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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

HIGHLIGHTS OF 2018 ANNUAL RESULTS

	Year ended 31 December		
	2018	2017	% changes
	RMB'000	*RMB'000*	
Revenue	**94,344**	63,638	+48.3%
Profit/(loss) for the year attributable to the owners of the Company	**17,765**	(1,940)	N/A
Profit for the year, excluding listing expenses	**29,250**	11,825	+147.4%

The board of Directors (the "**Board**") of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

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

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Total comprehensive income for the year attributable to:			
Owners of the Company		**17,765**	(1,738)
Non-controlling interests		**7,615**	3,044
		25,380	1,306
		RMB cents	*RMB cents*
Earnings/(losses) per share attributable to owners of the Company			
Basic and diluted earnings/(losses) per share	*7*	**2.55**	(0.32)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**314,494**	243,739
Investment properties		**33,010**	29,300
Interests in an associate		**2,278**	2,945
Payments for leasehold land held for own use under operating leases		**54,362**	59,472
Deposits		**716**	514
Deferred tax assets		**2,618**	3,044
		407,478	339,014
Current assets			
Inventories		**1,451**	689
Trade and bills receivables	*9*	**2,350**	13,172
Debt instruments at fair value through other comprehensive income		**5,129**	–
Deposits, prepayments and other receivables		**10,073**	5,918
Due from related companies/parties		**–**	7,027
Short term investment		**–**	500
Restricted deposits		**–**	412
Cash and cash equivalents		**65,276**	10,507
		84,279	38,225
Current liabilities			
Trade payables	*10*	**5,012**	3,168
Contract liabilities		**3,286**	–
Other payables, accruals and receipt in advance		**56,711**	28,574
Bank borrowings		**40,000**	8,000
Due to related companies		**6**	6,657
Due to an associate		**183**	183
Deferred government grant		**890**	890
Income tax payable		**3,142**	1,286
		109,230	48,758
Net current liabilities		**(24,951)**	(10,533)
Total assets less current liabilities		**382,527**	328,481

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

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

The principal activity of the Company is investment holding.

In connection with the listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company underwent a reorganisation (the "**Reorganisation**") and the Company has become the holding company of its subsidiaries now comprising the Group since 1 June 2018. The shares of the Company were listed on GEM on 10 July 2018 (the "**Listing**").

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

Immediately prior to and after the Reorganisation, the operation of the Group was carried on by companies now comprising the Group (hereinafter collectively referred to as the "**Operating Companies**"). Mr. Kwai Sze Hoi and Ms. Cheung Wai Fung were controlling shareholders of the Operating Companies. The Company has not been involved in any business prior to the Reorganisation and there is no change in any management or controlling shareholders of the Operating Companies, before and after the Reorganisation. The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2018 and 2017 include the financial performance and cash flows of all companies now comprising the Group, as if the current group structure had been in existence throughout the relevant years, or since their respective dates of incorporation or establishment, or since the date when the Operating Companies first came under the control of the controlling shareholders, whichever is the shorter period. The consolidated statements of financial position of the Group as at 31 December 2018 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence as at the relevant date.

2. BASIS OF PREPARATION

2.1 Basis of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Standards on Auditing ("HKASs") and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

2.2 Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties which are stated at fair value.

As at 31 December 2018, the Group had net current liabilities of approximately RMB24,951,000. The consolidated financial statements have been prepared by the directors of the Company on a going concern basis due to the following:

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

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

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

2.3 Functional and presentation currency

The financial statements are presented in RMB, which is also the functional currency of the major subsidiaries of the Group, and all values are rounded to the nearest thousand except when otherwise indicated.

2.4 Adoption of new and revised HKFRSs — effective 1 January 2018

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

The adoption of above new and revised standards or amendments except for below description have no significant impact on these consolidated financial statements.

For the adoption of HKFRS 9, the Group's management has made detailed assessment on any ECL to be recognised on 1 January 2018. It is considered the impact is immaterial to the Group. The Group's bills receivables as at 1 January 2018 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at fair value through other comprehensive income.

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

2.5 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted

3. SEGMENT INFORMATION

(a) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in the internal reporting to the executive directors, which is the provision of port services, and it is within the scope of HKFRS 15.

(b) Geographical information

The geographical location of revenue allocated is based on the location at which services provided. The Group renders port services in the People's Republic of China ("PRC"). The geographical location of non-current assets is based on the physical location of the assets. The Group's non-current assets are based in the PRC.

4. REVENUE

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

Revenue recognised during the year is as follows:

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

5. PROFIT BEFORE INCOME TAX

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

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

Note:

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

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

6. INCOME TAX EXPENSE

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

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

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax ("**EIT**") at the standard rate of 25% on the estimated assessable profits.

Pursuant to the PRC tax law, its rules and regulations, enterprises that invest in qualifying public infrastructure projects are eligible for certain tax benefits. In accordance with the relevant income tax laws in the PRC, Chizhou Ocean Line Niutoushan Limited ("**Chizhou Niutoushan**"), a subsidiary of the Company, is engaging in qualifying public infrastructures and is entitled to exemption from PRC enterprise income tax for three years (the "**3-Year Exemption Entitlement**") and a 50% reduction for three years thereafter (the "**3-Year 50% Tax Reduction Entitlement**"). The 3-Year Exemption Entitlement commenced from the financial year beginning on 1 January 2013 up to 31 December 2015 irrespective of whether Chizhou Niutoushan is profit-making during this period and the 3-Year 50% Tax Reduction Entitlement has commenced from the financial year beginning on 1 January 2016 to 31 December 2018.

