

Ocean One Holding Ltd. 大洋環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8476

2021
ANNUAL REPORT

Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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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 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.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Kin Fung
Ms. Tse Chun Ha Amy

Independent non-executive Directors

Mr. So Yuk Ki
Mr. Lee Kam Wan
Dr. Leung Wai Ping Noel

AUDIT COMMITTEE

Mr. So Yuk Ki (*Chairman*)
Mr. Lee Kam Wan
Dr. Leung Wai Ping Noel

NOMINATION COMMITTEE

Mr. Chan Kin Fung (*Chairman*)
Mr. So Yuk Ki
Mr. Lee Kam Wan

REMUNERATION COMMITTEE

Mr. So Yuk Ki (*Chairman*)
Ms. Tse Chun Ha Amy
Dr. Leung Wai Ping Noel

COMPLIANCE OFFICER

Ms. Tse Chun Ha Amy

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond

AUTHORISED REPRESENTATIVES

Ms. Tse Chun Ha Amy
Mr. Tsui Siu Hung Raymond

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 5/F Goodwill Industrial Building
36-44 Pak Tin Par Street
Tsuen Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54 Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Citibank, N.A.
21/F Citi Tower, One Bay East
83 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong

Nanyang Commercial Bank, Limited
151 Des Voeux Road Central
Hong Kong

COMPANY'S WEBSITE

www.oceanoneholding.com

STOCK CODE

8476

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors and the management, I am pleased to present you with the chairman's statement and the annual results of Ocean One Holding Limited (the Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2021 ("FY2021").

The period under review continues to be a challenging year to the Group, specifically the business environment and market condition in Hong Kong was adversely affected by the outbreak of Novel Corona Virus ("COVID-19") since early 2020. Nevertheless, the business performance of the Group was relatively stable during the period.

With regards to our financial performance for FY2021 as compared with the year ended 31 March 2020 ("FY2020"), our revenue slightly increased by approximately HK\$4.0 million, or 1.3% from approximately HK\$323.7 million to approximately HK\$327.7 million. The Group recorded a net profit of approximately HK\$27.3 million for FY2021 as compared to a net profit of approximately HK\$18.7 million for FY2020. By excluding the expenses incurred for the proposed transfer of listing of approximately HK\$0.5 million in FY2021 and HK\$3.5 million in FY2020, the Group's net profit would be HK\$27.8 million for FY2021 and HK\$22.2 million for FY2020. The increase in net profit for FY2021 was mainly attributable to the increase in gross profit margin while the operating expenses were relatively stable.

Since the successful listing on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 October 2017 (the "Listing"), it enhances our profile and further strengthens the Group's reputation in the industry, which in turn fosters our business relationship with key suppliers and customers. During the year, we offered a wide range of frozen seafood products with over 100 product varieties, and we served over 390 customers which are mainly frozen seafood resellers and frozen seafood catering service providers. Furthermore, the Listing provides us the financial resources to meet and achieve our business opportunities and strategies which will further strengthen the Group's market position in the frozen seafood import and wholesale industry in Hong Kong.

Finally, I would like to express my sincerest gratitude to our shareholders, business partners, and to our valued customers for their continuous support, while also expressing my appreciation to the management team and all the staff members for their hard work and contributions throughout the period. The management team and all staff members of the Group will continue striving for better results for the Group and maximize values for our shareholders.

Chan Kin Fung

Chairman of the Board, Chief Executive Officer and Executive Director

Hong Kong, 15 June 2021

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. CHAN Kin Fung (陳建峰) (formerly known as Chan Tsan Fong (陳燦芳)), aged 49, is the chairman, chief executive officer and executive Director of our Group. Mr. Chan is primarily responsible for overseeing the day-to-day operations, overall business strategy and planning of our Group. Mr. Chan is the founder of our Group. Mr. Chan is the spouse of Ms. Tse Chun Ha Amy, our executive Director. Mr. Chan has over 21 years of experience in the frozen seafood import and wholesale industry. Before founding our Group in August 2002, Mr. Chan served as the marketing director of a company principally engaged in wholesale of integrated Japanese food and responsible for product and business development and marketing.

Mr. Chan obtained a Degree of Master of Social Science (Money, Banking and Finance) from the University of Birmingham in December 1995.

Ms. TSE Chun Ha Amy ("Mrs. Chan") (謝春霞), aged 45, is an executive Director of our Group. Mrs. Chan is primarily responsible for product procurement and administration of our Group. Mrs. Chan is the spouse of Mr. Chan, who is the chairman, chief executive officer and executive Director of our Group. Mrs. Chan has over 18 years of experience in the frozen seafood import and wholesale industry. Mrs. Chan joined our Group in 2002 and was a director of Quality Products from August 2002 to July 2009. Mrs. Chan has been the head of purchasing of Quality Products, responsible for product procurement and administration.

Mrs. Chan completed a Diploma Course for Advanced Putonghua Trainers in the Beijing Normal University in February 2002 and obtained a Bachelor of Education (Honours) from the Open University of Hong Kong in June 2005.

Independent Non-executive Directors

Mr. SO Yuk Ki (蘇玉祺), aged 51, joined the Board as an independent non-executive Director in September 2017, and currently is a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. So has extensive experience in finance and accounting. He is currently the manager of the management division, finance management department of China Everbright Holdings Company Limited. Mr. So obtained a Bachelor of Science (Honours) in Computer Studies from City University of Hong Kong and a Bachelor of Laws from the Peking University. Mr. So is a certified public accountant (non-practising) of the Hong Kong Institute of Certified Public Accountants.

Mr. LEE Kam Wan (李錦運), aged 50, has been appointed as an independent non-executive Director of our Group in September 2017, and currently is a member of the audit committee and nomination committee of the Company. Mr. Lee has over 22 years of experience in finance and accounting, including approximately 15 years of experience engaging in self-practice at Lee Kam Wan Certified Public Accountant. Mr. Lee obtained a Bachelor of Business Administration (Honours) from the Chinese University of Hong Kong in December 1994. Mr. Lee is an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of The Association of Chartered Certified Accountants and an ordinary member of the Hong Kong Securities Institute.

