中國海洋捕撈
CHINA OCEAN FISHING
HOLDINGS LIMITED

China Ocean Fishing Holdings Limited
中國海洋捕撈控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

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 of the Stock Exchange 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 China Ocean Fishing Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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.

FINANCIAL RESULTS

The board of Directors (the "Board") of the Company hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019 (the "Year") together with the comparative figures for the corresponding year in 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue from contracts with customers	*5*	**960,595**	1,294,944
Cost of services rendered and cost of goods sold		**(879,603)**	(1,224,370)
Gross profit		**80,992**	70,574
Other revenue	*5*	**438**	12
Other income	*5*	**45,667**	22,237
Selling and distribution costs		**(485)**	(752)
Administrative expenses		**(76,284)**	(39,137)
Net impairment loss for trade receivables		**(564)**	–
Finance costs		**(5,414)**	(4,957)
Net unrealised profit on financial assets at fair value through profit or loss		**–**	26,700
Gain on changes in fair value on contingent consideration payable		**2,729**	–
Other operating expenses		**–**	(243)
Profit before taxation	*6*	**47,079**	74,434
Income tax expenses	*7*	**(503)**	(15,151)
Profit for the year		**46,576**	59,283

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive (loss)/income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on consolidation		**(56,001)**	26,968
		(56,001)	26,968
Total comprehensive (loss)/income for the year		**(9,425)**	86,251
Profit attributable to:			
Equity holders of the Company	*9*	**43,668**	57,054
Non-controlling interests		**2,908**	2,229
		46,576	59,283
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(12,333)**	84,022
Non-controlling interests		**2,908**	2,229
		(9,425)	86,251
Earnings per share	*9*		
Basic		**HK1.14 cents**	HK2.14 cents
Diluted		**HK1.13 cents**	HK1.96 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**43,522**	48,482
Construction in Progress		**421,780**	251,125
Intangible assets		**–**	89
Other assets		**544**	665
Goodwill		**116,971**	52,777
		582,817	353,138
Current assets			
Inventories		**530**	–
Other assets		**121**	121
Trade and other receivables	*10*	**1,024,344**	696,948
Loans receivables		**70,913**	179,112
Financial assets at fair value through profit or loss		**–**	50,701
Bank balances and cash		**14,326**	19,829
		1,110,234	946,711
Current liabilities			
Trade and other payables	*11*	**215,088**	262,276
Borrowings		**87,325**	23,959
Corporate bonds		**7,589**	–
Convertible bonds		**–**	50,238
Contingent consideration payable		**15,739**	–
Tax payable		**12,347**	13,817
		338,088	350,290
Net current assets		**772,146**	596,421
Total assets less current liabilities		**1,354,963**	949,559

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred income		**48,174**	6,035
Borrowings		**11,628**	–
Corporate bonds		**3,034**	–
Deferred tax liabilities		**–**	4,406
		62,836	10,441
NET ASSETS		**1,292,127**	939,118
Capital and reserves			
Share capital		**42,260**	33,176
Reserves		**1,189,893**	859,575
Equity attributable to equity holders of the Company		**1,232,153**	892,751
Non-controlling interests		**59,974**	46,367
TOTAL EQUITY		**1,292,127**	939,118

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

(In HK$'000)	Share capital	Share premium	Contributed surplus	Exchange reserve	Convertible bonds equity reserve	Accumulated losses	Total reserves	Subtotal	Non-controlling interests	Total
	Attributable to equity holders of the Company									
		Reserves								
At 1 April 2017	20,146	516,585	594,707	(6,359)	–	(849,436)	255,497	275,643	–	275,643
Profit for the year	–	–	–	–	–	57,054	57,054	57,054	2,229	59,283
Other comprehensive income (loss)										
Items that may be reclassified subsequently to profit or loss										
Exchange differences on consolidation	–	–	–	27,442	–	–	27,442	27,442	–	27,442
Total comprehensive income for the year	–	–	–	27,442	–	57,054	84,496	84,496	2,229	86,725
Transactions with equity holders										
Contributions and distributions										
Issue of shares upon placing	8,864	334,951	–	–	–	–	334,951	343,815	–	343,815
Issue of convertible bonds	–	–	–	–	88,798	–	88,798	88,798	–	88,798
Shares issued upon conversion of convertible bonds	4,166	95,833	–	–	–	–	95,833	99,999	–	99,999
Change in ownership interest										
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	44,138	44,138
	13,030	430,784	–	–	88,798	–	519,582	532,612	44,138	576,750
At 31 March 2018	33,176	947,369	594,707	21,083	88,798	(792,382)	859,575	892,751	46,367	939,118

