



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



2023

THIRD QUARTERLY REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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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Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2023

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|--|-------|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Revenue | 4 | 45,195 | 41,807 | 138,334 | 137,915 |
| Cost of services rendered | | (17,308) | (19,543) | (50,788) | (54,500) |
| Gross profit | | 27,887 | 22,264 | 87,546 | 83,415 |
| Other income and gains | | 2,129 | 3,192 | 8,934 | 8,005 |
| Selling and distribution expenses | | (214) | (218) | (791) | (586) |
| Administrative expenses | | (6,308) | (3,960) | (15,369) | (11,397) |
| Finance costs | | (3) | (10) | (13) | (33) |
| Profit before income tax | 5 | 23,491 | 21,268 | 80,307 | 79,404 |
| Income tax expense | 6 | (5,144) | (4,667) | (16,766) | (16,528) |
| Profit for the period and total comprehensive income for the period, net of tax | | 18,347 | 16,601 | 63,541 | 62,876 |
| Profit and total comprehensive income for the period attributable to: | | | | | |
| Owners of the Company | | 13,080 | 12,156 | 46,692 | 46,088 |
| Non-controlling interests | | 5,267 | 4,445 | 16,849 | 16,788 |
| | | 18,347 | 16,601 | 63,541 | 62,876 |
| Earnings per share attributable to owners of the Company | | | | | |
| Basic and diluted earnings per share | 7 | RMB1.64 cents | RMB1.52 cents | RMB5.84 cents | RMB5.76 cents |

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2023

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---------------------------------------|---------------|-----------------|-----------------|-------------------|---------------|----------------------------|--------------------|------------------|----------|---------------------------|----------|
| | Share capital | Share premium | Capital reserve | Special reserve | Statutory reserve | Other reserve | Assets revaluation reserve | Fair value reserve | Retained profits | Subtotal | Non-controlling interests | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2023 (audited) | 6,758 | 50,277 | 369 | 9,011 | 100,971 | 176,540 | 376 | (1,557) | 129,279 | 472,024 | 153,947 | 625,971 |
| Profit for the period and total comprehensive income for the period | - | - | - | - | - | - | - | - | 46,692 | 46,692 | 16,849 | 63,541 |
| Transfer to statutory reserve | - | - | - | - | 12,855 | - | - | - | (12,855) | - | - | - |
| Appropriation and utilisation of reserve | - | - | - | 1,321 | - | - | - | - | (1,321) | - | - | - |
| Dividends paid (note 8) | - | (43,813) | - | - | - | - | - | - | - | (43,813) | - | (43,813) |
| Dividends declared to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (16,045) | (16,045) |
| As at 30 September 2023 (unaudited) | 6,758 | 6,464 | 369 | 10,332 | 113,826 | 176,540 | 376 | (1,557) | 161,795 | 474,903 | 154,751 | 629,654 |
| At 1 January 2022 (audited) | 6,758 | 50,277 | 369 | 7,591 | 83,583 | 176,540 | 376 | (311) | 83,995 | 409,178 | 146,899 | 556,077 |
| Profit for the period and total comprehensive income for the period | - | - | - | - | - | - | - | - | 46,088 | 46,088 | 16,788 | 62,876 |
| Transfer to statutory reserve | - | - | - | - | 11,468 | - | - | - | (11,468) | - | - | - |
| Appropriation and utilisation of reserve | - | - | - | 1,044 | - | - | - | - | (1,044) | - | - | - |
| Dividends declared to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (15,879) | (15,879) |
| Capital injection by a non-controlling interest | - | - | - | - | - | - | - | - | - | - | 50 | 50 |
| As at 30 September 2022 (unaudited) | 6,758 | 50,277 | 369 | 8,635 | 95,051 | 176,540 | 376 | (311) | 117,571 | 455,266 | 147,858 | 603,124 |

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

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

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

Notes to the Unaudited Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION

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

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

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

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

Notes to the Unaudited Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION

Operating segment information

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

Geographical information

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

4. REVENUE

Revenue represents the income from provision of port services excluding related tax, where applicable.

