

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.

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

Highlights

- The Group recorded revenue of approximately HK\$256.9 million for the nine months ended 31 December 2019, representing an increase of approximately HK\$7.5 million or 3.0% as compared to the nine months ended 31 December 2018.
- The Group recorded a net profit attributable to the owners of the Company of approximately HK\$13.9 million for the nine months ended 31 December 2019, representing a decrease of approximately HK\$6.7 million as compared to the Group's net profit of approximately HK\$20.6 million for the nine months ended 31 December 2018. The decrease was mainly due to the expenses incurred for the proposed transfer of listing, and the increases in selling and distribution costs and administrative expenses during the period.
- The Board does not recommend the payment of dividend for the nine months ended 31 December 2019.

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 December 2019, together with the respective unaudited comparative figures for the corresponding periods in 2018, as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

| | NOTES | Three months ended | | Nine months ended | |
|--|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| Revenue | 4 | 88,554 | 85,563 | 256,931 | 249,401 |
| Cost of goods sold | | (76,698) | (73,268) | (223,918) | (215,642) |
| Gross profit | | 11,856 | 12,295 | 33,013 | 33,759 |
| Other income | | 58 | 535 | 143 | 924 |
| Other loss | | (84) | (358) | (417) | (19) |
| Selling and distribution costs | | (1,818) | (1,529) | (5,333) | (4,125) |
| Administrative expenses | | (2,539) | (1,819) | (9,513) | (5,241) |
| Finance costs | | (92) | (241) | (313) | (412) |
| Profit before taxation | 5 | 7,381 | 8,883 | 17,580 | 24,886 |
| Taxation | 6 | (1,428) | (1,451) | (3,667) | (4,282) |
| Profit and total comprehensive income for the period | | 5,953 | 7,432 | 13,913 | 20,604 |
| Earnings per share — basic (HK cents) | 8 | 2.13 | 2.66 | 4.97 | 7.36 |

Condensed Consolidated Statement of Changes in Equity

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 (Note 1) | Other reserve HK\$'000 (Note 2) | Accumulated profits HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|--|--|------------------------------------|-------------------|
| At 1 April 2019 (audited) | 2,800 | 72,851 | 3,000 | 12,000 | 37,535 | 128,186 |
| Profit and total comprehensive income for the period | - | - | - | - | 13,913 | 13,913 |
| Dividend recognised as distribution | - | - | - | - | (7,560) | (7,560) |
| At 31 December 2019 (unaudited) | 2,800 | 72,851 | 3,000 | 12,000 | 43,888 | 134,539 |
| At 1 April 2018 (audited) | 2,800 | 72,851 | 3,000 | 12,000 | 18,742 | 109,393 |
| Profit and total comprehensive income for the period | - | - | - | - | 20,604 | 20,604 |
| Dividend recognised as distribution | - | - | - | - | (6,160) | (6,160) |
| At 31 December 2018 (unaudited) | 2,800 | 72,851 | 3,000 | 12,000 | 33,186 | 123,837 |

Notes:

- (1) The special reserve of the Group represents the difference between the nominal amount of the share capital of Quality Products (H.K.) Limited ("Quality Products") and the nominal amount of share capital of Ocean One (BVI) Holding Ltd. pursuant to the group reorganisation in the prior years.
- (2) The other reserve represents the capitalisation of amount due to a director of HK\$12,000,000 pursuant to a written resolution passed by the sole shareholder of Quality Products on 5 June 2017.

Notes to the Condensed Consolidated Financial Statements

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company acts as an investment holding company and its subsidiaries are principally engaged in importing and wholesaling of frozen seafood products and property holding. The Company's immediate and ultimate holding company is Karlson Holding Limited which was incorporated in the British Virgin Islands and controlled by Mr. Chan Kin Fung ("Mr. Chan").

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal accounting policies applied in preparing this condensed consolidated financial statements are set out in note 3.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The amounts included in this condensed consolidated financial statements have been computed in accordance with HKFRSs issued by the HKICPA applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 31 December 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 "Leases" and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease does not have material impact on the condensed consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts, elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application. As all of the Group's leases will end within 12 months from 1 April 2019, no right-of-use assets and leases liabilities are recognised on 1 April 2019.

