it reasonably certain that both parties will exercise the extension option	773
	843
Less: total future interest expenses	(47)
Total lease liabilities as of 1 January 2019	796
Of which are:	
Current lease liabilities	386
Non-current lease liabilities	410
	796

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 6.1%.

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

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 (continued)

HKFRS 16 — Leases (continued)

ii. The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

iii. Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

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

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 (continued)

HKFRS 16 — Leases (continued)

iii. Accounting as a lessee (continued)

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 (continued)

HKFRS 16 — Leases (continued)

iv. *Accounting as a lessor*

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

Under HKFRS 16, when the group acts as an intermediate lessor in a sublease arrangement, the group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the group's financial statements in this regard.

v. *Transition*

The Group has elected to use the cumulative effect approach and has therefore recognised the cumulative effect of initially application as an adjustment to the opening balance of accumulated losses at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment. The Group applied this approach to all leases.

The Group has also applied the practical expedient to use hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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

(a) Adoption of new and revised HKFRSs — effective 1 January 2019 (continued)

HK(IFRIC) — Int 23 — Uncertainty 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 fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 28 — Long-term interests in Associates and Joint Ventures

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.

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 HKAS 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.

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.

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

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

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

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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)

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 70 to 149 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 fair value through other comprehensive income ("**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.

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

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

3. BASIS OF PREPARATION (continued)

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

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

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

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

(iii) The Group has prepared a detailed 15-month cashflow projection for the period from 1 January 2020 to 31 March 2021. It is expected to derive stable cash inflows from its operating activities, and taking into account the present available banking facilities (note 27) and internal financial resources of the Group, the Group has adequate cash flows to maintain the Group as a going concern the year ending 31 December 2020.

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.

(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.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The 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 (accounting policies applied until 31 December 2018)

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) Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities.

(i) **Right-of-use asset**

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7(A) Leasing (accounting policies applied from 1 January 2019) (continued)

(ii) Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(iii) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7(B) Leasing (accounting policies applied until 31 December 2018)

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.

4.8 Revenue recognition

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)

4.8 Revenue recognition (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)

4.9 Financial Instruments

(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 fair value through profit or loss ("**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.

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.

(ii) Impairment loss on financial assets

The Group recognises expected loss allowances ("**ECLs**") 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-month 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial Instruments (continued)

(ii) Impairment loss on financial assets (continued)

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-month ECLs. 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 ECLs, 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 a related company and an associate, lease liabilities 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial Instruments (continued)

(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 HKFRS 9.

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

4.10 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.

4.11 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.

4.12 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Accounting for income tax (continued)

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.

4.13 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.

4.14 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.

4.15 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Employee benefits (continued)

(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.

4.16 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.

4.17 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.

4.18 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)

4.19 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)

4.20 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.

4.21 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.

Other share-based payments

The shareholders had granted to an executive director shares in the ultimate holding company as a reward for the employee services to the Group. The reward cost was measured at the fair value of the shares of the Company and expensed to the consolidated statement of comprehensive income as directors' remuneration.

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.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(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).

(b) Impairment of financial assets

The Group's management assesses the credit risk of financial assets 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 ECLs, 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.

(c) 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.

(d) 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.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(e) 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.

(f) 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.

(g) 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.

(h) Lease

As explained in note 4.7(A)(ii), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (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 (note 16) and debt instruments at FVOCI (note 20) at fair value.

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 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:

	2019 RMB'000	2018 RMB'000
Customer A	16,256	N/A

Note: Less than 10% of Group's revenue attributed from Customer A for the year ended 31 December 2018.

(d) Disaggregation of revenue

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Provision of unloading and unloading services		
Bulk cargo and break bulk cargo	130,919	82,733
Container	2,649	2,627
Provision of ancillary port services	12,657	8,984
	146,225	94,344
Timing of revenue recognition		
At a point in time	140,409	88,590
Transferred over time	5,816	5,754
	146,225	94,344

(e) The emergence and spread of new coronavirus pneumonia epidemic in January 2020 has affected business and economic activity in the PRC and beyond. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future but the estimate of its financial effect cannot be made at this stage.

