# China Ocean Group Development Limited
# 中國海洋集團發展有限公司

(formerly known as "China Ocean Fishing Holdings Limited
前稱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 2020

**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 Group Development Limited (formerly known as "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 2020 (the "Year") together with the comparative figures for the corresponding year in 2019 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 March 2020*

| | *Note* | **2020** **HK$'000** | 2019 *HK$'000* |
|---|---|---|---|
| **Revenue from contracts with customers** | *5* | **826,636** | 960,595 |
| Cost of services rendered and cost of goods sold | | **(739,438)** | (879,603) |
| Gross profit | | **87,198** | 80,992 |
| Other revenue | *5* | **7** | 438 |
| Other income | *5* | **14,358** | 45,667 |
| Selling and distribution costs | | **(392)** | (485) |
| Administrative expenses | | **(45,397)** | (76,284) |
| Net impairment loss for trade receivables | | **(6,069)** | (564) |
| Net impairment loss for loan and interest receivables | | **(297)** | – |
| Finance costs | | **(23,472)** | (5,414) |
| Gain on change in fair value on contingent consideration payable | | **4,539** | 2,729 |
| Other operating expenses | | **(500)** | – |
| **Profit before taxation** | *6* | **29,975** | 47,079 |
| Income tax expenses | *7* | **(3,216)** | (503) |
| **Profit for the year** | | **26,759** | 46,576 |

| | Note | **2020** | 2019 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Other comprehensive loss for the year:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on consolidation | | **(41,684)** | (56,001) |
| | | **(41,684)** | (56,001) |
| **Total comprehensive loss for the year** | | **(14,925)** | (9,425) |
| **Profit/(loss) attributable to:** | | | |
| Equity holders of the Company | | **28,029** | 43,668 |
| Non-controlling interests | | **(1,270)** | 2,908 |
| | | **26,759** | 46,576 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Equity holders of the Company | | **(13,655)** | (12,333) |
| Non-controlling interests | | **(1,270)** | 2,908 |
| | | **(14,925)** | (9,425) |
| **Earnings per share** | *9* | | |
| Basic | | **HK 0.66 cents** | HK 1.14 cents |
| Diluted | | **HK 0.66 cents** | HK 1.13 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2020*

| | Note | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **15,322** | 43,522 |
| Investment property | | **19,604** | – |
| Construction in progress | | **405,749** | 421,780 |
| Right-of-use assets | | **762** | – |
| Other assets | | **–** | 544 |
| Intangible assets | | **724** | – |
| Goodwill | | **116,971** | 116,971 |
| | | **559,132** | 582,817 |
| **Current assets** | | | |
| Inventories | | **278** | 530 |
| Other assets | | **–** | 121 |
| Trade and other receivables | *10* | **1,081,476** | 1,024,344 |
| Loans receivables | | **72,812** | 70,913 |
| Bank balances and cash | | **2,924** | 14,326 |
| | | **1,157,490** | 1,110,234 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **159,427** | 215,088 |
| Borrowings | | **127,133** | 87,325 |
| Corporate bonds | | **11,132** | 7,589 |
| Lease liabilities | | **560** | – |
| Contingent consideration payables | | **–** | 15,739 |
| Tax payable | | **15,147** | 12,347 |
| | | **313,399** | 338,088 |
| **Net current assets** | | **844,091** | 772,146 |
| **Total assets less current liabilities** | | **1,403,223** | 1,354,963 |

| | Note | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred income | | **55,813** | 48,174 |
| Borrowings | | **58,811** | 11,628 |
| Corporate bonds | | **–** | 3,034 |
| Lease liabilities | | **197** | – |
| Contingent consideration payables | | **11,200** | – |
| | | **126,021** | 62,836 |
| **NET ASSETS** | | **1,277,202** | 1,292,127 |
| **Capital and reserves** | | | |
| Share capital | | **42,260** | 42,260 |
| Reserves | | **1,176,238** | 1,189,893 |
| Equity attributable to equity holders of the Company | | **1,218,498** | 1,232,153 |
| Non-controlling interests | | **58,704** | 59,974 |
| **TOTAL EQUITY** | | **1,277,202** | 1,292,127 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 31 March 2020*