(In HK$'000)	Share capital	Share premium	Contributed surplus	Exchange reserve	Convertible bonds equity reserve	Accumulated losses	Total reserves	Subtotal	Non-controlling interests	Total
	Attributable to equity holders of the Company									
		Reserves								
At 1 April 2018	33,176	947,369	594,707	21,083	88,798	(792,382)	859,575	892,751	46,367	939,118
Profit for the year	–	–	–	–	–	43,668	43,668	43,668	2,908	46,576
Other comprehensive income (loss)										
Items that may be reclassified subsequently to profit or loss										
Exchange differences on consolidation	–	–	–	(56,001)	–	–	(56,001)	(56,001)	–	(56,001)
Total comprehensive income for the year	–	–	–	(56,001)	–	43,668	(12,333)	(12,333)	2,908	(9,425)
Transactions with equity holders										
Contributions and distributions										
Issue of shares upon placing	6,700	294,800	–	–	–	–	294,800	301,500	–	301,500
Issue of convertible bonds	2,384	54,818	–	–	–	–	54,818	57,202	–	57,202
Shares issued upon conversion of convertible bonds	–	–	–	–	(6,963)	–	(6,963)	(6,963)	–	(6,963)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	12,293	12,293
Acquisition of non-controlling interests	–	–	–	–	–	(4)	(4)	(4)	(1,594)	(1,598)
	9,084	349,618	–	–	(6,963)	(4)	342,651	351,735	12,293	362,434
At 31 March 2019	42,260	1,296,987	594,707	(34,918)	81,835	(748,718)	1,189,893	1,232,153	59,974	1,292,127

Notes:

1. CORPORATE INFORMATION

China Ocean Fishing Holdings Limited (the "Company") is incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Bermuda Companies Act of 1981. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Suite 2203, 22/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are business of supply chain management services, money lending and ocean fishing.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impact of the adoption of HKFRS 9, HKFRS 15 and the new accounting policies are immaterial to the consolidated financial statements. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

4. SEGMENTAL INFORMATION

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers, who are the directors of the Company, for the purposes of resource allocation and performance assessment, the Group has presented the following reporting segments. No operating segments have been aggregated to form the following reporting segments:

– Supply chain management segment which provides services involving the planning and implementation of an integrated solution for the effective flow of business, logistic, information and funds;

– Money lending segment which provides money lending services.

– Ocean fishing segment which provides fishing and catching business in open sea beyond the coastal region.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision makers monitor the results, assets and liabilities attributable to each reporting segment on the following bases:

Segment assets include all allocated assets with the exception of interest in associates and other corporate assets. Segment liabilities include trade and other payables attributable to the sales/service activities of the individual segment.

Revenue and expenses are allocated to the reporting segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

4. SEGMENTAL INFORMATION (Continued)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reporting segments as provided to the Group's chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2019 and 2018 is set out below.

	Supply chain management services business		Money lending business		Ocean fishing business		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Sale of goods to external customers	**905,142**	1,252,294	**–**	–	**53,811**	25,993	**958,953**	1,278,287
Service fees from external customers	**–**	361	**1,642**	16,296	**–**	–	**1,642**	16,657
	905,142	1,252,655	**1,642**	16,296	**53,811**	25,993	**960,595**	1,294,944
Segment results	**58,411**	39,556	**(962)**	14,059	**29,175**	9,658	**86,624**	63,273
Unallocated income							**5,181**	34,681
Unallocated expenses							**(45,229)**	(33,430)
Profit before taxation							**46,576**	64,524
Income tax expenses							**–**	(5,241)
Profit for the year							**46,576**	59,283
Assets and liabilities								
Segment assets	**927,313**	544,613	**4,161**	116,977	**549,638**	409,852	**1,481,112**	1,071,442
Unallocated assets, including interests in associates							**211,939**	228,407
Consolidated total assets							**1,693,051**	1,299,849
Segment liabilities	**150,783**	183,441	**7**	221	**136,250**	102,538	**287,040**	286,200
Unallocated liabilities							**113,884**	74,531
Consolidated total liabilities							**400,924**	360,731
Other segment information								
Amortisation of intangible assets	**1**	12	**–**	–	**–**	–	**1**	12
Amortisation of other assets	**–**	–	**–**	–	**–**	–	**121**	121
Depreciation	**1,471**	82	**–**	–	**3,027**	798	**5,529**	1,916
Impairment loss of loan interest receivables	**–**	–	**2,162**	598	**–**	–	**2,162**	598
Additions to non-current assets	**36**	4,984	**–**	–	**1,902**	335,236	**1,947**	362,850