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:

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

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

	2019 RMB'000	2018 RMB'000
Receivables	2,333	2,350
Contract liabilities *(note 24)*	29,473	3,286

Contract liabilities mainly relate to the deposit received from customers on port services. The balance of RMB3,032,000 (2018: RMB377,000) as of 1 January 2019 has been recognised as revenue during the year from performance obligations satisfied due to the completion of services.

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 the 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:

	2019 RMB'000	2018 RMB'000
Bank interest income	442	292
Rental income from investment properties	2,207	2,294
Government grants		
— relating to investment properties and right-of-use assets (2018: leasehold land held for own use under operating leases)	890	890
— listing rewards *	2,000	–
— other grants #	–	65
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
Exchange gain, net	241	1,820
Others	783	646
	6,563	7,323

* Government grants of listing rewards represent reward of RMB2,000,000 from Finance Department of Anhui Province of Anhui Municipal People's Government for successful listing of the Company. It was determined at the sole discretion of the relevant PRC government authorities.

\# It represents unconditional cash subsidies from government.

8. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on borrowings	2,140	2,702
Less: Interests capitalised as qualifying assets	(856)	(457)
	1,284	–
Interest on lease liabilities	36	–
	1,320	2,245

During the year, the borrowing costs have been capitalised at the weighted average rate of its general borrowing of 5.1% (2018: 5.6%).

9. PROFIT BEFORE INCOME TAX

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

	2019 RMB'000	2018 RMB'000
Auditor's remuneration	647	617
Costs of inventories recognised as an expense (included under cost of services rendered)	5,875	5,184
Employee benefit expenses (including directors' emoluments (note 10))		
— Wages, salaries and other benefits	26,325	18,298
— Equity-settled share-based payment expenses (note(a))	3,680	–
— Defined contributions	2,804	2,367
	32,809	20,665
Direct operating expenses arising from investment properties that generated rental income	481	549
Expected credit loss on trade receivables	44	71
Depreciation of property, plant and equipment	19,856	16,123
Lease payments under operating leases	–	401
Amortisation of payments for leasehold land held for own use under operating leases	–	1,282
Amortisation of deferred government grant	(890)	(890)
Loss/(gain) on disposal of property, plant and equipment	1,754	(14)
Gain on disposal of payment of leasehold land held for own use under operating leases *(note (b))*	–	(938)
Listing expenses	–	3,870
Loss on deregistration of an associate	129	–

Notes:

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

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

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	Share-based payment expenses RMB'000 (note (b))	Defined contributions RMB'000	Total RMB'000
Year ended 31 December 2019					
Executive directors:					
Mr. Kwai	211	–	–	–	211
Mr. Huang	240	640	3,680	67	4,627
	451	640	3,680	67	4,838
Non-executive director:					
Ms. Cheung	190	–	–	–	190
Independent non-executive directors (note (a)):					
Mr. Nie Rui	158	–	–	–	158
Mr. Wong Chin Hung	158	–	–	–	158
Dr. Li Weidong	158	–	–	–	158
	474	–	–	–	474
Year ended 31 December 2018					
Executive directors:					
Mr. Kwai	140	–	–	–	140
Mr. Huang	214	454	–	54	722
	354	454	–	54	862
Non-executive director:					
Ms. Cheung	100	–	–	–	100
Independent non-executive directors (note (a)):					
Mr. Nie Rui	75	–	–	–	75
Mr. Wong Chin Hung	75	–	–	–	75
Dr. Li Weidong	75	–	–	–	75
	225	–	–	–	225

Notes:

(a) 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.

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

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 (2018: one director) during the year, whose emoluments are reflected in note (a).

The analysis of the emolument of four (2018: four) highest paid non-director individuals during the year are set out below:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	1,276	1,150
Pension scheme contributions	69	31
	1,345	1,181

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

	2019 Number of individuals	2018 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 (2018: 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 (2018: Nil).

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

11. INCOME TAX EXPENSE

(a) Income tax

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

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

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

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

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

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

11. INCOME TAX EXPENSE (continued)

(a) Income tax (continued)

Withholding tax was calculated at 10% of the dividends declared in respect of profits earned by PRC entities to a non-PRC holding company, except for the following subsidiary which enjoyed certain tax reduction.

Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 1 January 2007, the withholding income tax rate would be reduced to 5% ("**Tax Reduction**") upon government approval of the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%, provided certain criteria are met. Ocean Line Port Development (Hong Kong) Limited ("**Ocean Line Hong Kong**"), a subsidiary of the Company, was entitled to the Tax Reduction, the applicable withholding tax rate for Ocean Line Hong Kong was 5% for the year ended 31 December 2019.

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:

	2019 RMB'000	2018 RMB'000
Profit before income tax	78,582	33,138
Taxation calculated at PRC EIT rate of 25%	19,646	8,285
Non-taxable income	(1,662)	(327)
Expenses not deductible for tax	2,382	1,688
Tax effect of preferential tax rates for certain subsidiaries	(4,808)	(2,181)
Withholding tax on dividend	2,909	293
Others	18	–
Income tax expense	18,485	7,758

11. INCOME TAX EXPENSE (continued)

(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 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 and 1 January 2019	4,882	(1,980)	(284)	(683)	1,935
Charged to profit or loss	**(115)**	**(1,913)**	**(90)**	**(2,909)**	**(5,027)**
As at 31 December 2019	**4,767**	**(3,893)**	**(374)**	**(3,592)**	**(3,092)**

As at 31 December 2019, the Group recognised deferred tax liabilities of approximately RMB3,592,000 (2018: RMB683,000), 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:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**500**	2,618
Deferred tax liabilities	**(3,592)**	(683)

12. DIVIDENDS

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

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

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

On 11 January 2018, dividend of approximately RMB8,692,000 was declared by Ocean Line Chizhou, 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.

13. EARNINGS PER SHARE

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

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

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

The weighted average number of ordinary shares for the purpose of calculating basis earnings per share for the year ended 31 December 2018 has been determined on the assumption that the Reorganisation and share capitalisation as described in note 30 had been effective from 1 January 2018.

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

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	Right-of-use assets RMB'000 (note)	Total RMB'000
At 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 and 1 January 2019										
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
Year ended 31 December 2019										
Opening net carrying amount	184,479	13,764	27,209	2,880	1,659	927	2,342	81,234	–	314,494
Effect upon adoption of HKFRS 16 at 1 January 2019 (as restated)	–	–	–	–	–	–	–	–	55,158	55,158
Additions	12,283	33	3,876	617	1,746	169	506	72,461	–	91,691
Transfers in/(from)	22,279	–	13,088	7,922	–	–	242	(43,531)	–	–
Disposals	–	–	–	–	(286)	–	–	(1,739)	–	(2,025)
Depreciation	(10,894)	(485)	(5,575)	(407)	(444)	(208)	(160)	–	(1,683)	(19,856)
Eliminated on disposals	–	–	–	–	271	–	–	–	–	271
Exchange realignment	–	–	–	–	–	–	–	–	8	8
Closing net carrying amount	208,147	13,312	38,598	11,012	2,946	888	2,930	108,425	53,483	439,741
At 31 December 2019										
Cost	289,954	17,521	84,947	13,616	4,937	3,101	4,095	108,425	63,515	590,111
Accumulated depreciation	(81,807)	(4,209)	(46,349)	(2,604)	(1,991)	(2,213)	(1,165)	–	(10,032)	(150,370)
Net carrying amount	208,147	13,312	38,598	11,012	2,946	888	2,930	108,425	53,483	439,741

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Note:

Right-of-use assets

	Buildings RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2019 (as restated)	796	54,362	55,158
Depreciation	(399)	(1,284)	(1,683)
Exchange realignment	8	–	8
As at 31 December 2019	405	53,078	53,483

As at 31 December 2019, the Group's property, plant and equipment with net carrying amount of approximately RMB166,269,000 (2018: RMB57,556,000) were pledged to banking facilities and bank borrowings as set out in note 27.

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

	RMB'000
Cost	
At 1 January 2018	67,407
Additions	1,394
Disposals	(6,096)
At 31 December 2018	62,705
Impact of adopting HKFRS 16	(62,705)
At 1 January 2019 and 31 December 2019	–
Accumulated amortisation	
At 1 January 2018	7,935
Amortisation	1,282
Eliminated on disposals	(874)
At 31 December 2018	8,343
Impact of adopting HKFRS 16	(8,343)
At 1 January 2019 and 31 December 2019	–
Net carrying amount	
At 31 December 2019	–
At 31 December 2018	54,362

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 were pledged to banking facilities (note 27).

16. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Fair value			
At 1 January 2018	29,300	–	29,300
Additions	–	3,400	3,400
Changes in fair value	160	150	310
At 31 December 2018 and 1 January 2019	29,460	3,550	33,010
Additions	5,390	6,992	12,382
Transfer	3,550	(3,550)	–
Changes in fair value	6,870	268	7,138
At 31 December 2019	45,270	7,260	52,530

The fair value of the Group's investment properties at 31 December 2019 and 2018 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 — completed	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.	(45%) to 15% (2018: (15%) to 20%)
Buildings in the PRC — under construction	Direct comparison method	Properties-specific adjustment rate and estimated construction costs	(45%) to (3%) (2018: (23%) to 12%)

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.

	2019 RMB'000	2018 RMB'000
Opening balance (level 3 recurring fair value)	33,010	29,300
Cost incurred	12,382	3,400
Gains on change in fair value included in profit or loss	7,138	310
Closing balance (level 3 recurring fair value)	52,530	33,010
Change in unrealised gains for the year included in profit or loss	7,138	310

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

As at 31 December 2019, the Group's investment properties of approximately RMB14,600,000 (2018: RMB1,960,000) were pledged to banking facilities and bank borrowings as set out in note 27.

17. INTERESTS IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Share of net assets	–	2,165
Goodwill	–	113
	–	2,278

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 Port Limited ("**Chizhou Guichi**")	The PRC 5 October 1998	RMB10,000,000	–*(note)* (2018: 40%)	Port operation

Note: The associate is an unlisted corporate entity whose quoted market price is not available. On 5 December 2019, Chizhou Guichi was deregistered.

The summarised financial information of Chizhou Guichi extracted from management accounts for the year ended 31 December 2018 and for the period ended 5 December 2019 (date of deregistration) prepared in accordance with HKFRS is set out below:

	As at 5 December 2019 RMB'000	As at 31 December 2018 RMB'000
Non-current assets	–	3,675
Current assets	21,649	1,961
Current liabilities	–	(45)
Non-current liabilities	–	(179)

17. INTERESTS IN AN ASSOCIATE (continued)

	Period ended 5 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Revenue	1	11
Profit/(loss) after tax and total comprehensive income	16,268	(1,669)

Reconciliation to the Group's interests in Chizhou Guichi as at 31 December 2018:

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

18. INVENTORIES

	2019 RMB'000	2018 RMB'000
Consumables	1,375	1,451

19. TRADE RECEIVABLES

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

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

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

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

19. TRADE RECEIVABLES (continued)

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

	2019 RMB'000	2018 RMB'000
Balance at 1 January	962	891
Expected credit loss recognised during the year	44	71
Balance at 31 December	1,006	962

20. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Current assets		
Bills receivables	10,459	5,129

The maturity period for the bills receivables is ranging from 6 to 12 months (2018: 3 to 6 months.)

The directors of the Company consider that the carrying value of the bills receivables approximates the fair value as at 31 December 2019 and 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.

	2019 Level 3 RMB'000	2018 Level 3 RMB'000
Bills receivables	10,459	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	3.3% to 4.2% (2018: 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.

	2019 RMB'000	2018 RMB'000
Opening balance (level 3 recurring fair value)	5,129	8,670
Additions	38,900	33,866
Disposals	(33,570)	(37,407)
Closing balance (level 3 recurring fair value)	10,459	5,129

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

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

As at 31 December 2019, 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 RMB5,398,000 (2018: RMB7,229,000) (collectively referred to as the "**Derecognised Bills**"). The Derecognised Bills have a maturity term from 6 to 12 months (2018: 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

	Notes	2019 RMB'000	2018 RMB'000
Deposits	(i)	701	798
Prepayments		304	171
Other receivables	(ii)	23,907	9,820
		24,912	10,789
Classified as:			
Non-current assets		615	716
Current assets		24,297	10,073
		24,912	10,789

The Group does not hold any collateral over these balances.

Notes:

(i) As at 31 December 2019, included in deposits, approximately RMB72,000 (2018: RMB70,000) represents rental deposit paid to a related company, of which Mr. Kwai and Ms. Cheung are the beneficial owners.