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | | | |
| *(In HK$'000)* | Share capital | Share premium | Contributed surplus | Exchange reserve | Convertible bonds equity reserve | Accumulated losses | Total reserves | Subtotal | Non-controlling interests | Total |
| At 1 April 2019 | **42,260** | **1,378,822** | **594,707** | **(34,918)** | **–** | **(748,718)** | **1,189,893** | **1,232,153** | **59,974** | **1,292,127** |
| Profit for the year | – | – | – | – | – | 28,029 | 28,029 | 28,029 | (1,270) | 26,759 |
| **Other comprehensive income (loss)** | | | | | | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | | | |
| Exchange differences on consolidation | – | – | – | (41,684) | – | – | (41,684) | (41,684) | – | (41,684) |
| Total comprehensive income (loss) for the year | – | – | – | (41,684) | – | 28,029 | (13,655) | (13,655) | (1,270) | (14,925) |
| **Transactions with equity holders** | – | – | – | – | – | – | – | – | – | – |
| At 31 March 2020 | **42,260** | **1,378,822** | **594,707** | **(76,602)** | **–** | **(720,689)** | **1,176,238** | **1,218,498** | **58,704** | **1,277,202** |

| (In HK$'000) | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | | | | |
| | Share capital | Share premium | Contributed surplus | Exchange reserve | Convertible bonds equity reserve | Accumulated losses | Total reserves | Subtotal | Non-controlling interests | Total |
| 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 (loss) 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 |
| Shares issued upon conversion of convertible bonds | 2,384 | 136,653 | – | – | (88,798) | – | 47,855 | 50,239 | – | 50,239 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | 12,293 | 12,293 |
| Acquisition of non-controlling interests | – | – | – | – | – | (4) | (4) | (4) | (1,594) | (1,598) |
| | 9,084 | 431,453 | – | – | (88,798) | (4) | 342,651 | 351,735 | 10,699 | 362,434 |
| At 31 March 2019 | 42,260 | 1,378,822 | 594,707 | (34,918) | – | (748,718) | 1,189,893 | 1,232,153 | 59,974 | 1,292,127 |

*Notes:*

## 1. CORPORATE INFORMATION

China Ocean Group Development Limited (formerly known as "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 Room 03, 22/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting on 30 January 2020 and issued by the Bermuda Registry of Companies on 23 April 2020, the name of the Company has been changed from "China Ocean Fishing Holdings Limited" to "China Ocean Group Development Limited" and the adoption of the Chinese name "中國海洋集團發展有限公司" as the secondary name of the Company in replacement of "中國海洋捕撈控股有限公司" has become effective.

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 16, Leases
- HK(IFRIC) 23, Uncertainty over Income Tax Treatments

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 16, HK(IFRIC) 23 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 2020 and 2019 is set out below.

| | Supply chain management services business | | Money lending business | | Ocean fishing business | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue** | | | | | | | | |
| Sale of goods to external customers | **806,753** | 905,142 | **–** | – | **19,760** | 53,811 | **826,513** | 958,953 |
| Service fees from external customers | **–** | – | **123** | 1,642 | **–** | – | **123** | 1,642 |
| | **806,753** | 905,142 | **123** | 1,642 | **19,760** | 53,811 | **826,636** | 960,595 |
| **Segment results** | **59,405** | 58,411 | **(442)** | (962) | **3,235** | 29,175 | **62,198** | 86,624 |
| Unallocated income | | | | | | | **5,760** | 5,181 |
| Unallocated expenses | | | | | | | **(41,199)** | (45,229) |
| **Profit before taxation** | | | | | | | **26,759** | 46,576 |
| Income tax expenses | | | | | | | **–** | – |
| **Profit for the year** | | | | | | | **26,759** | 46,576 |
| **Assets and liabilities** | | | | | | | | |
| Segment assets | **1,077,070** | 927,313 | **68** | 4,161 | **491,340** | 549,638 | **1,568,478** | 1,481,112 |
| Unallocated assets, including interests in associates | | | | | | | **148,144** | 211,939 |
| Consolidated total assets | | | | | | | **1,716,622** | 1,693,051 |
| Segment liabilities | **111,128** | 150,783 | **39** | 7 | **136,140** | 136,250 | **247,307** | 287,040 |
| Unallocated liabilities | | | | | | | **192,113** | 113,884 |
| Consolidated total liabilities | | | | | | | **439,420** | 400,924 |
| **Other segment information** | | | | | | | | |
| Amortisation of intangible assets | **–** | 1 | **–** | – | **–** | – | **31** | 1 |
| Amortisation of other assets | **–** | – | **–** | – | **–** | – | **121** | 121 |
| Depreciation | | | | | | | | |
| – Property, plant and equipment | **1,287** | 1,471 | **–** | – | **3,116** | 3,027 | **4,864** | 5,529 |
| – Right-of-use assets | **–** | – | **–** | – | **–** | – | **24** | – |
| – Investment property | **–** | – | **–** | – | **–** | – | **568** | – |
| Impairment loss: | | | | | | | | |
| – Intangible assets | **–** | – | **–** | – | **–** | – | **–** | 81 |
| – Net impairment loss for trade receivable | **3,877** | 258 | **–** | – | **2,192** | 306 | **6,069** | 564 |
| –Net impairment loss for loan and interest receivables | **–** | – | **297** | – | **–** | – | **297** | – |
| Written off of loan interest receivables | **–** | – | **–** | 2,162 | **–** | – | **–** | 2,162 |
| Provision for deposit paid | **500** | – | **–** | – | **–** | – | **500** | – |
| Additions to non-current assets | **–** | 36 | **–** | – | **36** | 1,902 | **41** | 1,947 |