In relation to asset previously under a finance lease, as the asset was fully depreciated in prior year, no recategorisation of right-of use asset has been made in the condensed consolidated financial statements as at 1 April 2019. However, the Group reclassified the lease liability/obligation under a finance lease of HK\$119,000 and HK\$90,000 to lease liability as current and non-current liabilities respectively at 1 April 2019.

For the purpose of reporting cash flows from operating activities under indirect method for the nine months ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. However, as the rental deposits received are insignificant, no adjustment has been made in the condensed consolidated financial statements.

Effective on 1 April 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements.

The application of HKFRS 16 has had no material impact as a lessor on the condensed consolidated financial statements for the nine months ended 31 December 2019.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received or receivable from trading of frozen seafood products. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and loss in relation to the goods.

The Group's operating activities are attributable to a single operating segment focusing on importing and wholesaling of frozen seafood products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs that are regularly reviewed by the executive directors of the Company, the chief operating decision maker ("CODM"). The CODM reviews the results of the Group as a whole in order to assess financial performance and allocation of resources. Accordingly, the operation of the Group constitutes only one single operating segment. Other than entity wide information, no further analysis of this single segment is presented.

The disaggregated information of revenue is as follows:

Revenue from major products

The following is an analysis of the Group's revenue from its major products which is recognised at a point in time:

| | Three months ended | | Nine months ended | |
|----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) |
| Crabs and roe | 8,777 | 7,689 | 23,040 | 19,916 |
| Fishes | 13,118 | 13,616 | 38,821 | 34,248 |
| Octopuses and cuttlefishes | 4,014 | 3,243 | 13,086 | 17,077 |
| Prawn | 25,108 | 23,074 | 72,157 | 75,128 |
| Processed seafood products | 16,324 | 18,145 | 50,319 | 41,611 |
| Scallops, oysters and surf clams | 16,036 | 15,305 | 44,925 | 45,863 |
| Miscellaneous products | 5,177 | 4,491 | 14,583 | 15,558 |
| | 88,554 | 85,563 | 256,931 | 249,401 |

Revenue by types of customers

The following is an analysis of the Group's revenue by types of customers:

| | Three months ended | | Nine months ended | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) |
| Frozen seafood resellers | 82,575 | 81,275 | 238,676 | 235,152 |
| Frozen seafood catering services providers | 5,979 | 4,288 | 18,255 | 14,249 |
| | 88,554 | 85,563 | 256,931 | 249,401 |

Geographical information

Information about the Group's revenue from external customers presented based on the geographical location of the customers is as follows:

| | Three months ended | | Nine months ended | |
|----------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) |
| Hong Kong | 69,978 | 68,813 | 202,192 | 205,931 |
| Mainland China | 10,713 | 9,433 | 29,870 | 15,730 |
| Macau | 7,863 | 6,750 | 23,183 | 19,814 |
| Taiwan | – | 567 | 1,686 | 7,926 |
| | 88,554 | 85,563 | 256,931 | 249,401 |

5. PROFIT BEFORE TAXATION

| | Three months ended | | Nine months ended | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) |
| Profit before taxation has been arrived at after charging (crediting): | | | | |
| Staff costs, including directors' emoluments | 1,529 | 1,367 | 4,592 | 3,733 |
| Cost of inventories recognised as expenses | 76,698 | 73,268 | 223,918 | 215,642 |
| Depreciation of property, plant and equipment | 190 | 273 | 559 | 660 |
| Depreciation of investment property | 13 | – | 39 | – |
| Short-term lease payments | 202 | – | 795 | – |
| Variable lease payments (<i>Note</i>) | 411 | – | 1,359 | – |
| | 613 | – | 2,154 | – |
| Operating lease rentals in respect of rented premises | | | | |
| — Minimum lease payments | – | 213 | – | 639 |
| — Contingent rent (<i>Note</i>) | – | 322 | – | 783 |
| | – | 535 | – | 1,422 |
| Interests on: | | | | |
| — bank borrowings | 74 | 204 | 261 | 303 |
| — bank overdrafts | 15 | 34 | 43 | 100 |
| — lease liability/finance lease | 3 | 3 | 9 | 9 |
| | 92 | 241 | 313 | 412 |
| Interest income | (45) | (303) | (106) | (514) |
| Net exchange loss | 83 | 358 | 414 | 19 |

Note: The variable lease payments or contingent rent are based on weight of the goods stored in the warehouse calculated on pre-determined rate.