(ii) As at 31 December 2019, the consideration receivables on deregistration of an associate was approximately RMB8,371,000 and the value-added tax for future deduction was approximately RMB14,642,000 which are expected to be recovered or utilised within one year.

22. CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash deposits at banks and on hand	72,589	52,451
Short-term deposit in a bank	11,572	12,825
Cash and cash equivalents	84,161	65,276

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 to 2 months (2018: 1 month) and earns interest at 2.3 to 2.5% per annum (2018: 2.25%).

As at 31 December 2019, the Group has cash and bank balances denominated in RMB amounted to approximately RMB72,342,000 (2018: RMB51,429,000), of which the remittance of cash out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

23. TRADE PAYABLES

The credit period is generally 30 days.

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

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

24. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities arising from:		
Provision of port services	29,473	3,286

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

	2019 RMB'000	2018 RMB'000
Balance at 1 January	3,286	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	(3,032)	(377)
Increase in contract liabilities as a result of billing in advance of port services being provided	29,219	3,157
Balance at 31 December	29,473	3,286

25. OTHER PAYABLES, ACCRUALS AND RECEIPT IN ADVANCE

	2019 RMB'000	2018 RMB'000
Other payables	62,254	41,184
Accruals	14,084	10,938
Receipt in advance	17,348	4,589
	93,686	56,711

Other payables represented construction cost payables of investment properties, cost of fixed assets acquisition payable which are expected to be settled within one year.

26. LEASE LIABILITIES

The amount included in the consolidated statement of financial position in respect of the carrying amounts of lease liabilities and the movements during the year is as follows:

	Buildings RMB'000
As at 31 December 2018 (Reported)	–
Impact of adopting HKFRS 16	796
Adjusted balance under HKFRS 16 as at 1 January 2019	796
Interest expense	36
Lease payments	(423)
Foreign exchange movements	8
As at 31 December 2019	417

Future lease payments are due as follows:

	31 December 2019		
	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than one year	429	(12)	417

26. LEASE LIABILITIES (continued)

	1 January 2019[note]		
	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than one year	422	(36)	386
Later than one year and not later than two years	421	(11)	410
	843	(47)	796

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. See note 2(a) for further details about transition.

The present value of future lease payments are analysed as:

	2019 RMB'000
Current liabilities	417

The Group as lessor

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

	2019 RMB'000	2018 RMB'000
Not later than one year	1,787	2,436
Later than one year and not later than two years	1,626	1,417
Later than two years and not later than three years	1,290	1,256
Later than three years and not later than four years	1,210	920
Later than four years and not later than five years	1,047	920
Later than five years	4,462	2,610
	11,422	9,559

The Group leased its investment properties under operating leases. The leases run for an initial period of 1 to 20 years.

26. LEASE LIABILITIES (continued)

The Group as lessee

As at 31 December 2018, the future minimum rental payables under non-cancellable operating leases are as follows:

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

27. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Current liabilities		
Secured bank borrowings		
— Amounts repayable within one year	–	40,000
	–	40,000
Non-current liabilities		
Secured and guaranteed bank borrowings		
— Amounts repayable after one year	34,188	–
	34,188	–
Total bank borrowings	34,188	40,000

27. BANK BORROWINGS (continued)

Notes:

(a) As at 31 December 2019, secured bank borrowings of approximately RMB34,188,000 (2018:RMB10,000,000) bear floating interest rate at 5.1% (2018: 6.4%) per annum. No bank borrowings carry fixed interest rate as at 31 December 2019 (2018: RMB30,000,000 at 5.7% per annum). The bank borrowings were attached with financial covenants. The Group regularly monitors its compliance with these covenants and all these covenants had been complied by the Group.

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

	2019 RMB'000	2018 RMB'000
Within one year	–	40,000
More than one year, but not exceeding two years	2,250	–
More than two years, but not exceeding five years	13,500	–
After five years	18,438	–
	34,188	40,000

(c) As at 31 December 2019, 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 RMB166,269,000 (note 14) (2018: RMB57,556,000) as at 31 December 2019;

(ii) the pledge of investment properties under operating lease of the Group of approximately RMB14,600,000 (note 16) (2018: RMB1,960,000) as at 31 December 2019; and

(iii) the pledge of leasehold land under operating leases of the Group with net carrying amount of approximately RMB14,240,000 (note 15) as at 31 December 2018

(d) The Group's aggregate banking facilities amounted to approximately RMB150,000,000 (2018: RMB52,000,000) of which approximately RMB34,188,000 (2018: RMB40,000,000) has been utilised as at 31 December 2019.