7. EARNINGS/(LOSSES) PER SHARE

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

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

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

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

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

8. DIVIDENDS

No dividend has been paid or declared by the Company during the period from its date of incorporation to 31 December 2018.

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

9. TRADE AND BILLS RECEIVABLES

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

The credit period for trade receivables is generally ranging from 10 to 55 days, whereas the maturity period for bills receivables is ranging from 3 to 6 months. The directors of the Company consider that the fair values of the trade and bills receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

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

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

10. TRADE PAYABLES

The credit period is generally 30 days.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an inland terminal operator in the PRC and is principally engaged in the provision of port logistic services (including uploading and unloading of cargo, bulk cargoes handling service, container handling, storage and other services). The Group operates two port terminals, namely, Jiangkou Port Terminal and Niutoushan Port Terminal, both of which are situated in Chizhou City, Anhui Province, PRC. Chizhou City is located in the upper downstream section along the Yangtze River and it is an important port city in the southwestern region of Anhui Province. It is also a crucial member of the integrated development of the Yangtze River delta and a central hub for industrial transfers. With mining resources and ecological tourism as its biggest strengths, Chizhou City is an integral non-metallic mineral base in Eastern China. Meanwhile, there are 7 berths in the two major terminals of the Group, rendering them the largest public port and important drivers of the economic prosperity in Chizhou City.

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

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Cost of services

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

For the year ended 31 December 2018, our cost of services was approximately RMB49.9 million (2017: RMB40.5 million), representing an increase of RMB9.4 million or approximately 23.2% as compared to the last year. The increase in cost of services was mainly attributable to (i) the increase in staff cost of approximately RMB2.9 million due to the increase in revenue as staff cost is partially linked to the financial performance of our port, (ii) the increase in subcontracting fee of approximately RMB3.7 million which was driven by the increase in transportation and handling services as throughput volume rose and (iii) increase in electricity, fuel and oil expenses of approximately RMB2.2 million due to the increase in throughput volume of cargo by 28.0% in terms of tonnes.

Gross profit and gross profit margin

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

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

Administrative expenses, net

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

Income tax expenses

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

Profit for the year

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

Property, plant and equipment

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

Financing and credit facilities

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

DIVIDEND

The Board does not recommend the payment of dividend for the year (2017: Nil).

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

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

Business strategies as stated in the Prospectus	Implementation activities as stated in Prospectus	Actual business progress
Constructing and developing a new phase of Jiangkou Terminal in order to enhance our operational capacity and to further improve our efficiency	(1) Commencement of construction works involving (a) construction of terminal infrastructure primarily including two berths with an aggregate annual estimated maximum throughput capacity of 4.6 million tonnes; (b) construction of roads, stacking yards and storage facilities with a total area of approximately 58,500 sq.m. for bulk cargo and other cargos to meet the anticipated increase in demand for port logistic services and (iii) installation of utilities and drainage facilities.	The Group has completed the mentioned construction works
	(2) Commencement of the construction of environmental protection facilities primarily including a green zone to separate the Jiangkou Terminal from the neighbouring properties in order to minimise the environmental impact of our operations.	The Group has completed certain environmental protection measures, such as, sewage collection and spraying. The Group has commenced the construction of green zone.
	(3) Purchasing additional machineries and equipment necessary for the operation of the new phase of the Jiangkou Terminal, including floating barges, conveyor belts and portal cranes.	The Group has purchased and installed floating barges, conveyor belts and portal cranes.

USE OF PROCEEDS

The final offer price for the listing was HK$0.38 per share, and the actual net proceeds from the listing were approximately HK$49.9 million. This amount was lower than the estimated net proceeds of approximately HK$54.4 million, which was based on a mid-point offer price of HK$0.40 per share, as disclosed in the prospectus dated 27 June 2018. In light of the difference between the actual and estimated amount of the net proceeds, the Group has adjusted the use of proceeds as shown in the Prospectus. Nevertheless, the said difference does not result in significant impact on the implementation of our business plan as shown in the Prospectus.

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

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

BUSINESS UPDATE

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

CORPORATE GOVERNANCE PRACTICES

For the period from 10 July 2018 (the "**Listing Date**"), being the date the shares of the Company commenced trading on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") to 31 December 2018 (the "**Relevant Period**"). The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the shareholders of the Company. The Board is committed to maintaining a high standard of corporate governance for the Company within a sensible framework. The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules during the Relevant Period. During the Relevant Period, the Company has fully complied with all the provisions of the CG Code.

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

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SECURITIES TRANSACTION OF DIRECTORS

The Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions of the Company. Upon the Company's specific enquiry, each Director had confirmed that during the Relevant Period, they had fully complied with the required standard of dealings and there was no event of non-compliance.

EVENTS AFTER THE REPORTING DATE

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 May 2019 (Thursday) to 28 May 2019 (Tuesday) (both days inclusive, 4 business days in total) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 22 May 2019 (Wednesday).

AUDIT COMMITTEE

An audit committee of the Board (the "Audit Committee") has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The Audit Committee consists of three members, namely Mr. Wong Chin Hung, Mr. Nie Rui and Dr. Li Weidong, all being independent non-executive Directors. Mr. Wong Chin Hung currently serves as the chairman of the Audit Committee.

The Audit Committee is primarily responsible for (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (b) reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process; (c) approving the remuneration and terms of engagement of external auditor; and (d) reviewing financial information and overseeing the financial reporting system, risk management and internal control procedures.

The Audit Committee has reviewed the audited consolidated financial results of the Group for the year 31 December 2018 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, 18 March 2019

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company at www.oceanlineport.com.