6. TAXATION

| | Three months ended | | Nine months ended | |
|-----------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) |
| Hong Kong Profits Tax | | | | |
| Current tax | 1,434 | 1,425 | 3,665 | 4,256 |
| Deferred taxation | (6) | 26 | 2 | 26 |
| | 1,428 | 1,451 | 3,667 | 4,282 |

During the nine months ended 31 December 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits of the qualifying group entity and at 16.5% on the estimated assessable profits above HK\$2 million. The profit of the group entities not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%.

7. DIVIDENDS

During the current period, the Company declared a final dividend of HK2.7 cents per share in respect of the year ended 31 March 2019 (nine months ended 31 December 2018: HK2.2 cents per share). The aggregate amount of the final dividend in respect of the year ended 31 March 2019 declared in the current period amounted to HK\$7,560,000 (nine months ended 31 December 2018: HK\$6,160,000). The directors of the Company do not recommend payment of a dividend for the period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

| | Three months ended | | Nine months ended | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) | 31.12.2019 HK\$'000 (unaudited) | 31.12.2018 HK\$'000 (unaudited) |
| Profit for the period attributable to the owners of the Company | 5,953 | 7,432 | 13,913 | 20,604 |

| | Three months ended | | Nine months ended | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31.12.2019 (unaudited) | 31.12.2018 (unaudited) | 31.12.2019 (unaudited) | 31.12.2018 (unaudited) |
| Weighted average number of ordinary shares in issue | 280,000,000 | 280,000,000 | 280,000,000 | 280,000,000 |

No diluted earnings per share is presented as there are no potential ordinary shares during the nine months ended 31 December 2019 and 2018, respectively.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is an established frozen seafood importer and wholesaler in Hong Kong with over 17 years of experience in the frozen seafood import and wholesale industry. It supplies a diverse and wide range of frozen seafood products with more than 100 product varieties to over 330 customers which are mainly frozen seafood resellers and frozen seafood catering service providers.

For the nine months ended 31 December 2019, the Group recorded a net profit of approximately HK\$13.9 million as compared to a net profit of approximately HK\$20.6 million for the nine months ended 31 December 2018. Set aside the expenses incurred for the proposed transfer of listing, the Group's net profit for the nine months ended 31 December 2019 would be HK\$17.4 million. The Directors are of the view that the decrease in net profit was mainly due to the increases in selling and distribution costs and administrative expenses during the period. In view of the continuation of net profit generated for the nine months ended 31 December 2019 despite the current sluggish economy in Hong Kong, the Directors are cautiously optimistic on the Group's business outlook.

OUTLOOK

The Directors believe that since the successful listing on GEM of the Stock Exchange on 19 October 2017 (the "Listing"), it enhances the Group's profile and further strengthens the Group's reputation in the industry, which in turn helps maintaining the business relationship with the existing suppliers and customers, and exploring potential business opportunities with new suppliers and customers.

The net proceeds from the Share Offer (as defined in the Prospectus) have been providing financial resources to the Group to meet and achieve its business opportunities and strategies which will further strengthen the Group's market position in the frozen seafood import and wholesale industry in Hong Kong.

The Group has obtained sale agency arrangements with a number of new foreign suppliers since its Listing, and will continue to pursue for additional exclusive agency or sale agency arrangements with existing and new foreign suppliers to further enrich our product portfolio and to maintain our competitiveness by carrying a broader product portfolio. The Group shall continue to strive and achieve the business objectives as stated in the prospectus issued by the Company dated 29 September 2017 ("Prospectus").

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 3.0% from approximately HK\$249.4 million for the nine months ended 31 December 2018 to approximately HK\$256.9 million for the nine months ended 31 December 2019, primarily attributable to the increase in sales of products such as frozen crab flavored fish cake, roasted eel, salmon belly and smoked salmon, but partially offset with the decrease in sales of products such as giant squid fillets and various prawns products.

Cost of goods sold

Our cost of goods sold mainly represents the costs of products sold net of purchases discounts, shipping handling charges and transportation costs. The Group's cost of goods sold for the nine months ended 31 December 2019 was approximately HK\$223.9 million, representing an increase of approximately 3.8% from approximately HK\$215.6 million for the nine months ended 31 December 2018, such increase slightly exceeded the increase in our revenue.