28. DUE TO A RELATED COMPANY AND AN ASSOCIATE

(a) Due to a related company

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 a related company, of which Mr. Kwai and Ms. Cheung are the beneficial owners, represent payables of approximately RMB6,000.

(b) Due to an associate

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

29. DEFERRED GOVERNMENT GRANT

	2019 RMB'000	2018 RMB'000
At beginning of the year	36,094	36,984
Amortisation	(890)	(890)
At end of the year	35,204	36,094
Classified as:		
Non-current liabilities	34,314	35,204
Current liabilities	890	890
	35,204	36,094

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

	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 and 2019		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 and 2019		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 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 5,000,000,000 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.

(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 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, a subsidiary 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, approximately RMB3,680,000 credited reserve resulting from recognition of equity-settled share-based payments to a director of the Company, Mr. Huang.

(e) Capital reserve

During the year ended 31 December 2018, 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. CAPITAL COMMITMENTS

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

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for		
— Construction in progress	12,813	44,186

33. RELATED PARTY TRANSACTIONS

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

	2019 RMB'000	2018 RMB'000
Lease payment (2018: rental expense) paid to a related company (note)	423	401

Note: 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 a related company was 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.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major Non-Cash Transaction:

During the year ended 31 December 2019, the equity settled share-based payment expenses granted to an executive director of the Company, Mr. Huang of approximately RMB3,680,000 was capitalised in other reserves (note 31(d)).

(b) Reconciliation of liabilities arising from financing activities:

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

				Non-cash changes	
	As at 1 January 2019 RMB'000	Financing cash flow RMB'000	Interest expense recognised RMB'000	Exchange movements RMB'000	At 31 December 2019 RMB'000
Year ended 31 December 2019					
Due to a related company	6	(6)	–	–	–
Bank borrowings	40,000	(7,952)	2,140	–	34,188
Lease liabilities	796	(423)	36	8	417

35. 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 22) 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

At 31 December 2019 and 2018, 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 RMB171,000 and RMB50,000 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:

	2019 RMB'000	2018 RMB'000
Assets:		
HK dollar ("**HK$**")	**10,146**	13,835
Liabilities		
HK$	**(1,182)**	(766)
Net exposure to foreign currency risk	**8,964**	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.

35. 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, retained earnings 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/ retained earnings and decrease in accumulated losses	
	2019 RMB'000	2018 RMB'000
HK$	448	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 2019 and 2018, 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, debt instruments at FVOCI, and bank deposits. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

The Group applies simplified approach to measure ECL on trade receivables; and general approach to measure ECL on other receivables, debt instruments at FVOCI and cash and cash equivalent. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

Financial assets with credit risk exposure

(i) Debt instruments at FVOCI

The Group has concentration of credit risk with bills receivables from trade issued by bank. The credit risk on the bills receivables is limited because the counterparties are mainly banks with high credit-rating or with good reputation.

(ii) Other receivables

The directors have made individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also forward-looking information, as appropriate. The Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant.

(iii) Cash and cash equivalent

Cash is 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 2019 and 2018, 0% of the total trade receivable balance was due from the Group's largest customer respectively and 28% and 16% of the total trade receivable balance was due from the Group's five largest customers respectively.

35. 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:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2019			
Current (not past due)	0.1%	2,301	–
1–30 days past due	0.2%	7	–
31–90 days past due	0.8%	–	–
91–120 days past due	2.4%	–	–
Over 120 days past due	13.5%	1,031	1,006
		3,339	1,006

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2018			
Current (not past due)	0.1%	2,030	–
1–30 days past due	0.2%	275	–
31–90 days past due	0.8%	–	–
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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of trade receivables. 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:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	962	891
Expected credit losses recognised during the year	44	71
Balance at 31 December	1,006	962

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.