Dr. LEUNG Wai Ping Noel (梁偉平), aged 52, has been appointed as an independent non-executive Director of our Group in September 2017, and currently is a member of the audit committee and remuneration committee of the Company. Dr. Leung has approximately 31 years of experience in finance and accounting, including 16 years of experience serving in listed companies in Hong Kong and Singapore. Dr. Leung holds the degrees of Doctor of Business Administration and Master of Arts from City University of Hong Kong, a degree of Master of Business Administration from the University of Lincoln, a degree of Master of Education from the University of Hong Kong and a degree of Master of Science from Edinburgh Napier University. Dr. Leung is a certified public accountant and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of The Association of Chartered Certified Accountants.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. FU Wan Chung George Simon (胡允聰), aged 53, is the financial controller of our Group and he joined the Group in May 2017. Mr. Fu has over 30 years of experience in finance and accounting. Before joining our Group, he worked in various companies listed in the United States and Hong Kong, and various multinational and local corporations responsible for finance and accounting aspects, and he worked as an auditor at KPMG Peat Marwick in his early career.

Mr. Fu obtained a Bachelor of Arts in Accountancy (Honours) from the Hong Kong Polytechnic University in October 1992, and he is a fellow member of The Association of Chartered Certified Accountants since January 2002.

Mr. HO Chi Lok (何志樂), aged 34, is the head of sales and marketing of our Group. Mr. Ho has approximately 13 years of experience in the frozen seafood import and wholesale industry. Mr. Ho joined our Group in 2008 as the head of sales and marketing and has been responsible for overseeing the sales and marketing activities of our Group.

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond (徐兆鴻), aged 44, is the company secretary of the Company. Mr. Tsui obtained a degree of Bachelor of Business Administration (Honours) in Professional Accountancy from the Chinese University of Hong Kong in 1999. Mr. Tsui is a practising certified public accountant in Hong Kong. Mr. Tsui is a fellow member of the Association of the Chartered Certified Accountants and a fellow member of the HKICPA. Mr. Tsui has been a director and partner of Tsui & Partners CPA Limited, a registered firm of certified public accountants (practising) in Hong Kong since March 2014, and currently the company secretary of the following companies listed on the Stock Exchange and GEM of the Stock Exchange: China Health Group Limited (Stock Code: 673) since March 2009, Vongroup Limited (Stock Code: 318) since February 2010 and Guru Online (Holdings) Limited (Stock Code: 8121) since May 2015, respectively.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is an established frozen seafood importer and wholesaler in Hong Kong with over 18 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 390 customers which are mainly frozen seafood resellers and frozen seafood catering service providers.

For the year ended 31 March 2021, the Group recorded a net profit of approximately HK\$27.3 million as compared to a net profit of approximately HK\$18.7 million for the year ended 31 March 2020. Set aside the expenses incurred for the proposed transfer of listing, the Group's net profit for the year ended 31 March 2021 would be HK\$27.8 million, and HK\$22.2 million for the year ended 31 March 2020. The Directors are of the view that the increase in net profit was mainly attributable to the increase in gross profit and gross profit margin while the operating expenses were relatively stable during the period.

In view of the relatively stable revenue generated and steady increases in net profit for the year ended 31 March 2021, despite the downturn in the Hong Kong economy caused by the uncertainties due to the outbreak of Novel Corona Virus ("COVID-19") since early 2020, the Directors are cautiously optimistic on the Group's business outlook.

OUTLOOK

Looking forward, the Directors expect that next year will remain to be challenging to the Group's business. The Group will continue to assess the impact of COVID-19 on the Group's operations and financial performance, closely monitor the Group's exposure to the risks and uncertainties in connection with COVID-19 on an ongoing basis, and will strengthen the cost savings initiatives in view of the challenging conditions.

The Directors believe that the Listing status of the Group 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 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 slightly increased by approximately 1.3% from approximately HK\$323.7 million for the year ended 31 March 2020 to approximately HK\$327.7 million for the year ended 31 March 2021, primarily attributable to the increase in sales of Clearwater Brand arctic clams, king crab legs and seasoned salmon fish roe, but partially offset by the decrease in sales of 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 year ended 31 March 2021 was approximately HK\$279.1 million, representing a decrease of approximately 0.8% from approximately HK\$281.4 million for the year ended 31 March 2020.

Management Discussion and Analysis

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2021 was approximately HK\$48.7 million, representing an increase of approximately 15.3% from approximately HK\$42.2 million for the year ended 31 March 2020. The Group's gross profit margin for the year ended 31 March 2021 was approximately 14.9%, representing an increase of approximately 1.9 percentage points as compared to approximately 13.0% for the year ended 31 March 2020. The increase in gross profit and gross profit margin was mainly due to the selling of various high margin products such as roasted eel, swordfish belly, China frozen boiled octopus, octopus sushi slice and various prawns products 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 year ended 31 March 2021 was approximately HK\$8.0 million, representing an increase of approximately 13.5% from approximately HK\$7.0 million for the year ended 31 March 2020. The increase in selling and distribution costs of the Group was mainly due to the increase in depreciation charges with the commencement of usage of the new warehouse. The selling and distribution costs accounted for approximately 2.4% and 2.2% of the total revenue for the year ended 31 March 2021 and 2020 respectively.

Administrative expenses

For the year ended 31 March 2021, 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 decreased from approximately HK\$11.4 million for the year ended 31 March 2020 to approximately HK\$8.2 million for the year ended 31 March 2021. The decrease in administrative expenses of the Group was mainly due to decrease 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 liabilities and bank overdrafts. Finance costs decreased from approximately HK\$0.4 million for the year ended 31 March 2020 to approximately HK\$0.1 million for the year ended 31 March 2021.

Taxation

For the year ended 31 March 2021 and 2020, our tax expenses was approximately HK\$6.0 million and HK\$4.7 million, respectively, increased by approximately HK\$1.3 million or 27.8%, which was consistent with the increase in estimated assessable profits.

Profit for the year

For the year ended 31 March 2021, the Group's profit and total comprehensive income attributable to the owners of the Company was approximately HK\$27.3 million as compared to approximately HK\$18.7 million for the year ended 31 March 2020. The increase was mainly due to the increase in gross profit and gross profit margin, and the decrease in expenses incurred for the proposed transfer of listing during the year. By excluding the expenses incurred for the proposed transfer of listing, the Group's net profit for the year would be HK\$27.8 million for the year ended 31 March 2021, and HK\$22.2 million for the year ended 31 March 2020.

