遠航港口發展有限公司

OCEAN LINE PORT DEVELOPMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8502

INTERIM REPORT

2021

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

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Corporate Information

DIRECTORS

Executive Directors:

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

Non-executive Director:

Ms. Cheung Wai Fung

Independent non-executive Directors:

Mr. Nie Rui
Mr. Cheung Sze Ming
Dr. Li Weidong

AUTHORISED REPRESENTATIVES

Mr. Kwai Sze Hoi
Mr. Lee Chun Hin

AUDIT COMMITTEE

Mr. Cheung Sze Ming *(Chairman)*
Mr. Nie Rui
Dr. Li Weidong

REMUNERATION COMMITTEE

Mr. Nie Rui *(Chairman)*
Mr. Cheung Sze Ming
Dr. Li Weidong

NOMINATION COMMITTEE

Dr. Li Weidong *(Chairman)*
Mr. Nie Rui
Mr. Cheung Sze Ming

COMPANY SECRETARY

Mr. Lee Chun Hin

COMPLIANCE ADVISER

Alliance Capital Partners Limited
(compliance adviser agreement expired on 26 March 2021)

COMPLIANCE OFFICER

Mr. Kwai Sze Hoi

AUDITOR

BDO Limited

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

REGISTERED OFFICE

Cricket Square
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Cayman Islands

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

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

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COMPANY WEBSITE

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STOCK CODE

8502

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2021

	Notes	Three months ended 30 June 2021 RMB'000 (Unaudited)	Three months ended 30 June 2020 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2020 RMB'000 (Unaudited)
Revenue	5	**48,131**	47,965	**89,771**	86,405
Cost of services rendered		**(17,062)**	(15,169)	**(35,216)**	(30,811)
Gross profit		**31,069**	32,796	**54,555**	55,594
Other income and gains		**1,099**	840	**3,096**	2,678
Selling and distribution expenses		**(215)**	(179)	**(393)**	(296)
Administrative expenses		**(2,706)**	(2,425)	**(5,728)**	(4,765)
Finance costs		**(16)**	(96)	**(33)**	(546)
Profit before income tax	6	**29,231**	30,936	**51,497**	52,665
Income tax expense	7	**(3,874)**	(4,937)	**(8,264)**	(10,065)
Profit for the period and total comprehensive income for the period, net of tax		**25,357**	25,999	**43,233**	42,600
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		**18,282**	18,569	**31,054**	30,519
Non-controlling interests		**7,075**	7,430	**12,179**	12,081
		25,357	25,999	**43,233**	42,600
Earnings per share attributable to owners of the Company					
Basic and diluted earnings per share	8	**RMB2.29 cents**	RMB2.32 cents	**RMB3.88 cents**	RMB3.81 cents

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	**30 June 2021 RMB'000 (Unaudited)**	31 December 2020 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**427,442**	426,462
Investment properties		**63,259**	62,800
Equity investment at fair value through other comprehensive income		**4,504**	4,504
Deposits and prepayments		**1,177**	11,543
Deferred tax assets		**146**	171
		496,528	505,480
Current assets			
Inventories		**1,667**	1,786
Trade receivables	*11*	**2,900**	1,096
Debt instruments at fair value through other comprehensive income		**–**	2,690
Deposits, prepayments and other receivables		**9,292**	11,005
Due from non-controlling interests		**–**	5,600
Time deposits over three months		**69,400**	–
Cash and cash equivalents		**96,553**	122,523
		179,812	144,700
Current liabilities			
Trade payables	*12*	**10,703**	7,948
Contract liabilities		**25,004**	45,346
Other payables, accruals and receipt in advance		**72,561**	75,254
Lease liabilities		**415**	415
Due to a non-controlling interest		**1,017**	973
Deferred government grant		**890**	890
Income tax payable		**4,235**	3,008
		114,825	133,834
Net current assets		**64,987**	10,866
Total assets less current liabilities		**561,515**	516,346

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	**30 June 2021 RMB'000 (Unaudited)**	31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Deferred government grant		**34,974**	33,424
Lease liabilities		**707**	909
Deferred tax liabilities		**6,088**	4,483
		41,769	38,816
Net assets		**519,746**	477,530
EQUITY			
Share capital	*13*	**6,758**	6,758
Reserves		**376,222**	345,168
Equity attributable to owners of the Company		**382,980**	351,926
Non-controlling interests		**136,766**	125,604
Total equity		**519,746**	477,530