Revenue recognised during the period is as follows:

| | Three months ended | | Nine months ended | |
|---------------------|--------------------|-------------|-------------------|-------------|
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Port service income | 45,195 | 41,807 | 138,334 | 137,915 |

Notes to the Unaudited Condensed Consolidated Financial Statements

5. PROFIT BEFORE INCOME TAX

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|-------------|-----------------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Costs of inventories recognised as an expense (included under cost of service rendered) | 806 | 1,816 | 2,461 | 3,860 |
| Employee benefit expenses (note) | | | | |
| — Wages, salaries and other benefits | 6,898 | 5,276 | 19,239 | 15,665 |
| — Defined contributions | 1,109 | 1,129 | 2,789 | 2,521 |
| | 8,007 | 6,405 | 22,028 | 18,186 |
| Direct operating expenses arising from investment properties that generated rental income | 148 | 148 | 351 | 444 |
| Depreciation of property, plant and equipment | 6,110 | 6,298 | 18,200 | 19,011 |
| Repairs and maintenance expenses (included under cost of services rendered) | 1,688 | 1,973 | 5,184 | 5,714 |
| Subcontracting fee (included under cost of services rendered) | 3,338 | 4,159 | 9,161 | 11,109 |
| Short-term lease | — | 5 | 19 | 254 |
| Amortisation of deferred government grant | (223) | (223) | (668) | (668) |
| Gain on disposal of property, plant and equipment | — | (11) | (73) | (16) |

Note: During the nine months ended 30 September 2023, the Group incurred expenses for the purpose of research and development of approximately RMB4,389,000, which comprised employee benefits expenses of approximately RMB2,699,000 (nine months ended 30 September 2022: RMB1,925,000).

Notes to the Unaudited Condensed Consolidated Financial Statements

6. INCOME TAX EXPENSE

Income tax

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

| | Three months ended | | Nine months ended | |
|---|--------------------|-------------|-------------------|-------------|
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Current tax | | | | |
| — PRC enterprise income tax | 4,260 | 4,789 | 14,507 | 14,570 |
| Deferred tax (credited)/charged to profit or loss | 884 | (122) | 2,259 | 1,958 |
| | 5,144 | 4,667 | 16,766 | 16,528 |

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

Notes to the Unaudited Condensed Consolidated Financial Statements

6. INCOME TAX EXPENSE (continued)

Income tax (continued)

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 nine months ended 30 September 2023 (nine months ended 30 September 2022: nil).

7. EARNINGS PER SHARE

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

| | Three months ended 30 September 2023 | | Nine months ended 30 September 2022 | |
|---|--|--------------------------------|---|--------------------------------|
| | RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) | RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Profit for the period attributable to the owners of the Company | 13,080 | 12,156 | 46,692 | 46,088 |
| Number of shares | | | | |
| Weighted average number of ordinary shares in issue during the period | 800,000,000 | 800,000,000 | 800,000,000 | 800,000,000 |

The calculation of basic earnings per share for the period ended 30 September 2023 is based on profit attributable to owners of the Company of approximately RMB46,692,000 (nine months ended 30 September 2022: RMB46,088,000) and on the weighted average number of 800,000,000 (nine months ended 30 September 2022: 800,000,000) ordinary shares in issue during the period.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

8. DIVIDENDS

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

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2023 (nine months ended 30 September 2022: nil).

9. RELATED PARTY TRANSACTIONS

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

| | Nine months ended 30 September 2023 | | 2022 |
|---|---|--|------------------------|
| | RMB'000 (Unaudited) | | RMB'000 (Unaudited) |
| Lease payment paid to a related company | 383 | | 360 |

Note: In November 2020, Ocean Line Port Development (Hong Kong) Limited ("Ocean Line Hong Kong") and Ocean Longevity Company Limited ("Ocean Longevity") entered into a tenancy agreement pursuant to which 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

9. RELATED PARTY TRANSACTIONS (continued)

The above transaction 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 company.