4. SEGMENTAL INFORMATION (Continued)

(b) Geographical information

The Group's operations are primarily derived from external customers located in Hong Kong and the PRC. The following table provides an analysis of the Group's revenue from external customers by geographical market and information about the non-current assets by locations of assets:

	Revenue from external customers		Carrying amounts of non-current assets	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**141,079**	390,638	**25,075**	27,627
PRC	**801,459**	904,306	**544,355**	316,940
Others	**18,057**	–	**13,387**	8,571
	960,995	1,294,944	**582,817**	353,138

(c) Information about major customers

For the year ended 31 March 2019, four customers (2018: four customers) that individually accounted for over 10% of total revenue for continuing operations of the Group are set out below:

	Supply chain management services business		Consolidated	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Customer A	**469,350**	324,533	**469,350**	324,533
Customer B	**157,569**	132,764	**157,569**	132,764
Customer C	**139,594**	421,017	**139,594**	421,017
Customer D	**105,482**	–	**105,482**	–
Customer E	**–**	272,280	**–**	272,280
	871,995	1,150,594	**871,995**	1,150,594

5. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income during the year is as follows :

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods from:		
Supply chain management services business	**905,142**	1,252,655
Ocean fishing business	**53,811**	25,993
Service fees from:		
Interest income from loans to customers	**1,642**	16,296
Revenue	**960,595**	1,294,944
Interest income	**438**	12
Other revenue	**438**	12
Interest income from other loan	**12,960**	5,400
Gain on disposal financial assets at fair value through profit or loss	**–**	919
Government subsidy income	**6,944**	6,859
Exchange gain	**–**	6,629
Gain on disposal of pre-sale land consent	**20,392**	–
Sundry income	**5,371**	2,430
Other income	**45,667**	22,237
Total revenue	**1,006,700**	1,317,193

6. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging (crediting):

	2019	2018
	HK$'000	*HK$'000*
Employee benefit expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	**18,139**	15,375
Contribution to defined contribution schemes	**277**	265
	18,416	15,640
Finance costs		
Margin facility interest expense	**200**	184
Convertible bonds interest	**–**	4,773
Corporate bonds interest	**145**	–
Interest for other borrowing	**4,881**	–
Interest for bank borrowing	**188**	–
	5,414	4,957
Amortisation (included in administrative expenses):		
– Intangible assets	**1**	12
– Other assets	**121**	121
Auditor's remuneration	**1,579**	857
Cost of goods sold	**879,603**	1,224,370
Depreciation of property, plant and equipment	**5,529**	1,916
Exchange loss/(gain), net	**4,727**	(6,629)
Impairment loss:		
– Intangible assets	**81**	–
– Net impairment loss for trade receivable	**564**	–
Written off of loan interest receivables	**2,162**	598
Loss/(gain) on disposal financial assets at fair value through profit or loss	**16,973**	(919)
Operating lease payments for premises	**4,684**	3,259
Provision for deposit paid and other receivables (included in other operating expenses)	**–**	243

7. INCOME TAX EXPENSES

The Group's profits are taxed at different rates depending on the country in which the profits arises. The key applicable tax rates are as below:

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax has been provided at the rate of 8.25% on the first HK$2,000,000 of the estimated assessable profit of the qualifying group entity and 16.5% on the estimated assessable profit above HK$2,000,000 for the year ended 31 March 2019 (2018: 16.5%).

The provision for the PRC enterprise income tax is based on the statutory tax rate of 25% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 March 2019 (2018: 25%).

According to the relevant law and regulations in PRC Enterprises Income Tax – Section 27 sub-section 1, enterprises engaged in catching fishery business can be exempted from PRC Enterprises Income Tax. The Ministry of Agriculture of the PRC issued the ocean fishing license to a subsidiary of the Company which will be renewal on 31 March 2020.

The provision for the Cambodia corporate income tax is based on the statutory tax rate of 20% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of Cambodia for the year ended 31 March 2019 (2018: 20%).