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**50,032**	56,768
Net cash used in investing activities	**(80,394)**	(25,659)
Cash flows from financing activities		
Capital injection by non-controlling interests	**5,600**	–
Dividends paid to a non-controlling interest	**(973)**	–
Repayments of bank borrowings	**–**	(34,188)
Others	**(235)**	(754)
Net cash generated from/(used in) financing activities	**4,392**	(34,942)
Net decrease in cash and cash equivalents	**(25,970)**	(3,833)
Cash and cash equivalents at 1 January	**122,523**	84,161
Cash and cash equivalents at 30 June	**96,553**	80,328
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	**86,300**	64,523
— Short-term deposit in bank	**10,253**	15,805
	96,553	80,328

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company											
	Share capital RMB'000	**Share premium** RMB'000	**Capital reserve** RMB'000	**Special reserve** RMB'000	**Statutory reserve** RMB'000	**Other reserve** RMB'000	**Assets revaluation reserve** RMB'000	**Fair value reserve** RMB'000	**Retained earnings** RMB'000	**Subtotal** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2021 (audited)	**6,758**	**50,277**	**369**	**6,154**	**66,265**	**176,540**	**376**	**(357)**	**45,544**	**351,926**	**125,604**	**477,530**
Profit for the period and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31,054**	**31,054**	**12,179**	**43,233**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**8,133**	**–**	**–**	**–**	**(8,133)**	**–**	**–**	**–**
Appropriation and utilisation of reserve	**–**	**–**	**–**	**778**	**–**	**–**	**–**	**–**	**(778)**	**–**	**–**	**–**
Dividends declared to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,017)**	**(1,017)**
As at 30 June 2021 (unaudited)	**6,758**	**50,277**	**369**	**6,932**	**74,398**	**176,540**	**376**	**(357)**	**67,687**	**382,980**	**136,766**	**519,746**
At 1 January 2020 (audited)	6,758	50,277	369	4,812	49,239	176,540	376	–	19,333	307,704	101,511	409,215
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	–	–	30,519	30,519	12,081	42,600
Transfer to statutory reserve	–	–	–	–	799	–	–	–	(799)	–	–	–
Appropriation and utilisation of reserve	–	–	–	685	–	–	–	–	(685)	–	–	–
Dividends declared to non-controlling interest	–	–	–	–	–	–	–	–	–	–	(973)	(973)
As at 30 June 2020 (unaudited)	6,758	50,277	369	5,497	50,038	176,540	376	–	48,368	338,223	112,619	450,842

1. GENERAL INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

2. BASIS OF PREPARATION (continued)

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning of 1 January 2021.

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

In preparing these unaudited condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2020.

4. SEGMENT INFORMATION

Operating segment information

The Group identifies its operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors, who are the chief operating decision-makers of the Group, for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in the internal reporting to the executive Directors, which is the provision of port services. Accordingly, no segment information analysed by operating segment is presented in the condensed consolidated financial statements.

Geographical information

The geographical location of revenue allocated is based on the location at which services are provided. The Group renders port services in the PRC and all its revenue for the six months ended 30 June 2021 and 2020 were derived in the PRC. The geographical location of the Group's non-current assets is based on the physical location of the assets. The Group's non-current assets are based in the PRC.

5. REVENUE

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

Revenue recognised during the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Port service income	**48,131**	47,965	**89,771**	86,405

5. REVENUE (continued)

Disaggregation of revenue

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Provision of uploading and unloading services				
Bulk cargo and break bulk cargo	**43,978**	44,315	**81,013**	79,774
Container	**436**	747	**1,065**	1,311
Subtotal	**44,414**	45,062	**82,078**	81,085
Provision of ancillary port services	**3,717**	2,903	**7,693**	5,320
	48,131	47,965	**89,771**	86,405
Timing of revenue recognition				
At a point in time	**47,293**	46,594	**87,445**	84,060
Transferred over time	**838**	1,371	**2,326**	2,345
	48,131	47,965	**89,771**	86,405

6. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Costs of inventories recognised as an expense (included under cost of service rendered)	**900**	973	**1,896**	1,992
Employee benefit expenses (including directors' emoluments)				
— Wages, salaries and other benefits	**4,000**	4,124	**8,496**	8,281
— Defined contributions	**700**	444	**1,465**	1,041
	4,700	4,568	**9,961**	9,322
Direct operating expenses arising from investment properties that generated rental income	**76**	19	**152**	95
Depreciation of property, plant and equipment	**6,782**	6,090	**13,565**	11,825
Repairs and maintenance expenses (included under cost of services rendered)	**2,260**	2,134	**5,124**	4,780
Subcontracting fee (included under cost of services rendered)	**2,251**	1,916	**5,893**	4,245
Amortisation of deferred government grant	**(222)**	(222)	**(445)**	(445)

7. INCOME TAX EXPENSE

Income tax

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

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
— PRC enterprise income tax	**3,400**	4,106	**6,634**	8,142
Deferred tax charged to profit or loss	**474**	831	**1,630**	1,923
	3,874	4,937	**8,264**	10,065

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

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

One of the infrastructure projects (the "Qualifying Project") of Chizhou Port Ocean Line Holdings Limited ("Chizhou Port Holdings"), a subsidiary of the Company, is 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 has commenced from 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 shall commence from the financial year beginning on 1 January 2022 and ending on 31 December 2024. Therefore, the relevant profit generated from the Qualifying Project is tax-exempted for the six months ended 30 June 2021.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in or derived from Hong Kong for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to the owners of the Company	**31,054**	30,519
	Number of shares	
Weighted average number of ordinary shares in issue during the period	**800,000,000**	800,000,000

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on profit attributable to owners of the Company of approximately RMB31,054,000 (for the six months ended 30 June 2020: RMB30,519,000) and on the weighted average number of 800,000,000 (for the six months ended 30 June 2020: 800,000,000) ordinary shares in issue during the period.

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

9. INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, additions to the Group's property, plant and equipment amounted to approximately RMB14,545,000 (six months ended 30 June 2020: RMB13,154,000).

11. TRADE RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables	**3,906**	2,102
Less: Provision for impairment	**(1,006)**	(1,006)
	2,900	1,096

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

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
0 to 30 days	**2,743**	1,088
31 to 90 days	**149**	5
91 to 120 days	**–**	–
121 to 365 days	**5**	–
Over 1 year	**3**	3
	2,900	1,096

12. TRADE PAYABLES

The credit period is generally 30 days.

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
0 to 30 days	**6,204**	2,137
31 to 90 days	**622**	130
91 to 120 days	**114**	100
121 to 365 days	**2,881**	639
Over 1 year	**882**	4,942
	10,703	7,948

13. SHARE CAPITAL

	Number of ordinary shares	HK$'000	RMB'000
Authorised:			
As at 1 January 2020, 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited)	5,000,000,000	50,000	40,929
Issued and fully paid:			
As at 1 January 2020, 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited)	800,000,000	8,000	6,758

14. CAPITAL COMMITMENTS

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

	Notes	**As at 30 June 2021 RMB'000 (Unaudited)**	As at 31 December 2020 RMB'000 (Audited)
Contracted, but not provided for			
— Construction in progress		**5,510**	4,167
— Investment in the Chizhou Port Meilong Port Affairs Company Limited ("Chizhou Meilong")	*(i)*	**21,600**	21,600
— Investment in equity investment at FVOCI	*(ii)*	**15,000**	15,000

Notes:

(i) On 26 November 2020, the Group entered into an agreement with two investors which are PRC state-controlled entities pursuant to which the Group agreed to make a cash injection of RMB36,000,000 in total by installment into the capital of the Chizhou Meilong, the Group's subsidiary in return for 72% equity interest of Chizhou Meilong. In addition, the other investors agreed to make cash injections proportionate to their holdings. The fund injected by the Group and two investors will be utilised for the construction of a new port terminal. During the period, the shareholders of Chizhou Meilong entered into a supplemental agreement, pursuant to which the parties thereto agreed that the timing of the remaining 60% of their total capital contribution to Chizhou Meilong will be determined by the shareholders of Chizhou Meilong based on the project progress of Chizhou Meilong.