Management Discussion and Analysis

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 March 2021:

| | Net proceeds HK\$'000 | Utilized HK\$'000 | Unutilized HK\$'000 | Expected timeline of full utilization of net proceeds |
|---|--------------------------|----------------------|------------------------|---|
| Strengthening our warehouse storage capability | 29,632 | 28,970 | 662 | End of 2021 |
| Enhancing our logistics capability | 8,376 | 6,141 | 2,235 | End of 2021 |
| 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 | 3,494 | – | |
| Total | 63,006 | 60,109 | 2,897 | |

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its liquidity and capital requirements primarily through cash generated from operations, net proceeds from the Listing and bank borrowings.

As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$35.6 million (31 March 2020: HK\$16.2 million).

As at 31 March 2021, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$160.5 million (31 March 2020: HK\$139.3 million). As of the same date, the Group's total debt, comprising bank borrowings and lease liabilities, amounted to approximately HK\$2.5 million (31 March 2020: HK\$5.2 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 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 March 2021, the Group had total bank borrowings of approximately HK\$0.8 million (31 March 2020: HK\$2.6 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 March 2021, the gearing ratio of the Group, calculated by dividing total bank borrowings and lease liabilities with total equity and multiplied by 100%, was approximately 1.6% (31 March 2020: 3.7%).

Management Discussion and Analysis

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2021, the Group did not have any significant investment, material acquisition or disposal of subsidiaries and affiliated companies.

FOREIGN EXCHANGE EXPOSURE

As the Group conducts business with a number of overseas suppliers, such as those in Japan, China and Vietnam, certain of the product costs or payments are denominated in foreign currencies such as Japanese Yen and United States Dollars, which are currencies different from the revenue which is mainly in Hong Kong Dollars. As a result, the Group is exposed to foreign exchange risk.

By adopting a cost-plus pricing model, the Group is generally able to pass on the cost arising from exchange rate fluctuations to the customers; and the management is closely monitoring the movement of relevant exchange rates to ensure the net exposure is kept at an acceptable level. The Directors consider that the exposure to foreign exchange risk is insignificant and it is currently not necessary to adopt any hedging strategy.

TREASURY POLICIES

The Directors follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

PLEDGE OF GROUP ASSETS

As at 31 March 2021, the Group has pledged its leasehold land and buildings total amounted to approximately HK\$54.8 million (31 March 2020: HK\$55.7 million) to secure the bank borrowings and banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 March 2021 and 31 March 2020, the Group did not have any material contingent liabilities.

SEGMENT INFORMATION

The Group principally operates in one business segment, which is the importing and wholesaling of frozen seafood products in Hong Kong.

INFORMATION ON EMPLOYEES

As at 31 March 2021, the Group had 19 employees working in Hong Kong (31 March 2020: 20). Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various types of trainings were provided to the employees. The total staff cost (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 March 2021 amounted to approximately HK\$5.9 million (31 March 2020: HK\$6.1 million).

Directors' Report

The directors of the Company (the "Directors") are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 April 2017 under the Companies Law of the Cayman Islands. In preparation of the listing of the Shares on GEM of the Stock Exchange, the Company underwent the corporate reorganisation and became the holding company of the Group on 29 May 2017. Further details of the corporate reorganisation of the Group are set out in the section headed "History, Reorganisation and Group Structure" in the Prospectus. The Shares were listed on GEM of the Stock Exchange on 19 October 2017 (the "Listing Date") by initial public offering.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the import and wholesale of frozen seafood products in Hong Kong. Details of the principal activities of its subsidiaries as at 31 March 2021 are set out in the note 32 to the consolidated financial statements in this annual report. There were no significant changes in the nature of the principal activities of the Group during the year.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years ended 31 March 2021, as extracted from the Prospectus and the consolidated financial statements is set out on page 92 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

BUSINESS REVIEW

A review of the Group's business, description of the principal risks and uncertainties facing the Group, and discussion on the future development in the Group's business are set out in the section headed "Management Discussion and Analysis" on pages 7 to 10 of this annual report. These discussions form part of this Directors' report.

REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's revenue from operations and by geographical locations of customers is set out in note 5 of the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

On 15 June 2021, the Board recommended the payment of a final dividend of HK 2.5 cents per ordinary share for the year ended 31 March 2021, totaling HK\$7,000,000 for the year ended 31 March 2021 (for the year ended 31 March 2020: HK 2.2 cents per ordinary share totaling HK\$6,160,000). The proposed final dividend in respect of the year ended 31 March 2021 is calculated based on the total number of shares in issue as at the date of this report. The payment of the proposed final dividend is to be approved by the Shareholders at the Company's forthcoming Annual General Meeting ("2021 AGM"). The financial statements do not reflect this dividend payable.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Directors' Report

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2021, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK\$81.1 million (31 March 2020: HK\$80.5 million) comprising accumulated profits of approximately HK\$8.3 million and the share premium amounting to approximately HK\$72.8 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, the aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 4.6% and 18.7% (2020: approximately 5.8% and 20.9%) of the Group's total revenue for the year, respectively.

During the year ended 31 March 2021, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 13.7% and 41.9% (2020: approximately 13.5% and 48.8%) of the Group's total purchase for the year, respectively.

At no time during the year under review, none of the Directors, their close associates or any Shareholders (which to the best knowledge of the Directors who owns more than 5% of the Company's issued share capital), has any interests in any of the above five largest customers and suppliers of the Group for the year.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 March 2021, there were no material and significant dispute between the Group and its employees, customers and suppliers.

DIRECTORS

The Directors who held office during the year ended 31 March 2021 and up to the date of this annual report are:

Executive Directors

Mr. Chan Kin Fung (*Chairman and Chief Executive Officer*)

Ms. Tse Chun Ha Amy

Independent non-executive Directors

Mr. So Yuk Ki

Mr. Lee Kam Wan

Dr. Leung Wai Ping Noel

Pursuant to the Article 84(1) of the Articles of Association and the GEM Listing Rules, Mr. Chan Kin Fung, Ms. Tse Chun Ha Amy, Mr. So Yuk Ki, Mr. Lee Kam Wan and Dr. Leung Wai Ping Noel who were appointed by the Board shall hold office until the forthcoming annual general meeting of the Company to be held on Thursday, 19 August 2021 ("2021 AGM") and being eligible, to offer themselves for re-election at the 2021 AGM.