The provision for the Mozambique corporate income tax is based on the statutory tax rate of 32% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of Cambodia for the year ended 31 March 2019 (2018: 32%). Tax benefit for Mozambique Investment Law for fishing industry can enjoy 50% reduction on corporate income tax rate.

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax, current year	**2,324**	1,023
PRC enterprise income tax		
– Current year	**–**	9,723
– Over provision for prior year	**(2,724)**	–
Cambodia corporate income tax, current year	**3,202**	–
Mozambique corporate income tax, current year	**2,106**	–
Deferred tax	**(4,405)**	4,405
Total income tax expenses	**503**	15,151

7. INCOME TAX EXPENSES (Continued)

Tax expense for the year is reconciled to profit before taxation

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation	**47,079**	74,434
Notional tax calculated on profit/(loss) before taxation, calculated at the rates applicable to profits in countries concerned	**14,226**	15,658
Non-deductible expenses	**232**	1,331
Non-taxable revenue	**(1,476)**	(2,415)
Unrecognised tax losses	**3,361**	2,674
Unrecognised temporary differences	**160**	(562)
Utilisation of previously unrecognised tax losses	**(11,004)**	(1,475)
Over provision for prior year	**(2,724)**	–
Tax concessions	**(2,272)**	(60)
Income tax charges	**503**	15,151

8. DIVIDENDS

The Directors do not recommend the payment of a dividend for the Year (2018: Nil).

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares in issue during the year as follows:

	2019	2018
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**43,668**	57,054

	Number of shares	
	2019	2018
Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share	**3,832,820,009**	2,666,372,097
Effect to dilutive potential ordinary share – Convertible bonds	**31,172,000**	238,338,000
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**3,863,992,009**	2,904,710,097

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's profit attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to convertible bonds.

10. TRADE AND OTHER RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Trade receivables from third parties		**231,238**	414,777
Less: loss allowance	*(ii)*	**(564)**	–
	(i)	**230,674**	414,777
Other receivables			
Prepayments		**674**	828
Advance payment to suppliers	*(iii)*	**739,434**	137,489
Deposits		**10,959**	7,452
Other receivables		**37,480**	130,212
Other tax recoverable		**5,123**	6,190
		793,670	282,171
		1,024,344	696,948

(i) Aging of trade receivables

Except for 360 days being granted to certain customers under supply chain management services business and ocean fishing business, the Group grants credit term ranging from 30 days to 90 days to its customers upon the delivery of products or when the services are rendered and invoices are issued. The aging of trade receivables (net of loss allowances) based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
Less than 90 days	**92,761**	250,362
91 – 180 days	**52,216**	127,326
181 – 270 days	**44,616**	37,089
271 – 365 days	**4,050**	–
Over 1 year	**37,031**	–
	230,674	414,777

10. TRADE AND OTHER RECEIVABLES (Continued)

(ii) Loss allowance for trade receivables

	2019 HK$'000	2018 HK$'000
At beginning of reporting period	–	–
Provision for loss allowance	564	–
At end of reporting period	**564**	–

Included in the Group's trade receivables balance are debtors with carrying amounts of approximately HK$164,725,000 (2018: approximately HK$192,481,000), which were past due at the end of the reporting period but no provision for loss allowances has been made as there has not been a significant change in credit quality and the directors believe that the amounts are fully recoverable.

(iii) Advance payment to suppliers

The amounts represented payments made in advance to suppliers for purchase of goods.

11. TRADE AND OTHER PAYABLES

	Note	2019 HK$'000	2018 HK$'000
Trade payables	*(i)*	56,216	160,874
Accruals		11,637	7,481
Contract liabilities	*(ii)*	37,220	–
Other tax payables		2,965	2,965
Due to directors		1,818	–
Other payables		105,232	90,956
		215,088	262,276

(i) Aging of trade payables

At the end of the reporting period, the aging analysis of the trade payables based on invoice date is as follows:

	2019	2018
	HK$'000	HK$'000
Less than 90 days	48,951	56,914
91 – 180 days	4,859	103,960
181 – 270 days	681	–
271 – 365 days	1,725	–
Over 1 year	–	–
	56,216	160,874

(ii) Contract liabilities

Revenue recognised during the year ended 31 March 2019 that was included in the contract liability balance at the beginning of the year amounted to nil (2018: nil). The Group expects to deliver the goods to satisfy the remaining performance obligations of these contract liabilities within one year or less.