Gross profit and gross profit margin

The Group's gross profit for the nine months ended 31 December 2019 was approximately HK\$33.0 million, representing a decrease of approximately 2.2% from approximately HK\$33.8 million for the nine months ended 31 December 2018. The Group's gross profit margin for the nine months ended 31 December 2019 was approximately 12.8%, representing a decrease of approximately 0.7 percentage points as compared to approximately 13.5% for the nine months ended 31 December 2018. The decrease in gross profit and gross profit margin was mainly due to the selling of various low margin products such as frozen crab flavored fish cake, roasted seaweed and fried sesame chicken wings according to the latest market conditions.

Selling and distribution costs

Our selling and distribution costs mainly comprise of warehouse rental, staff costs of our logistics and warehouse team, warehouse utilities, depreciation of our warehouse facilities and transportation expenses. The Group's selling and distribution costs for the nine months ended 31 December 2019 was approximately HK\$5.3 million, representing an increase of approximately 29.3% from approximately HK\$4.1 million for the nine months ended 31 December 2018. The increase in selling and distribution costs of the Group was mainly due to the increase in usage of external warehouse and increase in warehouse and logistic staffs. The selling and distribution costs accounted for approximately 2.1% and 1.7% of the total revenue for the nine months ended 31 December 2019 and 2018 respectively.

Administrative expenses

For the nine months ended 31 December 2019, the Group's administrative expenses primarily comprised of staff costs for administrative and management personnel, directors' remuneration, auditor's remuneration, listing compliance expenses, rent rates and management fee for office, office utilities, depreciation and insurance. Administrative expenses increased from approximately HK\$5.2 million for the nine months ended 31 December 2018 to approximately HK\$9.5 million for the nine months ended 31 December 2019. The increase in administrative expenses of the Group was mainly due to increase in legal and professional fees to cope with the proposed transfer of listing from GEM to Main Board.

Finance costs

Finance costs represented interests on bank borrowings, lease liability/obligation under a finance lease and bank overdrafts. Finance costs decreased from approximately HK\$412,000 for the nine months ended 31 December 2018 to approximately HK\$313,000 for the nine months ended 31 December 2019.

Taxation

For the nine months ended 31 December 2019 and 2018, our tax expenses was approximately HK\$3,667,000 and HK\$4,282,000 respectively, decreased by approximately HK\$615,000 or 14.4%, which was consistent with the decrease in the estimated assessable profits.

Profit for the period

For the nine months ended 31 December 2019, the Group's profit and total comprehensive income attributable to the owners of the Company was approximately HK\$13.9 million as compared to approximately HK\$20.6 million for the nine months ended 31 December 2018. The decrease was mainly due to the expenses incurred for the proposed transfer of listing, and the increases in selling and distribution costs and administrative expenses during the period.

USE OF NET PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$63.0 million which will be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus. Set out below is the actual utilization of net proceeds up to 31 December 2019:

| | Net proceeds HK\$'000 | Utilised HK\$'000 | Unutilised HK\$'000 |
|---|--------------------------|----------------------|------------------------|
| Strengthening our warehouse storage capability | 29,632 | 25,961 | 3,671 |
| Enhancing our logistics capability | 8,376 | 5,230 | 3,146 |
| Broadening our product offerings by entering into exclusive agency agreements and/or sale agency agreements | 21,504 | 21,504 | – |
| General working capital of our Group | 3,494 | 2,383 | 1,111 |
| Total | 63,006 | 55,078 | 7,928 |

CAPITAL STRUCTURE

As at 31 December 2019, the Group’s total equity attributable to the owners of the Company amounted to approximately HK\$134.5 million (31 March 2019: HK\$128.2 million).

On 19 October 2017, 21,000,000 and 49,000,000 ordinary shares of HK\$0.01 each of the Company were issued at HK\$1.22 per share by way of public offer and placing, respectively. On the same date, the Company’s shares were listed on the GEM of the Stock Exchange.

The net proceeds from the Listing amounted to approximately HK\$63.0 million. The Directors believe that with the new capital from the share offer, the Group is in a healthy financial position to expand its business and achieve its business objectives.

BORROWINGS AND GEARING RATIO

As at 31 December 2019, the Group had total bank borrowings of approximately HK\$7.1 million (31 March 2019: HK\$16.4 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations, while the lease liability/obligations under a finance lease was for the acquisition of a motor vehicle to support its operations.