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:

| | Nine months ended 30 September | |
|---|-----------------------------------|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Fee | 930 | 886 |
| Salaries, allowances and benefits in kinds | 180 | 180 |
| Defined contributions | – | 62 |
| | 1,110 | 1,128 |

Management Discussion and Analysis

BUSINESS REVIEW

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

In the first three quarters of 2023, the Group's total throughput volume of bulk cargo and break bulk cargo was 22.3 million tonnes (nine months ended 30 September 2022: 21.1 million tonnes), representing an increase of 5.7% as compared with the same period in 2022, while container throughput volume was 13,633 TEUs (nine months ended 30 September 2022: 9,496 TEUs), representing an increase of 43.6% as compared with the same period in 2022, all of which showed steady growth of our port business.

The throughput volume of the ports for the first three quarters was mainly influenced by the following factors:

Firstly, the pandemic prevention and control was smoothly and orderly transitioned to a new stage. The national economy of the PRC has stabilized and rebounded, keeping a good trend of continuous recovery, with growth in the domestic consumer demand;

Secondly, the economic operation of the transportation sector of the PRC maintained a steady recovery with an apparent upward trend in the third quarter, the results of smooth logistics were further consolidated;

Thirdly, since the beginning of this year, with a strong demand for imports of major commodities in the PRC, the trading prices of non-metallic mineral products and construction materials products have increased, mining enterprises have expanded in terms of scale and capacity, gradually resulting in a higher transportation volume of our ports.

Management Discussion and Analysis

OUTLOOK

In general, it is expected that domestic port industry will be stable and continue to recover in the fourth quarter, and it is also expected that the economic operation of the water transport sector will strengthen and will improve in a stable manner. The Group remained optimistic about the business outlook of the enterprise in the fourth quarter, and the major factors are as follows:

Firstly, while the steady growth policy of the PRC government proved more effective, consumption is set to recover continually, and the domestic economy is expected to improve at an “accelerated pace”;

Secondly, the fourth quarter is the “golden period” for driving project construction and the critical period for striving for breakthroughs in our annual results, and it is expected that the investment progress will further accelerate at a continuously increasing growth rate;

Next, following active studying and making judgement on the production trend of the fourth quarter, we will implement various targeted measures to complete the finishing works of the current year, laying a solid foundation for our works in the coming year.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

| | Nine months ended 30 September | | | |
|--|-----------------------------------|--------------------------------|--------------------------------|-------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) | Increase/(decrease) RMB'000 | % |
| Revenue from provision of uploading and unloading services | | | | |
| Bulk cargo and break bulk cargo | 117,890 | 121,013 | (3,123) | (2.6) |
| Container | 2,578 | 1,663 | 915 | 55.0 |
| Subtotal | 120,468 | 122,676 | (2,208) | (1.8) |
| Revenue from provision of ancillary port services | 17,866 | 15,239 | 2,627 | 17.2 |
| Total revenue | 138,334 | 137,915 | 419 | 0.3 |

| | Nine months ended 30 September | | | |
|--|-----------------------------------|---------------------|----------|------|
| | 2023 (Unaudited) | 2022 (Unaudited) | Increase | % |
| Total cargo throughput (thousand tonnes) | 22,284 | 21,088 | 1,196 | 5.7 |
| Container throughput (TEUs) | 13,633 | 9,496 | 4,137 | 43.6 |

Our revenue which is principally generated from the provision of uploading and unloading services and ancillary port services was approximately RMB120.5 million for the nine months ended 30 September 2023 (nine months ended 30 September 2022: RMB122.7 million), representing a decrease of RMB2.2 million or approximately 1.8% as compared to the same period in 2022. However, the throughput of cargo increased by approximately 1.2 million tonnes as compared with the same period in 2022, as more customers required direct uploading and unloading without storing the goods in the stacking yards due to the rapid turnover of their goods, resulting in a decrease in the average handling fee per tonne charged by us. The revenue from provision of ancillary port services increased by approximately RMB2.6 million or 17.2%, as we vigorously promoted our “Port + Logistics” business model (“two-wheel drive”) in an effort to expand our logistics business.