(ii) On 30 September 2020, the Group entered into an agreement with three investors of which two are PRC state-controlled entities and one independent third party pursuant to which the Group agreed to make a cash injection of RMB20,000,000 in total into the investee by installment into the capital of the equity investment at FVOCI in return for 10% equity interest of the equity investment at FVOCI. In addition, the other investors agreed to make cash injections proportionate to their holdings. During the year ended 31 December 2020, the Group has injected RMB5,000,000 into the investee and the investment is classified as equity investment at FVOCI.

15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Lease payment paid to a related company *(Note)*	**238**	218

Note: In November 2017, Ocean Line Hong Kong and Ocean Longevity Company Limited ("Ocean Longevity"), a related company, entered into a tenancy agreement pursuant to which the Ocean Longevity 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, with the term of the tenancy agreement having commenced from 1 January 2018 and expired on 31 December 2020.

In November 2020, Ocean Line Hong Kong and Ocean Longevity, enter into a tenancy agreement pursuant to which the Ocean Longevity 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$570,000, with the term of the tenancy agreement commencing from 1 January 2021 and expiring on 31 December 2023.

The controlling shareholders of the Company are the beneficial owners of Ocean Longevity.

The above transactions with a related company was negotiated and carried out in the ordinary course of business and on normal commercial terms as agreed between the Group and the related party.

15. RELATED PARTY TRANSACTIONS (continued)

As the total amount payable under the current tenancy agreements (including the estimated utilities and telephone charges) by Ocean Line Hong Kong to Ocean Longevity for each of the three financial years ending 31 December 2023 would be approximately HK$600,000, which is less than HK$3,000,000 per annum and less than the 5% percentage ratios (other than the profits ratio) mentioned in Rule 19.07 of the GEM Listing Rules, the total annual rent (including the estimated utilities and telephone charges) payable under the 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.

(b) Key management personnel compensation

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee	**585**	572
Salaries, allowances and benefits in kinds	**120**	120
Defined contributions	**38**	18
	743	710

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has determined that the carrying amounts of cash and cash equivalents, time deposits over three months, trade receivables, other receivables, amounts due from non-controlling interests, trade payables, other payables and accruals and amount due to a non-controlling interest reasonably approximate to their fair values because these financial instruments are mostly short-term in nature.

The unlisted equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be long-term strategic capital investment in nature. Change in fair value of the above equity investment is recognised in other comprehensive income and accumulated within the fair value reserve within equity. The Group transfers amounts from fair value reserve (non-recycling) to retained earnings when the relevant equity investment is derecognised.

The bills receivables were classified as debt instruments at fair value through other comprehensive income. The maturity period for the bills receivables was ranging from 3 to 6 months for the year ended 31 December 2020.

The Directors of the Company consider that the carrying value of the bills receivables under debt instruments at fair value through other comprehensive income approximates the fair value as at 31 December 2020.

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

	30 June 2021 Level 3 RMB'000 (Unaudited)	31 December 2020 Level 3 RMB'000 (Audited)
Equity investment at fair value through other comprehensive income		
— Unlisted equity investment	**4,504**	4,504
Debt instruments at fair value through other comprehensive income		
— Bills receivables	**–**	2,690

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Information about level 3 fair value measurements:

	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
Unlisted equity investment in the PRC	Assets approach	Discount for lack of control	9.91% (For the year ended 31 December 2020: 9.91%)	The discount rate is negatively correlated to the fair value measurement of the unlisted equity investment. A slight increase in the discount for lack of control would result in a slight decrease in fair value measurement of the equity investment, and vice versa.
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	For the year ended 31 December 2020: 4.3% to 4.7%	The discount rate is negatively correlated to the fair value measurement of bills receivables.

There were no changes to the valuation techniques during the six months ended 30 June 2021 and year ended 31 December 2020.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

There were no transfer in Level 1, Level 2 and Level 3 of the fair value hierarchy during the six months ended 30 June 2021 and year ended 31 December 2020.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Unlisted equity investment:		
Opening balance (level 3 recurring fair value)	**4,504**	–
Additions	**–**	5,000
Change in fair value included in other comprehensive income	**–**	(496)
Closing balance (level 3 recurring fair value)	**4,504**	4,504
Bills receivables:		
Opening balance (level 3 recurring fair value)	**2,690**	10,459
Additions	**3,100**	13,346
Disposals	**(5,790)**	(21,115)
Closing balance (level 3 recurring fair value)	**–**	2,690

The unobservable input used in the fair value measurement of the bills receivables is discount rate. As at 31 December 2020, if the discount rates were 5% higher/lower, the fair value would be RMB2,000 lower/higher.