As at 31 December 2019, the gearing ratio of the Group, calculated by dividing total bank borrowings and lease liability/obligations under a finance lease with total equity and multiplied by 100%, was approximately 5.3% (31 March 2019: 12.8%).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the nine months ended 31 December 2019, the Group did not have any significant investment, material acquisition or disposal of subsidiaries and affiliated companies.

DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2019 (nine months ended 31 December 2018: Nil).

Other Information

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

As at the date of this report, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules (“Model Code”), are as follows:

Long positions in Shares of associated corporation

| Name | Capacity/nature | No. of Shares held | Approximate % of Shareholding |
|--------------------------------|------------------------------------|-------------------------|-------------------------------|
| Chan Kin Fung ("Mr. Chan") | Interest of controlled corporation | 201,600,000 (Note 1) | 72% |
| Tse Chun Ha Amy ("Ms. Tse") | Interest of spouse | 201,600,000 (Note 2) | 72% |

Notes:

1. These Shares are held by Karlson Holding Limited, the entire issued share capital of which is held by Mr. Chan. Accordingly, Mr. Chan is deemed to be interested in the Shares held by Karlson Holding Limited by virtue of the SFO.
2. Ms. Tse is the spouse of Mr. Chan. Accordingly, Ms. Tse is deemed to be interested in Mr. Chan's interest in the Company by virtue of the SFO.

As at the date of this report, none of the Directors or chief executive of the Company had any interests in the underlying Shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at the date of this report, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at the date of this report, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the Shares or the underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the Shares

| Name | Capacity/nature | No. of Shares held | Approximate % of Shareholding |
|-------------------------|--------------------------------------|-------------------------|-------------------------------|
| Karlson Holding Limited | Beneficial owner | 201,600,000 | 72% |
| Chan Kin Fung | Interest in a controlled corporation | 201,600,000 (Note 1) | 72% |
| Tse Chun Ha Amy | Interest of spouse | 201,600,000 (Note 2) | 72% |

Notes:

1. These Shares are held by Karlson Holding Limited, which is wholly-owned by Mr. Chan. Accordingly, Mr. Chan is deemed to be interested in these Shares by virtue of the SFO.
2. Ms. Tse is the spouse of Mr. Chan. Accordingly, Ms. Tse is deemed to be interested in Mr. Chan's interest in the Company by virtue of the SFO.

Save as disclosed above, as at the date of this report, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section “Other Information — Interests of Directors and chief executive and short positions in Shares, underlying Shares and debentures” above, had any interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 31 December 2019.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the Controlling Shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the nine months ended 31 December 2019.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors from the Listing Date up to the date of this report.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to recognize and acknowledge the contributions of the eligible participants to the Group by granting options to them as incentives or rewards. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The Company has adopted a Share Option Scheme on 21 September 2017. Further details of the Share Option Scheme are set in the section headed “Statutory and General Information — 5. Share Option Scheme” in Appendix V to the Prospectus.

For the nine months ended 31 December 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Innovax Capital Limited (the "Compliance Adviser"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 26 September 2017, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "CG Code") and in relation to, among others, the Directors, Chairman and Chief Executive Officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

The Company was listed on the GEM of the Stock Exchange on 19 October 2017. To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code from the Listing Date up to the date of this report.

AUDIT COMMITTEE

The audit committee was established on 21 September 2017 with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules and in compliance with paragraph C.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee currently consists of three independent non-executive Directors and is chaired by Mr. So Yuk Ki. The other members are Mr. Lee Kam Wan and Dr. Leung Wai Ping Noel. The written terms of reference of the audit committee are posted on the GEM website and on the Company's website.

The primary duties of the audit committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Group.

The audit committee has reviewed the unaudited condensed consolidated financial statements and the results for the nine months ended 31 December 2019 with the management, and are of the view that such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
Ocean One Holding Ltd.

Chan Kin Fung

*Chairman of the Board, Chief Executive Officer
and Executive Director*

Hong Kong, 13 February 2020

As at the date of this report, the Board comprises Mr. Chan Kin Fung and Ms. Tse Chun Ha Amy as executive Directors; Mr. So Yuk Ki, Mr. Lee Kam Wan and Dr. Leung Wai Ping Noel as independent non-executive Directors.