35. 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 2018						
Trade payables	5,012	5,012	5,012	–	–	–
Other payables and accruals	48,856	48,856	48,856	–	–	–
Due to a related company	6	6	6	–	–	–
Due to an associate	183	183	183	–	–	–
Bank borrowings	40,000	40,770	40,770	–	–	–
	94,057	94,827	94,827	–	–	–

	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 2019						
Trade payables	8,724	8,724	8,724	–	–	–
Other payables and accruals	73,789	73,789	73,789	–	–	–
Lease liabilities	417	417	417	–	–	–
Bank borrowings	34,188	45,090	1,788	3,976	13,421	25,905
	117,118	128,020	84,718	3,976	13,421	25,905

(e) Fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, deposits and other receivables, trade payables, other payables and accruals, bank borrowings, lease liabilities, amounts due to 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.

35. 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

	2019 RMB'000	2018 RMB'000
At amortised cost		
— Trade receivables	2,333	2,350
— Deposits and other receivables	9,264	890
— Cash and cash equivalents	84,161	65,276
Debt instruments at FVOCI	10,459	5,129
	106,217	73,645

Financial liabilities

	2019 RMB'000	2018 RMB'000
At amortised costs		
— Trade payables	8,724	5,012
— Other payables and accruals	73,789	48,856
— Due to a related company	–	6
— Due to an associate	–	183
— Lease liabilities	417	–
— Bank borrowings	34,188	40,000
	117,118	94,057

36. 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.

37. SHARE-BASED PAYMENT TRANSACTIONS

(a) On 23 December 2019, the controlling shareholders of the Company granted 1,334 shares of Vital Force to the executive director of the Company, Mr. Huang under the sales and purchase agreement as a reward for employee services to the Group without vesting conditions and without recharging arrangement.

The estimated fair value of the share-based payments recognised on the measurement date of RMB3,680,000 (equivalent to approximately HK$4,000,000 was expensed to the consolidated statement of comprehensive income as directors' remuneration (note 10(a)) and was capitalised in other reserves (note 31(d)).

(b) 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.

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(vi) 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.

(vii) 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.

(viii) 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.

38. 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

	2019 RMB'000	2018 RMB'000
Revenue	98,777	59,026
Profit for the year	57,931	14,678
Total comprehensive income	57,931	14,678
Total comprehensive income allocated to NCI	13,865	3,923
Dividends paid to NCI	–	(1,684)
Cash flows generated from operating activities	79,952	19,663
Cash flows used in investing activities	(83,807)	(59,829)
Cash flows generated from financing activities	21,583	56,097
Net cash inflows	17,728	15,931

	2019 RMB'000	2018 RMB'000
Current assets	66,785	38,018
Non-current assets	442,426	350,024
Current liabilities	(108,309)	(78,368)
Non-current liabilities	(68,501)	(35,203)
Net assets	332,401	274,471
Accumulated non-controlling interests	86,585	72,720

38. NON-CONTROLLING INTERESTS (continued)

(b) Chizhou Niutoushan

	2019 RMB'000	2018 RMB'000
Revenue	47,448	35,319
Profit for the year	21,554	16,578
Total comprehensive income	21,554	16,578
Total comprehensive income allocated to NCI	4,800	3,692
Dividends paid to NCI *(note)*	(1,202)	–
Cash flows generated from operating activities	41,417	44,812
Cash flows generated from/(used in) investing activities	1,991	(5,591)
Cash flows used in financing activities	(48,812)	(13,000)
Net cash (outflows)/inflows	(5,404)	26,221
Current assets	25,735	37,493
Non-current assets	103,369	107,212
Current liabilities	(25,780)	(38,906)
Non-current liabilities	-	–
Net assets	103,324	105,799
Accumulated non-controlling interests	14,926	11,328

Note: On 18 July 2019, Chizhou Niutoushan declared dividend of approximately RMB24,029,000 (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 RMB14,819,000 in respect of its equity interest of 61.67%, approximately RMB8,008,000 to the party with equity interests of 33.33%, and of approximately RMB1,202,000 to the party with equity interests of 5% in Chizhou Niutoushan, respectively.