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 5 to 6 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, a written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three (3) years, commencing from the Listing Date, subject to retirement and re-election in accordance with the Articles of Association and the GEM Listing Rules, unless terminated by either party by giving at least three (3) month's written notice to the other. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of one (1) year respectively, commencing from the Listing Date subject to retirement and re-election in accordance with the Articles of Association and the GEM Listing Rules, unless terminated by either party by giving at least three (3) month's written notice to the other.

Save as disclosed above, none of the Directors being proposed for re-election at the 2021 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emoluments of the Directors of the Company are decided by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, senior management and the five highest paid individuals of the Group are set out in notes 10(a) and 10(b) to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

During the year ended 31 March 2021, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" in this report from pages 15 to 16 in this annual report and note 28 to the financial statements, there were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholder, the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the date of this annual 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 |
|-----------|------------------------------------|----------------------|-------------------------------|
| Mr. Chan | Interest of controlled corporation | 201,600,000 (Note 1) | 72% |
| Mrs. Chan | 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. Mrs. Chan is the spouse of Mr. Chan. Accordingly, Mrs. Chan is deemed to be interested in Mr. Chan's interest in the Company by virtue of the SFO.

As at the date of this annual 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 annual 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" in this report, at no time during the year ended 31 March 2021 and up to the date of this annual report was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this annual 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 ("Mr. Chan") | Interest in a controlled corporation | 201,600,000 (Note 1) | 72% |
| Tse Chun Ha Amy ("Mrs. Chan") | 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. Mrs. Chan is the spouse of Mr. Chan. Accordingly, Mrs. Chan 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 annual 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 "Directors' and Chief Executive's Interest and Short Positions in Shares and Underlying Shares and Debentures of the Company and its Associated Corporations" 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.

CONTINUING CONNECTED TRANSACTIONS

On 8 September 2017, the Group's subsidiary company, Quality Products (Hong Kong) Limited, has entered into (1) a master sales agreement with Nakamura Japanese Food Company ("Nakamura"); and (2) a master sales agreement with Ichiban Pacific (H.K.) Limited ("Ichiban"), for the sales of frozen seafood products for the period commencing from 1 April 2017 to 31 March 2020, all of which constitute continuing connected transactions as set out in the section headed "Connected Transactions" in the Prospectus, and subject to the requirements of reporting, annual review and announcement under Chapter 20 of the GEM Listing Rules.

As the master sales agreements with Nakamura and Ichiban expired on 31 March 2020, Quality Products (Hong Kong) Limited entered into the supplemental agreements with Nakamura and Ichiban, respectively, on 25 March 2020 to extend the term of the master sales agreements for three years until 31 March 2023.

Directors' Report

Nakamura is wholly-owned by Mr. Chan Tsan Piu, the brother of Mr. Chan. Ichiban is a company owned as to 80% by Mr. Chan Tsan Kan, the cousin of Mr. Chan, and 20% by Ms. Sun Chung Ching, the spouse of Mr. Chan Tsan Kan.

| | Transaction amount for the year ended 31 March 2021 recorded in the books and records HK\$'000 | Maximum annual caps for the year ended 31 March 2021 according to the agreement HK\$'000 |
|--|--|--|
| (1) Master sales agreement with Nakamura | 2,429 | 5,300 |
| (2) Master sales agreement with Ichiban | 715 | 2,200 |

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirm the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on arms' length basis and on normal commercial terms; and
- (3) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules during the year under review.

Moreover, the Company's auditor has provided an unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions taken place during the year ended 31 March 2021 in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, the Directors and officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty; provided that this indemnity shall not extend to any matter in respect of any own fraud or dishonesty which may attach to any of the Directors and officers.

The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Directors' Report

COMPETING INTEREST

As at the Listing Date and up to the date of this annual report, none of the Directors or the Controlling Shareholders of the Company or their close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

DEED OF NON-COMPETITION

The Controlling Shareholders, namely Karlson Holding Limited and Mr. Chan, together with Mrs. Chan, entered into a deed of non-competition dated 28 September 2017 ("Deed of Non-Competition") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the deed of non-competition, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of the Controlling Shareholders since the Listing Date and up to the date of this annual report.

PURCHASE, SALES OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company from the Listing Date up to the date of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient prescribed public float of the issued Shares as required under the GEM Listing Rules.

CORPORATE GOVERNANCE

Details of the principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 21 to 29 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimizing the negative impact of the Group's existing business activities on the environment. Details of the environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 30 to 42 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Directors review and monitor the Group's policies and practices on compliance with legal and regulatory requirements on a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time.

From the Listing Date and up to the date of this annual report, to the best knowledge of the Directors and management, the Group has complied with the requirements under the GEM Listing Rules, SFO and the Cayman Companies' Law. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the GEM Listing Rules are provided in the Corporate Governance Report of this annual report.

Directors' Report

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2021 AGM will be held on Thursday, 19 August 2021. The register of members of the Company will be closed from Monday, 16 August 2021 to Thursday, 19 August 2021, both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the AGM. During this closure period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Friday, 13 August 2021.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS IN RELATION TO THE DIVIDENDS

The Directors recommend a payment from the distributable reserves of the Company a final dividend of HK2.5 cents per share in respect of the year ended 31 March 2021 to the shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 27 August 2021. The final dividend, payable on Friday, 10 September 2021, is subject to the approval of the shareholders of the Company at the 2021 AGM to be held on Thursday, 19 August 2021.

The Register of Members of the Company will be closed from Thursday, 26 August 2021 to Friday, 27 August 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 25 August 2021.

SHARE OPTION SCHEME

Share option scheme of the Company was approved by a resolution of the Shareholders of the Company passed on 21 September 2017 (the "Share Option Scheme"). The principal terms of the Share Option Scheme is summarised in Appendix V to the Prospectus and are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

As at 31 March 2021 and up to the date of this annual report, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 March 2021 and as at the date of this annual report.