12. EVENTS AFTER THE REPORTING PERIOD

Subsequent Event

On 6 May 2019, Jin Yu Tang (Cambodia) Fishery Co., Ltd ("Jin Yu Tang (Cambodia)"), a company established in Cambodia with limited liability and is a wholly-owned subsidiary of the Group, entered into a Joint Venture Agreement with Mr. Theang Chhoeung to enable the Group to conduct aquaculture business in the Cambodia for a period of 10 years. Pursuant to the Joint Venture Agreement, Jin Yu Tang (Cambodia) and Mr. Theang have conditionally agreed to make a capital contribution in the amount of US$16.0 million and US$4.0 million, respectively, to the Joint Venture Company in consideration for the Ordinary Shares in the share capital of the Joint Venture Company. Upon Completion, Jin Yu Tang (Cambodia) and Mr. Theang will own 80% and 20% of the voting interests in the Joint Venture Company, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

Supply chain management and related services

The supply chain management service remains the main focus of the Group. The Group is providing intermediate service between suppliers and customers and it takes advantage of the business networks and resources in order to assist small and medium-sized enterprises in various industries to minimise the overall operation cost. Owing to the solid financial background of the Group and the great demand for supply chain service in mainland China, the Group has established many strategic partnerships with other supply chain companies, so as to undertake the operation of purchase and sales based on the services on import and export trade, logistic, customs clearance and storage.

The Group expanded its supply chain management services of aquatic products, the supply chain management and related services has gathered its forward moving momentum again. The Group also expanded its operation to vertically integrate with a fishing subsidiary to secure the supply of aquatic products.

Money lending business

As at the end of the Year, unsecured loans totaling HK$3,746,000 were granted to 2 individuals. Depending on the financial strength of the various lenders, the Group charged interest at rates which varied from 12% to 15% per annum. The Group regularly assessed the recoverability risk of its loan receivables portfolio to ensure that impairment loss, if any, would be made in a timely manner. During the Year, the Group generated interest income of approximately HK$1,642,000 from its money lending business.

FINANCIAL REVIEW

The Revenue for the Group decreased to approximately HK$960,595,000 for the Year as compared to approximately HK$1,294,944,000 in 2018. The Group's aquatic products business generated a total revenue of approximately HK$905,142,000, the fishing operation also contributed to approximately HK$53,811,000 to the Group's total revenue. The Group has continued to develop its business relationships with its business partners and potential partners in the PRC in order to increase and explore new sources of income. The Group continued to concentrate on aquatic products during the Year and due to consumer's health consciousness, the demand for aquatic products increased.

The Group recorded an increase in gross profit to approximately HK$80,992,000 in the Year as compared to approximately HK$70,574,000 in 2018. The Group will continue to control the material costs and explore new business opportunities, so as to improve the gross profit of the Group. The gross profit margin, excluding interest income received from the money lending business, increased from 5.5% to 8.4% during the Year. Gross profit margin for aquatic products were generally higher than the electronic products. With the shift of trading to aquatic products, there was a favourable impact on the Group's gross profit margin.

Profit attributable to equity holders of the Company for the Year amounted to approximately HK$43,668,000 as compared to a profit of approximately HK$57,054,000 in 2018. Included in the profit attributable to equity holders were losses of approximately HK$16,973,000 for the financial assets at fair value through profit or loss held by the Group, which was not considered to be the core business of the Group. The major component of the Group's expenses were rent and rates, salaries and payroll, legal and professional fee, depreciation and transportation expenses. These major expenses components experienced increases during the Year because ocean fishing business need to have more employee, together with the addition to property, plant and equipment, the depreciation expenses also increased.

Loans receivables

As at 31 March 2019, the Company has the following outstanding loan transactions:

Loan No.	Date of Loan	Name of Borrower	Loan Amount *(HK$'000)*	Interest amount *(HK$'000)*	Status at the date of this announcement	Collateral
1	10 April 2017	Fu Xiong*	1,246	31	Repayable on 31 July 2019	Unsecured
2	11 May 2017	Lee Kim Wah	2,500	316	Repayable on 31 July 2019	Unsecured

* *for identification purposes only*

The Board confirms that the above loans were entered in the ordinary course of business and on normal commercial terms. The Board considers that the terms of the above loans are in the interests of the Company and the Shareholders as a whole.

All of the above loans were funded by internal resources of the Group. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the borrowers is a third party independent from the Company and its connected persons.