Management Discussion and Analysis

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 nine months ended 30 September 2023, our cost of services was approximately RMB50.8 million (nine months ended 30 September 2022: RMB54.5 million), representing a decrease of RMB3.7 million or approximately 6.8% as compared to the same period in 2022. The decrease in cost of services was mainly attributable to the impacts of the following: (i) a decrease in depreciation of approximately RMB0.8 million due to certain property, plant and equipment of the Group were fully depreciated during the fourth quarter of 2022 and the first three quarters of 2023; (ii) a decrease in fuel and oil and consumables of approximately RMB1.4 million due to our active promotion of energy saving and emission reduction; and (iii) a decrease in repairs and maintenance expenses of approximately RMB0.5 million.

Gross profit and gross profit margin

| | Nine months ended | | | |
|-------------------------|-------------------|-------------|----------|-----|
| | 30 September | 2022 | Increase | % |
| | 2023 | 2022 | | |
| | (Unaudited) | (Unaudited) | | |
| Gross profit (RMB'000) | 87,546 | 83,415 | 4,131 | 5.0 |
| Gross profit margin (%) | 63.3 | 60.5 | 2.8 | N/A |

For the nine months ended 30 September 2023, our gross profit increased to approximately RMB87.5 million. Our gross profit margin increased to approximately 63.3%. The increase was primarily due to our business achieved economies of scale through greater utilisation of our operational capacity.

Administrative expenses

For the nine months ended 30 September 2023, our administrative expenses increased by approximately RMB4.0 million or 34.9% which was primarily due to increase in administrative staff costs of approximately RMB2.6 million. The increase in administrative staff costs was mainly due to the growth of our business and research and development related staff costs for the improvement and development of port equipment, computer system and technique to be used in our port operations incurred during the period.

Management Discussion and Analysis

Income tax expenses

For the nine months ended 30 September 2023, the Group's income tax expense amounted to approximately RMB16.8 million (nine months ended 30 September 2022: RMB16.5 million), representing an increase of RMB0.3 million or approximately 1.8% as compared to the same period of last year. The profit generated from one of the Qualifying Project of Chizhou Port Holdings for the nine months ended 30 September 2023 and 2022 enjoyed 50% tax reduction (the "3-Year 50% Tax Reduction Entitlement"). Save for the mentioned better tax preferential policy being enjoyed by the Qualifying Project, as a High and New Technology Enterprise, Chizhou Port Holdings will pay the enterprise income tax at the rate of 15% for three consecutive financial years from 2022 to 2024 ("3-Year High and New Technology Enterprises Tax entitlement"). As Chizhou Port Holdings has not yet been recognised as a High and New Technology Enterprise during the first three quarter of 2022, the financial impact of 3-Year High and New Technology Enterprises Tax entitlement has not been reflected in the income tax expenses for the nine months ended 30 September 2022. For the nine months ended 30 September 2023, the effective tax rate is approximately 20.9% (nine months ended 30 September 2022: 20.8%). Should the deferred tax charge for the nine months ended 30 September 2023 of approximately RMB2.3 million be excluded, the adjusted effective tax rate would have been approximately 18.1%. Our adjusted effective tax rate for the nine months ended 30 September 2023 was lower than that of the PRC EIT standard rate of 25% mainly because of the 3-Year 50% Tax Reduction Entitlement for the Qualifying Project and the 3-Year High and New Technology Enterprises Tax Entitlement for Chizhou Port Holdings from 2022 to 2024.