The following is a summary of the principal terms of the Share Option Scheme:

Purposes

The purpose of the Share Option Scheme is to enable the Group to grant share options to the eligible persons as incentives or rewards for their contribution to the Group and to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any invested entity.

Eligible Participants

The Board may, at its absolute discretion, offer eligible persons (being any Director or employee (whether full time or part time), consultant, adviser, supplier, customer, distributor, business or joint venture partner, franchisee, contractor and agent of any member of our Group who in the sole discretion of the Board has contributed to and/or will contribute to the Group) (the "Eligible Persons") to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

Directors' Report

Maximum number of Shares in respect of which options may be granted

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme of the Group must not in aggregate exceed 10% of the total number of Shares in issue as at the date of this annual report (i.e. 28,000,000 Shares). Options which have lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating this limit.

Maximum entitlement of each Eligible Participant

The maximum number of Shares issued and to be issued upon exercise of the options granted (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued Shares unless approved in advance by the Shareholders of the Company in general meeting with such eligible person and his close associates or his associates abstaining from voting.

Exercise period and duration of the Share Option Scheme

Options may be exercised by an Eligible Participant, in whole or in part, at any time during the period commencing from the date of grant and ending on such date as the Board may determine in granting the option, but in any event not exceeding ten years from the date of grant except that no option may be exercised until the expiry of 12 months after the date of grant.

Amount payable on acceptance of an offer of option

The amount payable by an Eligible Participant on acceptance of an offer of option is HK\$1. Any offer of option may be accepted, in whole or in part, in writing received by the Board or the Company Secretary of our Company on or before the date as specified in the offer.

Basis of determining the subscription price

The subscription price of a Share payable on the exercise of an option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price shall at least be the highest of: (i) the nominal value of the Shares; (ii) the closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("Business Day"); and (iii) the average closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheets for five Business Days immediately preceding the date of offer.

Remaining life of the Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years from 19 October 2017, which is the Listing Date.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Directors' Report

CORPORATE AND SOCIAL RESPONSIBILITY

The Company takes its corporate and social responsibilities ("CSR") seriously and is committed to advancing its policies and systems across the Group to ensure all aspects of CSR that are relevant to its business operations are addressed and monitored. These include good ethical behavior, concern for employee health and safety, care for the environment and community involvement. The Company recognizes that its social, environmental and ethical conduct has an impact on its reputation.

The Company is committed to taking positive steps towards CSR through economically viable investments, technically appropriate operations, environmentally sound practices, socially responsible actions, continual improvement in performance and efficient use of natural resources.

The Board takes ultimate responsibility for CSR and is committed to developing and implementing appropriate policies while adhering to a fundamental commitment to create and sustain long term value for Shareholders and all stakeholders.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this report.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee comprises three independent non-executive Directors, namely, Mr. So Yuk Ki (chairman of the Committee), Mr. Lee Kam Wan and Dr. Leung Wai Ping Noel.

The Audit Committee, together with the management, have reviewed the accounting principles and practices adopted by the Group and discussed the internal control system, risk management system and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the year ended 31 March 2021.

AUDITOR

A resolution will be submitted at the 2021 annual general meeting to propose for the re-appointment of Messrs. Deloitte Touche Tohmatsu, if eligible, as auditor of the Company.

By order of the Board
Ocean One Holding Ltd.

Chan Kin Fung
Chairman of the Board, Chief Executive Officer and Executive Director
Hong Kong, 15 June 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Board of Directors (the “Board”) recognizes 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 GEM of the Stock Exchange on 19 October 2017 (the “Listing Date”). 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, with the exception for the deviation from paragraph A.2.1 of the CG Code as stated below.

The Board will review and monitor the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to paragraph A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Chan Kin Fung (“Mr. Chan”) is the chairman and the chief executive officer of our Group. Considering that Mr. Chan has been operating and involved in the management of our Group since 2002, our Directors believe that it is in the best interests of our Group to have Mr. Chan taking up both roles for the purpose of ensuring consistent leadership of our Group and for effective management, business development and overall strategic planning for our Group. Therefore, the Board considers that the deviation from paragraph A.2.1 of the CG Code is appropriate in such circumstances. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolise the voting of the Board. The Board considers that the balance of power between the Board and our senior management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action is taken should the need arise.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific enquiry, all the Directors have confirmed that they have complied with the Model Code from the Listing Date to 31 March 2021.

In addition, the Company has also adopted provisions of the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company. Such relevant employees did and would abide by the provisions of the Model Code. Besides, the Company has adopted internal control policy in relation to the disclosure of inside information of the Company (the “Inside Information Policy”).

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company from the Listing Date up to the date of this report.

Corporate Governance Report

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

By virtue of article 84(1) of the articles of association of the Company, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

By virtue of article 83(3) of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Chan Kin Fung and Mr. So Yuk Ki shall hold office until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at such meeting.

BOARD OF DIRECTORS

The Board currently comprises two executive Directors and three independent non-executive Directors as at the date of this report, details of which are set out below:

Executive Directors

Mr. Chan Kin Fung ⁽¹⁾ *(Chairman of the Board and Chief Executive Officer)*
Ms. Tse Chun Ha Amy ⁽²⁾

Independent non-executive Directors

Mr. So Yuk Ki ⁽³⁾
Mr. Lee Kam Wan ⁽³⁾
Dr. Leung Wai Ping Noel ⁽³⁾

Notes:

⁽¹⁾ appointed on 18 April 2017

⁽²⁾ appointed on 29 May 2017

⁽³⁾ appointed on 18 September 2017

The brief biographical details of the Directors are set out in the section headed "Biographies of Directors" on page 5 of this report.

Save as disclosed in this report, the other Board members have no financial, business, family or other material or relevant relationships with each other.

Corporate Governance Report

FUNCTIONS OF THE BOARD

The Board is entrusted with the overall responsibility for promoting the success of the Company by providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies, internal control systems, risk management systems, material transactions, financial information, and other significant financial and operational matters.

The Board has the full support of the management to discharge its responsibilities. During the year, the Board has been provided on a quarterly basis with the Group's management information updates to give them aware of the Group's affairs and facilitate the Board to discharge its duties under the relevant requirements of the Listing Rules.