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 cargoes, bulk cargo handling services, container handling, storage and other services). The Group operates two port terminals, namely, Jiangkou Terminal and Niutoushan Terminal, both situated in Chizhou City, Anhui Province, the PRC. Chizhou City, located in the upper reach of the downstream section of the Yangtze River, is an important port city in the southwestern region of Anhui Province. It is also a crucial component of the integrated development of the Yangtze River Delta. With abundant mining resources as its biggest strengths, Chizhou City is an integral non-metallic mineral base in Eastern China. There are eleven berths in the two major terminals of the Group, including the four berths of the new phase (Phase III) 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.

For the six months ended 30 June 2021, total throughput volume of bulk cargo and break bulk cargo was 14.4 million tonnes (six months ended 30 June 2020: 13.1 million tonnes), representing an increase of 10.3% as compared to the corresponding period in 2020; container throughput was 7,020 TEUs (six months ended 30 June 2020: 8,471 TEUs), representing a decrease of 17.1% as compared to the corresponding period in 2020. The Group's revenue and profit were RMB89.8 million (six months ended 30 June 2020: RMB86.4 million) and RMB43.2 million (six months ended 30 June 2020: RMB42.6 million), respectively, representing an increase of 3.9% and 1.4%, respectively as compared to the corresponding period in 2020. The Group's port business maintained a stable development trend with a steady rise.

The increase in the Group's revenue was dependent on the growth in throughput volume of cargo loading and unloading. The throughput volume of the ports was mainly influenced by the following factors:

Firstly, domestic economy recovered rapidly. Global trade in goods has continued to recover this year following a brief and deep decline due to the impact of the COVID-19 pandemic last year. With the steady progress of the PRC government's "Belt and Road" initiative and "Yangtze River Economic Belt" strategy, it is expected that the economic development of the Yangtze River basin will welcome a new historical stage, the stability of the industrial chain will be enhanced, market demand will increase steadily, and our port business will develop in a good momentum.

Secondly, the throughput capacity advantages are fully utilised. The new phase (Phase III) of Jiangkou Terminal is equipped with advanced equipment, which meets the actual production and operation needs with high working efficiency, and the advantages of throughput capacity are being further brought into play.

Thirdly, the impact of container business. Against the backdrop of the international situation, the inland container market is also in a period of rapid development, but there is still no breakthrough in the container business in Jiangkou Terminal. The severe overstock of foreign container vessels in foreign terminals led to the increase in ocean freight and the shortage of empty containers, which led to the increase in the cost of container transportation for our customers, creating greater impact on our container business.

Fourthly, enhancing aggressive marketing efforts and facilitating the development of our ports. The Group has a group of experienced management team. Facing the uncertainty of the market, we have taken the initiative to visit the enterprise in depth, grasp the source of commodities in a timely manner, expand the hinterland of our ports, enhance the competitiveness and promote the sustainable development of our ports.

OUTLOOK

The outlook of the Group's business will be impacted by various uncertainties during the second half of 2021, mainly due to the following main factors:

Firstly, China's economy has maintained a generally stable development trend. With industrial production benefiting from strong external demand, the construction industry has grown steadily and has led to growing demand for construction materials. The cargo volume of our ports is on an upward path.

Secondly, some of the enterprises introduced by the Chizhou City government through investment promotion have gradually improved their production capacity, driving the continuously increasing demand for public terminals.

Thirdly, the economic impact of flood caused by persistent heavy rainfall in some areas such as Henan and the COVID-19 pandemic that has not yet been completely eradicated cannot be ignored, which will also bring uncertainty to our port business development in the second half of the year.