## 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 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **27,597** | 141,079 | **20,624** | 25,075 |
| PRC | **784,111** | 801,459 | **524,106** | 544,355 |
| Others | **14,928** | 18,057 | **14,402** | 13,387 |
| | **826,636** | 960,595 | **559,132** | 582,817 |

### (c) Information about major customers

For the year ended 31 March 2020, four customers (2019: four customers) that individually accounted for over 10% of total revenue of the Group are set out below:

| | Supply chain management services business | | Consolidated | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Customer A | **472,753** | 469,350 | **472,753** | 469,350 |
| Customer B | **131,400** | 157,569 | **131,400** | 157,569 |
| Customer C | **112,759** | – | **112,759** | – |
| Customer D | **89,314** | 139,594 | **89,314** | 139,594 |
| Customer E | **–** | 105,482 | **–** | 105,482 |
| | **806,226** | 871,995 | **806,226** | 871,995 |

## 5. REVENUE AND OTHER INCOME

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

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers** | | |
| Sale of goods from: | | |
| Supply chain management services business | **806,753** | 905,142 |
| Ocean fishing business | **19,760** | 53,811 |
| Service fees from: | | |
| Interest income from loans to customers | **123** | 1,642 |
| **Revenue** | **826,636** | 960,595 |
| Interest income | **7** | 438 |
| **Other revenue** | **7** | 438 |
| Interest income from other loan | **8,100** | 12,960 |
| Gain on disposal of property, plant and equipment | **75** | – |
| Gain on disposal of other assets | **56** | – |
| Government subsidy income | **4,543** | 6,944 |
| Gain on disposal of pre-sale land consent | **–** | 20,392 |
| Rental income | **264** | – |
| Sundry income | **1,320** | 5,371 |
| **Other income** | **14,358** | 45,667 |
| **Total revenue** | **841,001** | 1,006,700 |

## 6. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging (crediting):

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Employee benefit expenses (including directors' remuneration)** | | |
| Salaries, allowances and benefits in kind | **16,855** | 18,139 |
| Contribution to defined contribution schemes | **278** | 277 |
| | **17,133** | 18,416 |
| **Finance costs** | | |
| Margin facility interest expense | **–** | 200 |
| Corporate bond interest | **1,373** | 145 |
| Interest for other borrowing | **18,767** | 4,881 |
| Interest for bank borrowing | **3,332** | 188 |
| | **23,472** | 5,414 |
| **Other items** | | |
| Amortisation (included in administrative expenses): | | |
| – Intangible assets | **31** | 1 |
| – Other assets | **121** | 121 |
| Auditor's remuneration | **1,824** | 1,579 |
| Cost of goods sold | **739,438** | 879,603 |
| Depreciation | | |
| – Property, plant and equipment | **4,864** | 5,529 |
| – Right-of-use assets | **24** | – |
| – Investment property | **568** | – |
| Exchange loss, net | **4,794** | 4,727 |
| Impairment loss: | | |
| – Intangible assets | **–** | 81 |
| – Net impairment loss for trade receivables | **6,069** | 564 |
| – Net impairment loss for loan and interest receivables | **297** | – |
| Written off of loan interest receivables | **–** | 2,162 |
| Loss on disposal financial assets at fair value through profit or loss | **–** | 16,973 |
| Operating lease payments for premises | **–** | 4,684 |
| Property rental expenses in respect of short-term lease | **3,979** | – |
| Provision for deposit paid (included in other operating expenses) | **500** | – |

## 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 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 2020 (2019: 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 2021.