The Board delegates day-to-day operations of the Group to the Executive Directors and senior management. The delegated functions and tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above mentioned officers.

In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report contained in this report. The Directors have adopted the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

BOARD MEETING AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors with reasonable time and at least 3 days prior to the meetings.

Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting.

Corporate Governance Report

During the year ended 31 March 2021, there were six Board meetings held. Details of the attendance of each director are as follows:

| Directors | Attended/Held |
|-------------------------|---------------|
| Mr. Chan Kin Fung | 6/6 |
| Ms. Tse Chun Ha Amy | 6/6 |
| Mr. So Yuk Ki | 6/6 |
| Mr. Lee Kam Wan | 6/6 |
| Dr. Leung Wai Ping Noel | 6/6 |

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to materials and has unrestricted access to the advice and the Company Secretary, and has the right to seek external professional advice if so required.

BOARD COMMITTEES

The Board has established specific committees, namely the audit committee, the remuneration committee and the nomination committee, with written terms of reference which are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.oceanoneholding.com to assist them in efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

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 CG 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 Stock Exchange 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 audited consolidated financial statements and the results for the year ended 31 March 2021 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.

During the year ended 31 March 2021, there were four audit committee meetings held. Details of the attendance record of the committee meetings are as follows:

| Committee members | Attended/Held |
|-------------------------|---------------|
| Mr. So Yuk Ki | 3/4 |
| Mr. Lee Kam Wan | 4/4 |
| Dr. Leung Wai Ping Noel | 4/4 |

Corporate Governance Report

AUDITOR'S REMUNERATION

The fees in relation to the audit services provided by Deloitte Touche Tohmatsu Certified Public Accountants, the external auditor of the Company, for the year ended 31 March 2021 amounted to HK\$1,000,000 and those in relation to non-audit services was HK\$122,000.

REMUNERATION COMMITTEE

The remuneration committee was established on 21 September 2017 with written terms of reference in accordance with Rule 5.34 of the GEM Listing Rules and in compliance with paragraph B.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee currently consists of one executive Director and two independent non-executive Directors, it is chaired by Mr. So Yuk Ki and the other members are Ms. Tse Chun Ha Amy and Dr. Leung Wai Ping Noel. The written terms of reference of the remuneration committee are posted on the Stock Exchange website and on the Company's website.

The primary duties of the remuneration committee are to make recommendations to the Board on the policy and structure for all remuneration of Directors and senior management, to determine the terms of the specific remuneration package of the Directors and senior management, review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended 31 March 2021, there were two remuneration committee meetings held. Details of the attendance record of the committee meetings are as follows:

| Committee members | Attended/Held |
|-------------------------|---------------|
| Mr. So Yuk Ki | 2/2 |
| Ms. Tse Chun Ha Amy | 2/2 |
| Dr. Leung Wai Ping Noel | 2/2 |

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Each of the Directors will receive a fee which is subject to an annual adjustment at a rate to be reviewed by the remuneration committee and be determined at the discretion of the Board. The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to the Group. The Group has adopted incentive bonus schemes and continues to maintain these schemes, seeking to align the financial well-being of the Group with that of the employees, and to retain the Directors and staff of high caliber.

NOMINATION COMMITTEE

The nomination committee was established on 21 September 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The nomination committee currently consists of one executive Director and two independent non-executive Directors, it is chaired by Mr. Chan Kin Fung and the other members are Mr. So Yuk Ki and Mr. Lee Kam Wan. The written terms of reference of the nomination committee are posted on the Stock Exchange website and on the Company's website.

The primary duties of the nomination committee are to make recommendations to the Board to fill vacancies on the same, assess the independence of independent non-executive Directors and review the structure, size and composition of the Board.

Corporate Governance Report

During the year ended 31 March 2021, there was one nomination committee meeting held. Details of the attendance record of the committee meeting are as follows:

| <u>Committee members</u> | <u>Attended/Held</u> |
|--------------------------|----------------------|
| Mr. Chan Kin Fung | 1/1 |
| Mr. So Yuk Ki | 1/1 |
| Mr. Lee Kam Wan | 1/1 |

DIVERSITY OF THE BOARD

The Company has adopted a board diversity policy which sets out the approach to achieve diversity on the Board, the summary of which are set out below:

- (1) With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.
- (2) In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.
- (3) All Board appointments be based on meritocracy, and candidates be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the Group structure, Board and Board Committees meetings procedures, business, management and operations of the Company, etc. and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements in the Cayman Islands and Hong Kong. In preparation of the Listing, all the Directors participated in the induction program regarding directors' responsibilities and obligations under the GEM Listing Rules conducted by the Company's legal adviser, which covered, among other topics, the CG Code, the GEM Listing Rules and directors' continuing obligations.

Besides, the Company keeps circulating information and materials to develop and refresh Directors' knowledge and skills from time to time. All the information and materials are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. The company secretary is responsible to keep records of training taken by each Director.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the assets of the Group and shareholder investments. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

Corporate Governance Report

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations.

In preparation of the Listing, the Company engaged an internal control consultant, an independent third party, to undertake a review of the internal control system of the Group. Material issues identified by the internal control consultant had been rectified prior to the Listing. The Board is of the view that the internal control measures in place are adequate and effective to safeguard the Group's assets and the interest of Shareholders.

Pursuant to code provision C.2.5 of the CG Code the Group has engaged the internal control consultant to provide internal audit function for the year ended 31 March 2021, which comprises an enterprise risk assessment and review of internal control system. This engagement can assist the Board and the audit committee to monitor the risk management and internal control systems of the Group. Significant internal control deficiencies are reported to the audit committee and the Board on a timely basis to ensure prompt remediation actions taken. The enterprise risk assessment report and internal audit report are submitted to the audit committee and the Board at least once a year.

The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the GEM Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

The Group adopts a risk management framework which comprises the following processes:

- Identify significant risk in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- Develop necessary measures to manage those risks; and
- Monitor and review the effectiveness of such measures.