In conclusion, as the economic environment continues to improve, we remain optimistic about the transportation market in the second half of the year and are confident about the future of our operations, despite the impacts of various uncertainties. We, as a group, will strive to overcome difficulties, and make full use of our advantages in throughput capabilities to broaden sources of income and reduce expenditure, capture opportunities, expand and move forward with even greater enthusiasm.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June			
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	Increase/(decrease) RMB'000	%
Revenue from provision of uploading and unloading services				
Bulk cargo and break bulk cargo	**81,013**	79,774	1,239	1.6
Container	**1,065**	1,311	(246)	(18.8)
Subtotal	**82,078**	81,085	993	1.2
Revenue from provision of ancillary port services	**7,693**	5,320	2,373	44.6
Total revenue	**89,771**	86,405	3,366	3.9

	Six months ended 30 June			
	2021 (Unaudited)	2020 (Unaudited)	Increase/(decrease)	%
Total cargo throughput (thousand tonnes)	**14,417**	13,072	1,345	10.3
Container throughput (TEUs)	**7,020**	8,471	(1,451)	(17.1)

Our revenue which is principally generated from the provision of uploading and unloading services and ancillary port services was approximately RMB89.8 million for the six months ended 30 June 2021 and RMB86.4 million for the same period in 2020. The increase in revenue was mainly due to the increase in cargo handling revenue since the throughput of cargo increased by approximately 1.3 million tonnes as compared to the same period in 2020. The increase in throughput volume of cargo was mainly due to the rebound in market demand after the pandemic in the PRC, and gradual recovery of the PRC's domestic trade and foreign trade.

Cost of services

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

For the six months ended 30 June 2021, our cost of services was approximately RMB35.2 million (six months ended 30 June 2020: RMB30.8 million), representing an increase of RMB4.4 million or approximately 14.3% as compared to the same period of last year. The increase in cost of services was mainly attributable to (i) the increase in depreciation of property, plant and equipment of approximately RMB1.8 million due to additional property, plant and equipment commencing to be depreciated and (ii) the increase in subcontracting fee of approximately RMB1.6 million which was driven by the increase in transportation and handling services due to the increase in throughput volume of cargo by 10.3% in terms of tonnes.

Gross profit and gross profit margin

	Six months ended 30 June		Decrease	
	2021 (Unaudited)	2020 (Unaudited)		%
Gross profit (RMB'000)	**54,555**	55,594	(1,039)	(1.9)
Gross profit margin (%)	**60.8**	64.3	(3.5)	N/A

For the six months ended 30 June 2021, our gross profit and gross profit margin decreased to approximately RMB54.6 million and 60.8%, respectively. The decrease in gross profit margin was primarily due to the more fixed cost (including depreciation of property, plant and equipment) was incurred during the six months ended 30 June 2021, comparing with the corresponding period of 2020.

Administrative expenses

For the six months ended 30 June 2021, our administrative expenses increased by approximately RMB1.0 million or 20.2% which was primarily due to increase in administrative staff costs of approximately RMB0.6 million. The increase in administrative staff costs was mainly due to the growth of our business during the period.

Income tax expenses

For the six months ended 30 June 2021, the Group's income tax expense amounted to approximately RMB8.3 million (six months ended 30 June 2020: RMB10.1 million), representing a decrease of RMB1.8 million or approximately 17.8% as compared to the same period of last year. The decrease was mainly due to decrease in current tax expenses, as a greater portion of profit was generated from the Qualifying Project of Chizhou Port Holdings, which is entitled to exemption from EIT for three years from 2019 to 2021, comparing to the corresponding period of 2020. For the six months ended 30 June 2021, the effective tax rate is approximately 16.0% (six months ended 30 June 2020: 19.1%). Should the deferred tax charge for the six months ended 30 June 2021 of approximately RMB1.6 million be excluded, the adjusted effective tax rate would have been approximately 12.9%. Our adjusted effective tax rate for the six months ended 30 June 2021 was lower than that of the PRC EIT standard rate of 25% mainly because of full tax exemption for three years for the Qualifying Project of Chizhou Port Holdings from 2019 to 2021.

Profit for the six months ended 30 June 2021

As a result of the foregoing, we recorded profit for the six months ended 30 June 2021 of approximately RMB43.2 million (six months ended 30 June 2020: RMB42.6 million). Our net profit margin was approximately 48.2% (six months ended 30 June 2020: 49.3%).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

As at 30 June 2021, including the time deposits over three months, the Group had bank and cash balances of approximately RMB166.0 million (31 December 2020: RMB122.5 million).

As at 30 June 2021, the Group's total equity attributable to owners of the Company amounted to approximately RMB383.0 million (31 December 2020: RMB351.9 million). As of the same date, the Group's total debts, comprising amount due to a non-controlling interest, amounted to approximately RMB1.0 million (31 December 2020: RMB1.0 million).