No Cambodia corporate income tax has been provided as there is no estimated taxable profits determined in accordance with the relevant income tax rules and regulations of Cambodia for the year ended 31 March 2020 (2019: 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 2020 (2019: 32%). Tax benefit for Mozambique Investment Law for fishing industry can enjoy 50% reduction on corporate income tax rate.

| | **2020**<br>***HK$'000*** | 2019<br>*HK$'000* |
|---|---|---|
| **Current tax** | | |
| Hong Kong Profits Tax, current year | **311** | 2,324 |
| PRC enterprise income tax | | |
| – Current year | **1,103** | – |
| – Over-provision for prior year | **29** | (2,724) |
| Cambodia corporate income tax, current year | **–** | 3,202 |
| Mozambique corporate income tax, current year | **1,773** | 2,106 |
| Deferred tax | **–** | (4,405) |
| **Total income tax expenses** | **3,216** | 503 |

## 7. INCOME TAX EXPENSES (Continued)

**Tax expense for the year is reconciled to profit before taxation**

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation | **29,975** | 47,079 |
| Notional tax calculated on profit before taxation, calculated at the rates applicable to profits in countries concerned | **10,696** | 14,226 |
| Non-deductible expenses | **2,460** | 232 |
| Non-taxable revenue | **–** | (1,476) |
| Unrecognised tax losses | **5,616** | 3,361 |
| Unrecognised temporary differences | **229** | 160 |
| Utilisation of previously unrecognised tax losses | **(14,028)** | (11,004) |
| Under/(Over)-provision for prior year | **29** | (2,724) |
| Tax concessions | **(1,786)** | (2,272) |
| Income tax charges | **3,216** | 503 |

## 8. DIVIDENDS

The Directors do not recommend the payment of a dividend for the Year (2019: 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:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders of the Company | **28,029** | 43,668 |

| | **Number of shares** | |
|---|---|---|
| | **2020** | 2019 |
| Weighted average number of ordinary shares in issue during the year for the purposes of basic earnings per share | **4,225,960,179** | 3,832,820,009 |
| Effect to dilutive potential ordinary share – Convertible bonds | **31,172,000** | 31,172,000 |
| Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share | **4,257,132,179** | 3,863,992,009 |

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 | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Trade receivables from third parties** | | **413,238** | 231,238 |
| Less: loss allowance | *(ii)* | **(6,633)** | (564) |
| | *(i)* | **406,605** | 230,674 |
| **Other receivables** | | | |
| Prepayments | | **5,029** | 674 |
| Advance payment to suppliers | *(iii)* | **626,634** | 739,434 |
| Deposits | | **9,323** | 10,959 |
| Other receivables | | **29,624** | 37,480 |
| Other tax recoverable | | **4,261** | 5,123 |
| | | **674,871** | 793,670 |
| | | **1,081,476** | 1,024,344 |

### (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:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Less than 90 days | **218,603** | 92,761 |
| 91 – 180 days | **99,029** | 52,216 |
| 181 – 270 days | **24,034** | 44,616 |
| 271 – 365 days | **43,277** | 4,050 |
| Over 1 year | **21,662** | 37,031 |
| | **406,605** | 230,674 |

### (ii) Loss allowance for trade receivables

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| At beginning of reporting period | **564** | – |
| Provision for loss allowance | **6,069** | 564 |
| **At end of reporting period** | **6,633** | 564 |

Included in the Group's trade receivables balance are debtors with carrying amounts of approximately HK$188,002,000 (2019: approximately HK$164,725,000), 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 | **2020** | 2019 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Trade payables | *(i)* | **22,674** | 56,216 |
| Accruals | | **19,231** | 11,637 |
| Contract liabilities | *(ii)* | **–** | 37,220 |
| Other tax payables | | **2,965** | 2,965 |
| Due to directors | | **1,101** | 1,818 |
| Due to shareholder | | **450** | – |
| Other payables | | **113,006** | 105,232 |
| | | **159,427** | 215,088 |

### (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:

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Less than 90 days | **–** | 48,951 |
| 91 – 180 days | **5,669** | 4,859 |
| 181 – 270 days | **17,005** | 681 |
| 271 – 365 days | **–** | 1,725 |
| | **22,674** | 56,216 |

### (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. The Group expects to deliver the goods to satisfy the remaining performance obligations of these contract liabilities within one year or less. There are no contract liabilities as at year ended 31 March 2020.