The Group formulated the policies and procedures of risk management and internal control as follows:

- The Group established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;
- Each operating subsidiary maintains internal controls and procedures appropriate to its structure whilst complying with the Group's policies, standards and guidelines;
- Relevant executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;
- A systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and

Corporate Governance Report

- Code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 March 2021 and considered that it was effective.

COMPANY SECRETARY

Company Secretary supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Mr. Tsui Siu Hung Raymond ("Mr. Tsui") was appointed as the Company Secretary of the Group in May 2017. He has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 March 2021, Mr. Tsui has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Investor Services Limited, whose contact details are stated in the section headed "Corporate Information" of this report.

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene an EGM of the Company and state the purpose therefore to the Board or the Company Secretary.

The Company has adopted Communications Policy with Shareholders and investors of the Company that provide ready, equal and timely access to understandable information about the Company. The Board welcomes Shareholders for their comments and/or enquiries about the Company. Shareholders may send their comments and/or enquiries to the Board by addressing them to the Company Secretary. Shareholders who wish to put forward proposal for the Company's consideration at the general meetings of the Company can send their proposal to the Company Secretary.

Pursuant to Articles of Association of the Company, if a Shareholder wishes to propose a person other than retiring Directors for election as a Director at a general meeting of the Company, the Shareholder should deposit a written notice of nomination which shall be given to the principal place of business of the Company in Hong Kong within the 7-day period commencing the day after the dispatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). The relevant procedures are posted on the Company's website (www.oceanoneholding.com).

Corporate Governance Report

The Shareholders of the Company may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address: Unit B, 5/F, Goodwill Industrial Building,
36-44 Pak Tin Par Street,
Tsuen Wan, Hong Kong
Fax: (852) 2149 5277
E-mail: ir@qphk.com.hk

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company, the Company has established a number of channels for maintaining on-going dialogue with the Shareholders as follows:

- (a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on GEM's website and the Company's website;
- (b) periodic announcements are made through the Stock Exchange and published on the respective websites of GEM of the Stock Exchange and the Company;
- (c) corporate information is made available on the Company's website;
- (d) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (e) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

CONSTITUTIONAL DOCUMENTS

During the period from Listing Date to the date of this report, there has been no significant change in the constitutional documents of the Company. The Articles of Association are available on the websites of GEM of the Stock Exchange and of the Company.

Environmental, Social and Governance Report

OVERVIEW

The Group is pleased to present its fourth report on the Environmental, Social and Governance (the “ESG”) aspects (the “ESG Report”), this ESG Report is prepared in accordance with the ESG Reporting Guide as described in Appendix 20 of the GEM Listing Rules and Guidance set out by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

SCOPE

This ESG Report covers the Group’s overall performance in two subject areas, namely Environmental and Social of the business operations during the reporting period for the year ended 31 March 2021 (the “Period”). All information and data disclosed herein were based on formal documents and internal statistics of the Group.

Having considered the sustainability of business development, as well as the four reporting principles of materiality, quantitative, balance and consistency, this ESG Report focuses on the sustainability performance of the Group’s business.

PRINCIPAL ACTIVITIES AND COMMITMENT ON ESG

During the year ended 31 March 2021, the Group is principally engaged in importing and wholesaling of frozen seafood products. We primarily source frozen seafood products from seafood harvesters, frozen seafood processors and exporters who are primarily located overseas such as Japan, China, Vietnam, etc. and distribute the products to frozen seafood resellers such as local integrated food product wholesaling companies, resellers and food trade companies; and we also sell our products directly to frozen seafood catering service providers such as restaurants, food chain stores, food processing operators and other end customers. We also add value to the products by offering additional services, such as product sourcing, quality assurance, storage and transportation, to our customers.

Environmental and social responsibilities are viewed as the Group’s core commitment to environment, internal workplace, external community and an integral part of the Group’s practice to create values for stakeholders. We will continue to expand our business with environmentally and community friendly measures in order to contribute to the development of the industry and society.

Environmental, Social and Governance Report

STAKEHOLDERS ENGAGEMENT AND MATERIALITY

The Group treasures its stakeholders and their feedback regarding its businesses and ESG aspects. In order to understand and address their key concerns, the Group maintains close communication with the key stakeholders, including shareholders and investors, employees, customers, suppliers, government as well as communities and the public. The Group's communication channels with the key stakeholders are summarized as follows:

| Stakeholders | Engagement Channels |
|----------------------------|--|
| Shareholders and investors | <ul style="list-style-type: none">• Press release, corporate announcements and circulars• Annual general meetings• Financial reports |
| Employees | <ul style="list-style-type: none">• In-house trainings and internal meetings• Performance reviews and appraisals |
| Customers | <ul style="list-style-type: none">• Customers satisfaction surveys• Customers service hotline• Regular meetings |
| Suppliers | <ul style="list-style-type: none">• Emails and phone calls• Conferences and exhibitions |
| Government and authorities | <ul style="list-style-type: none">• Field inspections• Information disclosures |
| Communities and the public | <ul style="list-style-type: none">• Charitable and volunteering activities• Community interactions |

Based on the stakeholders' engagement, the Group identified product safety and quality control, supply chain management, occupational health and safety, staff development and training, and community support as key issues to both the Group and its stakeholders. This review enhanced the Group in prioritizing its sustainability issues and highlighting the material and relevant aspects, so as to align them with stakeholders' expectations.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestions or opinions, questions or comments, please kindly send to the Company through the communication channels as stated in our Company's website.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

The Group understands the importance of environmental sustainability and protection. The Group strives to strike a balance between efficient operation and environmental protection. The Group has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations, and we also put green ideas into practice in our daily operations by promoting energy efficiency and emission reduction in all processes from sourcing and procurement, inventory management, to sales and delivery.

A1. Emissions

In the course of our operations, we produce emissions mainly from the consumption of refrigerants by our cold storage refrigerators, use of electricity and fuel consumption of our logistics trucks. The Group regularly monitors our business operations and scrutinizes our consumption data such that we can minimize environmental pollution and impacts to the environment. Each of our cold storage warehouses and office comply with applicable laws and regulations.