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

BORROWINGS AND GEARING RATIO

As at 30 June 2021, the Group had total debts of approximately RMB1.0 million (31 December 2020: RMB1.0 million). The Group's bank borrowing, if any, is primarily used in financing the working capital requirement of its operations.

As at 30 June 2021, the gearing ratio of the Group, calculated as the total debts divided by the total equity, was approximately 0.2% (31 December 2020: 0.2%).

FOREIGN CURRENCY RISK

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

TREASURY POLICY

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

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any contingent liabilities (31 December 2020: Nil).

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2021, the Group did not acquire or hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group has approximately 212 (31 December 2020: 219) employees. Total staff costs for the six months ended 30 June 2021 amounted to approximately RMB10.0 million (six months ended 30 June 2020: RMB9.3 million).

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

CAPITAL COMMITMENT

The capital commitments of the Group as at each of the reporting dates are as disclosed in note 14 to the unaudited condensed consolidated financial statements.

PLEDGE OF ASSETS

As at 30 June 2021, the Group has pledged its property, plant and equipment with an aggregate net book value of approximately RMB154.5 million (31 December 2020: RMB158.6 million) and investment properties with aggregate net book value of approximately RMB14.7 million (31 December 2020: RMB14.7 million).

EVENTS AFTER THE REPORTING PERIOD

No significant events affecting the Group have occurred since the end of the reporting period and up to the date of this report.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

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

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position interests in the Shares

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

Note: Vital force is legally and beneficially owned as to 58.4% by Mr. Kwai Sze Hoi, 38.9% by Ms. 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. Mr. Kwai Sze Hoi and Ms. Cheung Wai Fung are deemed to be interested in all the Shares held by Vital Force under Part XV of the SFO. Mr. Kwai Sze Hoi is the chairman and an executive Director of the Company and a director of Vital Force. Ms. Cheung Wai Fung is a non-executive Director of the Company, a director of Vital Force and the spouse of Mr. Kwai Sze Hoi. Mr. Huang Xueliang is an executive Director of the Company.

(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 1)*	29,200	58.4%
Vital Force	Cheung Wai Fung *(Note 2)*	Beneficial owner *(Note 1)*	19,466	38.9%
Vital Force	Huang Xueliang	Interest of a controlled corporation *(Note 1)*	1,334	2.7%

Notes:

1. Vital Force is legally and beneficially owned as to 58.4% by Mr. Kwai Sze Hoi, 38.9% by Ms. 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.

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

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, as at 30 June 2021, the following shareholders of the Company and persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

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

Note: Vital Force is legally and beneficially owned as to 58.4% by Mr. Kwai Sze Hoi, 38.9% by Ms. 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. Mr. Kwai Sze Hoi and Ms. Cheung Wai Fung are deemed to be interested in all the Shares held by Vital Force under Part XV of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2021.

COMPETING INTERESTS

The Directors confirm that none of the controlling shareholders or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the six months ended 30 June 2021.

BUSINESS UPDATE

During the year ended 31 December 2020, the Group has succeeded in the bid of the land use right of a piece of land located in Chizhou City, Anhui Province, the PRC (the "Target Land") through the listing-for-sale process conducted by a local bureau of Chizhou City at a consideration of approximately RMB11,020,000. In April 2021, the Group has obtained the land use rights certificate and the land use right of the Target Land has been transferred to the Group.

INTEREST OF COMPLIANCE ADVISER

The compliance adviser agreement (the "Compliance Advisor Agreement") entered into between the Company and Alliance Capital Partners Limited (the "Compliance Advisor") dated on 15 December 2017 expired on 26 March 2021. Except for the Compliance Adviser Agreement, neither the 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 on or prior to the expiry of the Compliance Adviser Agreement.

CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") has been conditionally adopted by way of shareholder's written resolution passed on 1 June 2018. The Share Option Scheme has become unconditional on the 10 July 2018 (i.e. the listing date of the Company) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. There is no option outstanding, granted, exercised, cancelled and lapsed under the Share Option Scheme during the six months ended 30 June 2021. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The Audit Committee consists of three members, namely Mr. Cheung Sze Ming, Mr. Nie Rui and Dr. Li Weidong, all being independent non-executive Directors. Mr. Cheung Sze Ming currently serves as the chairman of the Audit Committee. The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 12 August 2021

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