## 12. EVENTS AFTER THE REPORTING PERIOD

**Subsequent Event**

i) On 23 April 2020, Mr. Yang Yong tendered his resignation as a non-executive Director of the Company.

ii) On 24 April 2020, the Company proposed to issue 80 million subscription shares (the "Subscription Shares" to two subscribers at a subscription price of HK$0.13 per Subscription Share, representing a total subscription price of HK$10.4 million. The proceeds will be used as general working capital of the Group.

iii) On 28 May 2020, a subsidiary of the Group had received a summons from the court in respect of loan borrowing from a financial institution ("lender"). The loan borrowing was overdue for repayment which was secured by (i) personal guarantee by a related person and (ii) pledged an investment property owned by the Group. The Group was required to deliver to the lender vacant possession of the property within 28 days of the summons or repay the loan borrowing. The Group is under discussion with the loan borrower for the extension of the loan borrowing.

## 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.

During the year, the Group continued its supply chain management services of aquatic products. The Group also expanded its operation to vertically integrate with fishing subsidiaries to secure the supply of aquatic products.

### Money lending business

During the Year, the Group generated interest income of approximately HK$123,000 from its money lending business. 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.

## FINANCIAL REVIEW

The Revenue for the Group decreased to approximately HK$826,636,000 for the Year as compared to approximately HK$960,595,000 in 2019. The Group's aquatic products business generated a total revenue of approximately HK$806,753,000, the fishing operation also contributed to approximately HK$19,760,000 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.

The Group recorded an increase in gross profit to approximately HK$87,198,000 in the Year as compared to approximately HK$80,992,000 in 2019. 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 8.3% to 10.5% during the Year. Gross profit margin of aquatic products from fishing operation were generally higher than from supply chain operation.

Net profit attributable to equity holders of the Company for the Year amounted to approximately HK$28,029,000 as compared to a profit of approximately HK$43,668,000 in 2019. During the Year, the administrative expenses decreased to approximately HK$45.4 million from HK$76.3 million in 2019 because of non-recurring loss on disposal of securities of HK$17 million and impairment on receivables of HK$2.8 million respectively. Other decreases mainly arose from the legal and professional fees of HK$6 million, other tax paid from Cambodian operation of HK$2.3 million, entertainment expenses of HK$1.9 million and transportation expenses of HK$1.1 million. Due to the expansion of the Company's operation in Mozambique and Cambodia, more staff were employed and operation set-up enhanced in anticipation of the commencement of large scale fishing operations. The major components in administrative expenses being salaries and welfare for both staff and directors; depreciation, exchange losses and rent and rates.

**Outlook**

The Company's supply chain management business has remained quite stable during the Year, however, 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 2020, the Group had total assets of approximately HK$1,716,622,000 (31 March 2019: approximately HK$1,693,051,000), including bank balances and cash equivalent of approximately HK$2,924,000 (31 March 2019: approximately HK$14,326,000).

As at 31 March 2020, there was general banking facilities granted to subsidiaries of the Group of RMB33,290,000 (31 March 2019: RMB26,000,000) of which RMB33,290,000 (31 March 2019: RMB24,900,000) 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 and borrowings.

As at 31 March 2020, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was approximately 2.15% (31 March 2019: 1.71%). The Group's total bank borrowings as at 31 March 2020 was HK$36,989,000 (31 March 2019: HK$28,953,000).

**Subscription of new shares**

On 18 December 2019, the Company proposed to issue 300 million subscription shares (the "Subscription Shares") to three subscribers at a subscription price of HK$0.12 per Subscription Share, representing a total subscription price of HK$36.0 million. The net proceeds of HK$35.3 million were to be used for the acquisition of equipment and tools for the newly constructed fishing-vessels and general working capital of the Group. The subscription agreements were lapsed on 19 June 2020 because of the subscribers' inability to open bank account in Hong Kong for the completion of subscription due to the outbreak of the COVID-19 novel coronavirus.

Please refer to the Company's announcements dated 18 December 2019, 15 January 2020, 24 January 2020, 20 March 2020, 17 April 2020, 29 May 2020 and 19 June 2020 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 2020, 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 2020, the Group only held minimal investments in securities in Hong Kong (collectively, the "Investments") (2019: minimal), representing an investment portfolio of 1 (2019: 1) listed securities in Hong Kong.

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 2020, the Group pledged certain investment property (2019: leasehold land and building) with carrying amount of approximately HK$19.6 million (31 March 2019: approximately HK$20.5 million) as collateral to secure borrowings granted to the Group.