Profit for the nine months ended 30 September 2023

As a result of the foregoing, we recorded profit for the nine months ended 30 September 2023 of approximately RMB63.5 million (nine months ended 30 September 2022: RMB62.9 million). Our net profit margin was approximately 45.9%, (nine months ended 30 September 2022: 45.6%).

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2023.

Management Discussion and Analysis

BUSINESS UPDATE

1. On 16 June 2023, Chizhou Port Holdings entered into a project cooperation agreement with five independent third parties, pursuant to which the parties thereto agreed to establish a joint venture company, namely Chizhou Railway Construction and Operation Company Limited* (池州鐵路建設營運有限公司) in Chizhou City, the PRC. Chizhou Railway was incorporated on 16 June 2023 and is engaged principally in railway construction and operation, advertising, consultancy, inspection, repair, storage and logistics etc in the PRC. Chizhou Railway is owned beneficially as to 36%, 15%, 24%, 10% and 10%, respectively by the five independent third parties, and the remaining 5% by Chizhou Port Holdings. Pursuant to the terms of the project cooperation agreement, the proposed registered capital of Chizhou Railway is RMB18,000,000 and investment by Chizhou Port Holdings is expected to be RMB900,000. On 7 July 2023, Chizhou Port Holdings injected RMB500,000 into Chizhou Railway. The above transaction was exempt from the requirements of Chapter 19 of the GEM Listing Rules.
2. On 30 June 2023, Chizhou Port Holdings entered into a joint venture agreement with two independent third parties, pursuant to which the parties thereto agreed to establish a joint venture company, namely Chizhou City Huida Port Transportation Company Limited* (池州市滙達港口運輸有限公司) in Chizhou City, the PRC. Chizhou Huida was incorporated on 6 July 2023 and is principally engaged in port operations and waterway general cargo transportation, specifically including port tallying, domestic freight forwarding, general cargo warehousing services and port cargo loading and unloading activities in the PRC. Chizhou Huida is owned beneficially as to 40% and 34%, respectively by the two independent third parties, and the remaining 26% by Chizhou Port Holdings. Pursuant to the terms of the agreement, the proposed registered capital of Chizhou Huida is RMB100,000,000 and investment by Chizhou Port Holdings is expected to be RMB26,000,000. On 10 October 2023, Chizhou Port Holdings injected RMB2,600,000 into Chizhou Huida. For details of the formation of Chizhou Huida, please refer to the announcement of the Company dated 30 June 2023.
3. On 14 July 2023, Chizhou Ocean Line Niutoushan Limited (“Chizhou Niutoushan”), a subsidiary of the Company, entered into an agreement (“Construction Contract”) with an independent constructor, pursuant to which the constructor would undertake the construction works of a warehouse of approximately 12,041 square meters situated at Niutoushan Qianjiang Industrial Park, Guichi District, Chizhou City, Anhui Province, the PRC at the consideration of approximately RMB15,117,000. For details of the Construction Contract, please refer to the announcement of the Company dated 14 July 2023.

* For identification purpose only

Other Information

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

As at 30 September 2023, 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 (<i>Note</i>) | 600,000,000 | 75% |
| Ms. Cheung Wai Fung | Interest in a controlled corporation (<i>Note</i>) | 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.

Other Information

(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 September 2023, 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.

Other Information

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

So far as is known to the Directors, as at 30 September 2023, 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 nine months ended 30 September 2023.

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 the Group which competes or is likely to compete, directly or indirectly, with our Group's business during the nine months ended 30 September 2023.

Other Information

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 nine months ended 30 September 2023. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

Other Information

AUDIT COMMITTEE

The Audit Committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs D.3.3 and D.3.7 of the 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 the Group. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2023 and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 9 November 2023

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, Dr. Li Weidong and Mr. Cheung Sze Ming.