39. DEREGISTRATION OF A SUBSIDIARY

On 2 July 2019, the Group deregistered a subsidiary, Chizhou Qianjiang Chemical Port Terminal Limited ("**Chizhou Qianjiang**") which is engaged in the provision of port transportation services in the PRC. The net assets of Chizhou Qianjiang at the date of deregistration were as follows:

	RMB'000
Cash and cash equivalent	2,143
Other receivables	1
Net assets deregistered	2,144
Satisfied by:	
Cash	2,144

The deregistered subsidiary had no significant impact on the results and cash flows of the Group for the year ended 31 December 2019.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		21	31
Investment in subsidiaries		144,000	144,000
		144,021	144,031
Current assets			
Prepayments and other receivables		33	19
Due from subsidiaries		39,897	31,218
Cash and cash equivalents		160	13,835
		40,090	45,072
Current liabilities			
Accruals		856	766
Due to a subsidiary		–	1,935
		856	2,701
Net current assets		39,234	42,371
Net assets		183,255	186,402
EQUITY			
Share capital	*30*	6,758	6,758
Reserve (note)		198,326	194,646
Accumulated losses		(21,829)	(15,002)
Total equity		183,255	186,402

Kwai Sze Hoi
Director

Huang Xueliang
Director

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	6,758	50,277	144,369	–	(15,002)	186,402
Loss and total comprehensive income for the year	–	–	–	–	(6,827)	(6,827)
Equity settled share-based transactions	–	–	–	3,680	–	3,680
At 31 December 2019	6,758	50,277	144,369	3,680	(21,829)	183,255

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	–	–	–	–	(10,799)	(10,799)
Loss and total comprehensive income for the year	–	–	–	–	(4,203)	(4,203)
Indemnification by the ultimate shareholder (note 31(e))	–	–	369	–	–	369
Issue of shares upon Reorganisation	–	–	144,000	–	–	144,000
Issue of shares by public offer, net of listing expenses (note 30(d))	1,690	55,345	–	–	–	57,035
Share capitalisation (note 30(c))	5,068	(5,068)	–	–	–	–
At 31 December 2018	6,758	50,277	144,369	–	(15,002)	186,402

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
		As at 31 December 2019	As at 31 December 2018	As at 31 December 2019		As at 31 December 2018		
				Directly	Indirectly	Directly	Indirectly	
Ocean Line Chizhou	BVI 9 October 2007	US$2	US$2	100.00%	–	100.00%	–	Investment holding
Noble Century	BVI 26 April 2017	US$10	US$10	100.00%	–	100.00%	–	Investment holding
Chizhou Port Holdings *(note 1)*	The PRC 18 December 2007	RMB264,436,968	RMB241,670,000	–	72.00%	–	72.00%	Port operation
Yuan Hang Port Development (Chizhou) Limited *(note 2)*	The PRC 28 November 2017	RMB100,000	RMB100,000	–	100.00%	–	100.00%	Investment holding
Chizhou Niutoushan *(note 3)*	The PRC 11 April 2012	RMB80,000,000	RMB80,000,000	–	77.73%	–	77.73%	Port operation
Chizhou Qianjiang *(note 4)*	The PRC 27 October 2015	Nil	RMB2,200,000	–	–	–	100.00%	Port operation
Ocean Line Hong Kong	Hong Kong 30 October 2017	HK$1	HK$1	–	100.00%	–	100.00%	Investment holding

Notes:

1. a Sino-foreign equity joint venture.
2. a wholly foreign owned enterprise.
3. a limited liability company.
4. a limited liability company. It was deregistered on 2 July 2019.

42. EVENTS AFTER THE REPORTING DATE

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

FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for the years ended 31 December 2015, 2016, 2017, 2018 and 2019:

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.

	For the year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
RESULTS					
REVENUE	47,310	49,008	63,638	94,344	**146,225**
PROFIT BEFORE TAX	7,105	7,222	5,118	33,138	**78,582**
INCOME TAX EXPENSE	(1,629)	(2,457)	(4,092)	(7,758)	**(18,485)**
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	4,063	3,441	(1,940)	17,765	**41,432**

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	390,078	381,950	377,239	491,757	**616,011**
TOTAL LIABILITIES	(128,012)	(118,389)	(114,675)	(145,117)	**(206,796)**
NET ASSETS	262,066	263,561	262,564	346,640	**409,215**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	195,728	199,217	196,115	262,592	**307,704**