Outlook

Despite the stable growth of the Company's supply chain management business during the Year because of the new contracts being signed with the Company's customers, the Company will pay close attention to its performance and future development. At the same time, the management will continuously monitor and review the overall operation and financial performance of the Group's businesses so as to cope with the ever-changing business environment. The management will continue to proactively seek other promising investment and business opportunities to broaden the source of income of the Group and enhance value to the shareholders of the Company through investment and/or acquiring business or projects that have promising outlooks and prospects, and with the Group's new management team having extensive experience in the marine fishing business, the Group will also explore further opportunities in the marine fishing business.

Liquidity, financial resources and capital structure

As at 31 March 2019, the Group had total assets of approximately HK$1,693,051,000 (31 March 2018: approximately HK$1,299,849,000), including bank balances and cash equivalent of approximately HK$14,326,000 (31 March 2018: approximately HK$19,829,000).

As at 31 March 2019, there was general banking facilities granted to a subsidiary of the Group of RMB26,000,000 (31 March 2018: RMB16,000,000) of which RMB24,900,000 (31 March 2018: RMB16,000,000) was utilised. Excluding the above banking facilities, during the Year, the Group financed its operation mainly with its own working capital and proceeds from the issue of placing/ subscription shares.

As at 31 March 2019, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was approximately 1.71% (31 March 2018: 1.54%). The Group's total bank borrowings as at 31 March 2019 was HK$16,932,000 (31 March 2018: HK$20,000,000).

Subscription of new shares

On 27 June 2018, the Company obtained the grant of a specific mandate from the shareholders to issue 670 million subscription shares to four subscribers at a subscription price of HK$0.45 per subscription share, representing a total subscription proceed of HK$301.5 million. The estimated net proceeds from the subscription after deduction of expenses, will amount to approximately HK$290 million. The proceeds are currently being applied, as follows, (i) approximately 13.79% (i.e. approximately HK$40 million) to be used for the development of the aquiculture business in Cambodia; (ii) approximately 31.03% (i.e. approximately HK$90 million) to development of aquatic trading business; (iii) approximately 6.90% (i.e. approximately HK$20 million) for the construction of 1,000 Tons cold storage facilities in Mozambique to facilitate the storage before exporting the aquatic products to PRC; (iv) approximately 6.90% (i.e. approximately HK$20 million) for the construction of pier in Mozambique; (v) approximately 3.45% (i.e. approximately HK$10 million) for the construction of processing plant of fishing-related business in Mozambique; (vi) approximately 34.48% (i.e. approximately HK$100 million) for the development of fishing business including the construction of steel fishing vessels; and (vii) approximately 3.45% (i.e. approximately HK$10 million) to the general working capital of the Group.

Please refer to the Company's announcements dated 27 June 2018 and the Company's circular dated 8 June 2018 respectively for further details.

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB"). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 March 2019, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Significant investment, material acquisitions and disposal of subsidiaries and affiliated companies

As at 31 March 2019, the Group only held minimal investments in securities in Hong Kong (collectively, the "Investments") (2018: approximately HK$50,701,000), representing an investment portfolio of 1 (2018: 1) listed securities in Hong Kong. The Group recorded a realised loss on disposal of approximately HK$16,973,000 (2018: unrealised gain of HK$26,700,000 and realised gain of approximately HK$919,000 respectively) during the Year. The realised loss on disposal was mainly caused by the changes in market expectation and market performance from the PRC market and the global economy.

Save as disclosed above, the Group had no significant investments, material acquisition or disposal of subsidiaries and affiliated companies during the Year.

Charge on group assets

As at 31 March 2019, the Group's share investment was held at a securities margin account maintained with a stockbroker for margin facilities granted. The margin facilities was not utilized by the Group as at 31 March 2019.

Contingent liabilities

Save as disclosed above, the Group had no contingent liability as at 31 March 2019 (31 March 2018: Nil).

Employees and remuneration policies

As at 31 March 2019, the Group had 127 (31 March 2018: 119) employees including the Directors. Total staff costs (excluding Directors' emoluments) amounted to approximately HK$13.7 million for the Year, as compared to approximately HK$10.8 million in 2018. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

Future plans for material investments or capital assets and their expected sources of funding in the coming year

Save as disclosed in the "Outlook" above, the Group has no future plans for material investments or capital assets in the coming year.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules throughout the Year. The Company has applied the principles in the CG Code and complied with the code provisions set out in the CG Code for the Year, save and except for the following:

In accordance with the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual to ensure a balance of power and authority. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are performed by Mr. Liu Rongsheng. The Board considers that the present structure is more suitable for the Company for it provides strong and consistent leadership in the planning and execution of long-term business plans and strategies of the Company. The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and chief executive officer, as and when necessary.