**Contingent liabilities**

Save as disclosed above, the Group had no contingent liability as at 31 March 2020 (31 March 2019: Nil).

**Employees and remuneration policies**

As at 31 March 2020, the Group had 78 (31 March 2019: 127) employees including the Directors. Total staff costs (excluding Directors' emoluments) amounted to approximately HK$13.2 million for the Year, as compared to approximately HK$13.7 million in 2019. 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.

## 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. Yang Yong, Mr. Lam Man Hing and Mr. Li Cao were not able to attend the special general meeting of the Company held on 30 January 2020 due to other business engagement. Other Board members who attended the 2019 AGM and all the special general meetings were already of sufficient calibre and number for answering questions raised by the Shareholders at the 2019 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 subscription 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.

## AUDIT COMMITTEE

The Company sets 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. Kam Hou Yin, John as the chairman of the Audit Committee, Mr. Lam Man Hing and Mr. Li Cao.

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

## 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.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | **Audited Annual Results 2020** *HK$'000* | **Unaudited Annual Results Disclosed in the Announcement 2020** *HK$'000* | **Difference** *HK$'000* | *Notes* |
|---|---|---|---|---|
| Net impairment loss for trade receivables | **(6,069)** | **(5,547)** | **(522)** | *(i)* |
| Gain on change in fair value on contingent consideration payable | **4,539** | **–** | **4,539** | *(ii)* |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Audited Annual Results 2020 *HK$'000* | Unaudited Annual Results Disclosed in the Announcement 2020 *HK$'000* | Difference *HK$'000* | *Notes* |
|---|---|---|---|---|
| **Current assets** | | | | |
| Trade and other receivables | **1,081,476** | **1,081,998** | **(522)** | *(i)* |
| **Current liabilities** | | | | |
| Contingent consideration payables | **11,200** | **15,739** | **(4,539)** | *(ii)* |

*Notes:*

i. Loss allowance adjustments on trade receivables is resulted from impairment reassessment. The loss allowance stated in the Announcement was based on the business valuation carried out then which was not reviewed by the auditor.

ii. The difference in contingent consideration payables was mainly due to recognition of the gain in change in fair value on contingent consideration payable.

## AUDITOR'S AGREEMENT ON THE 2020 ANNUAL RESULTS

Following the adjustments described in Notes (i) to (ii) above, the Company's external auditor has agreed on the 2020 Annual Results (including the financial figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto) as set out in the 2020 Annual Results. The audited annual results of the Group for the year ended 31 March 2020 have been reviewed by the Audit Committee of the Company and were approved by the Board on 14 August 2020.

## WAIVER IN RELATION TO PUBLICATION OF ANNUAL REPORT

As disclosed in the announcement of the Company dated 26 June 2020, the publication and dispatch of Annual Report was delayed due to the travel restrictions imposed in mainland China, Cambodia and Mozambique arising out of COVID-19. In particular, as a result of the travel restrictions imposed in Mozambique, the auditor of the Company, Reanda Lau & Au Yeung (HK) CPA Limited (the "Auditor"), has not been able to travel to Mozambique to conduct audit in preparation of the annual report. Therefore, the Company failed to meet the requirements of publication and dispatch of the Annual Report in accordance with Rules 18.03, 18.48A and 18.50C of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "Stock Exchange") of Hong Kong Limited (the "GEM Listing Rules").

The Company has made an application to the Stock Exchange for a waiver from the strict compliance of Rules 18.03, 18.48A and 18.50C of GEM Listing Rules on the basis that: (i) the national state of emergency declared by the Mozambican government and travel restrictions imposed due to the worsening of COVID-19 greatly hindered the audit to be carried out by the Auditor in Mozambique, which was only completed in early-August 2020; and (ii) due to the delay in the completion of audit in Mozambique, the Company estimates additional time is required for further update of the rest of the Annual Report and the printing of the Annual Report. The Company expects the Annual Report will be published and dispatched by 28 August 2020.

Further announcement(s) will be made by the Company as and when necessary in case of any other material development in the completion of the audit process and the publication and dispatch of the Annual Report.

By Order of the Board
**China Ocean Group Development Limited**
**Liu Rongsheng**
*Executive Director and Chairman*

Hong Kong, 14 August 2020

*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. Lui Chun Pong and Mr. Cai Haiming; the independent non-executive Directors are Mr. Kam Hou Yin John, 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.chinaoceangroup.com.hk.*