Code provision A.6.7 of the CG Code provides that independent non-executive Director and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of Shareholders. Mr. Zhu Yifeng and Mr. Yang Yong were not able to attend the special general meeting of the Company held on 8 August 2018 due to other business engagement. Other Board members who attended the 2018 AGM and all the special general meetings were already of sufficient calibre and number for answering questions raised by the Shareholders at the 2018 AGM and all the special general meetings.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made a specific enquiry with all the Directors, each of them confirmed that he/she had complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Except for placing of new shares disclosed in the "Management Discussion and Analysis", the Company did not redeem any of its listed shares, nor did the Company or any of its subsidiaries purchase or sell any such shares during the Year.

DIVIDENDS

The Board did not recommend the payment of any dividend during the Year (2018: Nil).

COMPLIANCE ADVISER'S INTERESTS

As at 31 March 2019, except for the compliance adviser agreement entered into between the Company and Gram Capital Limited on 15 August 2018, neither Gram Capital Limited nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in the securities to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company set up an audit committee (the "Audit Committee") on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Audit Committee comprised the three independent non-executive Directors, namely Mr. Pang Pui Hung, Paton as the chairman of the Audit Committee, Ms. Li Yuen Fong, Michelle resigned on 4 December 2018, Mr. Zhu Yifeng resigned on 8 August 2018, Mr. Lam Man Hing appointed on 8 August 2018 and Mr. Li Cao appointed on 4 December 2018. During the Year, the Audit Committee held four meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the Board.

The financial statements of the Group for the Year have been reviewed by the Audit Committee, which is of the opinion that such statements comply with the applicable accounting standards, as well as the Stock Exchange's and legal requirements, and that adequate disclosures have been made.

CHANGES IN DIRECTOR'S INFORMATION

The changes in Directors' information are set out below:

Name of Director	**Details of changes**	
Mr. Chen Liang	–	Resigned as executive Director, compliance officer and authorized representative on 31 May 2018
Lord Cao Yunde	–	Resigned as executive Director and Co-Chairman on 31 May 2018
Ms. Wei Qing	–	Appointed as Compliance officer and authorized representative on 31 May 2018
Mr. Lui Chun Pong	–	Appointed as non-executive Director on 2 October 2018
Mr. Zhu Yifeng	–	Resigned as independent non-executive Director and a member of the Audit Committee on 8 August 2018
Mr. Lam Man Hing	–	Appointed as independent non-executive Director on 8 August 2018
Mr. Li Cao	–	Appointed as independent non-executive Director on 4 December 2018
Ms. Li Yuen Fong, Michelle	–	Resigned as independent non-executive Director and a member of the Audit committee on 4 December 2018

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties as set out below:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of the Directors and senior management;

c) to review and monitor the Company's policies and practices and compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and the Directors; and

e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board is also responsible for performing the corporate governance duties as set out below:

SCOPE OF WORK OF REANDA LAU & AU YEUNG (HK) CPA LIMITED

The figures in respect of Company's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Company's auditor, Reanda Lau & Au Yeung (HK) CPA Limited ("Reanda Lau & Au Yeung"), to the amounts set out in the Company's draft consolidated financial statements for the Year. The work performed by Reanda Lau & Au Yeung in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Reanda Lau & Au Yeung on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (http://www.hkex.news.hk) and the Company's website (http://www.chinaoceanfishing.hk). The annual report of the Company for the Year will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
China Ocean Fishing Holdings Limited
Liu Rongsheng
Executive Director and Chairman

Hong Kong, 24 June 2019

As at the date of this announcement, the executive Directors are Mr. Liu Rongsheng, Mr. Fan Guocheng and Ms. Wei Qing; the non-executive Directors are Mr. Yang Yong and Mr. Lui Chun Pong; independent non-executive Directors are Mr. Pang Pui Hung Paton, Mr. Lam Man Hing and Mr. Li Cao.

This announcement, for which the Directors 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 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least seven days from the date of its publication. This announcement will also be published on the Company's website at http://www.chinaoceanfishing.hk.