A1.1 Emissions Data from Vehicles

The Group's annual fuel consumption by our trucks is approximately 15,685L with approximately 45,249 km travelled.

| Types of emissions | kg |
|---------------------------|-------|
| Nitrogen Oxides ("NOx") | 141.8 |
| Sulphur Oxides ("SOx") | 0.3 |
| Particulate Matter ("PM") | 14.1 |

A1.2 Greenhouse gas ("GHG") emissions in total

GHG emissions in total are 1,439.82 tons for the year ended 31 March 2021, which includes Scope 1, Scope 2 and Scope 3 emissions as disclosed below.

Scope 1 — Direct emissions from operations that are owned or controlled by the Group
GHG emissions from mobile combustion sources (road transport):

| Types of emissions | kg |
|--------------------------------------|-----------------|
| Carbon Dioxides ("CO ₂ ") | 41,399.4 |
| Methane ("CH ₄ ") | 2.3 |
| Nitrous Oxide ("N ₂ O") | 1.1 |
| Total GHG emissions | 41,402.8 |

GHG emissions from Hydrofluorocarbons ("HFC") and perfluorocarbons ("PFC") emissions for refrigeration/air-conditioning (both commonly known as refrigerants):

During the year ended 31 March 2021, the Group's annual consumption of refrigerants by our cold storage refrigerators is approximately 93 kg.

| Types of emissions | Kg |
|----------------------------|------------------|
| CO ₂ | 881,140.0 |
| Total GHG emissions | 881,140.0 |

Environmental, Social and Governance Report

Scope 2 — Energy indirect emissions

GHG emissions from purchased electricity supplied by power companies:

During the year ended 31 March 2021, the Group's annual electricity consumption is approximately 1,031,686 kWh.

| Types of emissions | Kg |
|----------------------------|------------------|
| CO ₂ | 515,843.0 |
| Total GHG emissions | 515,843.0 |

Scope 3 — Other indirect emissions

Paper waste disposed at landfills:

| Types of emissions | kg |
|--------------------|---------|
| CO ₂ | 1,406.6 |

Electricity used for processing fresh water and sewage by government departments:

| Types of emissions | kg |
|--|------|
| CO ₂ emission from fresh water processing | 22.0 |
| CO ₂ emission from sewage processing | 10.4 |

Business air travel by employees (with no overseas travelling under the current COVID-19 pandemic):

| Types of emissions | Kg |
|----------------------------|----------------|
| CO ₂ | – |
| Total GHG emissions | 1,439.0 |

A1.3 Total hazardous waste produced

The Group does not produce hazardous waste.

A1.4 Total non-hazardous waste produced

The Group produces non-hazardous waste including mainly paper waste and domestic waste from the office which are centrally collected by the property management company.

Non-hazardous waste produced and the intensity

| | |
|--|----------|
| Non-hazardous waste produced — Landfill | 293.0 kg |
| Non-hazardous waste intensity (per employee) | 15.4 kg |

Environmental, Social and Governance Report

A1.5 Measures to mitigate emissions and results achieved

To reduce electricity usage, we limit the air-conditioning hours, maintain suitable indoor temperature and clean regularly the air conditioner and ventilation system.

With regards to logistics, we streamline our warehousing and delivery processes in order to reduce transportation frequency and thereby emissions through the consumption of diesel and petroleum, and our truck drivers strictly comply with the local laws by switching off idling engines of the trucks so as to reduce harmful effects to the environment.

The Group encourages reduction in paper, water and energy usage through recycling of paper and stationery, promotes using electronic documents instead of paper copies, as well as other initiatives such as encourages employees to use video or telephone conferencing to communicate with other parties in order to minimize traveling and thereby indirectly reduced the corresponding emissions.

A1.6 Handlings of hazardous and non-hazardous wastes, reduction initiatives and results achieved

The Group does not produce hazardous waste. The non-hazardous waste produced by the Group including paper waste and domestic waste are centrally collected and discharged by the property management company of the building. If the waste is recyclable, the property management company will arrange recyclers to recycle them.

A2. Use of Resources

The Group has an operation guideline in place and employees are reminded to switch off all the air conditioners, lights and other equipment before they leave the office. Our lighting and air conditioning systems are divided into different zones which allow us to turn off lighting and air conditioning in certain areas when not in use so as to reduce electricity consumption.

The Group uses energy saving lighting equipment such as energy saving light bulbs and LED lighting systems. When purchasing electrical appliances, the Group will preferably purchase products with Grade 1 energy label under the Mandatory Energy Efficiency Labelling Scheme by the Electrical and Mechanical Services Department of Hong Kong.

The Group uses reusable pallets whenever possible. Waste paper and cartons that are no longer needed are centrally collected and recycled by the property management company of the building.

The Group also regularly reminds employees to use double-sided printing and recycled paper, and to minimize printing hardcopies of documents. Used printer cartridges are returned to vendors for recycling.

Environmental, Social and Governance Report

A2.1 Direct and/or indirect energy consumption by type in total and intensity

Direct energy consumed by type and intensity

| | |
|---------------------------------------|---------------|
| Electricity purchased for consumption | 1,031,686 kWh |
| kWh per sales output (in ton) | 322.0 kWh/ton |

A2.2 Water consumption in total and intensity

Water consumed and intensity

| | |
|---|---------|
| Annual water consumed (in cubic metres "cbm") | 52 cbm |
| Water consumption intensity (per employee) | 2.7 cbm |

A2.3 Energy use efficiency initiatives and results achieved

The Group has adopted various operation guidelines to reduce the use of electricity, employees are reminded to switch off all the air conditioners, lights and other equipment before leaving the office; our lighting and air conditioning systems are divided into different zones which allow us to turn them off in those areas when not in use; we maintain a suitable indoor temperature and clean the air conditioner and ventilation system regularly; we use energy saving lighting equipment and electrical appliances with high energy efficiency grade. All these measures have reduced the use of electricity and conserve energy consumption.

A2.4 Issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved

According to the Group's business nature and operation solely based in Hong Kong, the issue in sourcing water that is fit for purpose is not relevant to the Group.

The Group requires employees to reduce water consumption at the warehouse and office. For instance, employees are encouraged to turn off water taps upon use, to check faucets and pipes for any potential leakage and to adopt water saving appliances.

A2.5 Total packaging material used

The Group's annual total packaging material used is approximately 2,910.6 kg, which mainly consists of plastic stretch film and packing tapes used to facilitate deliveries to customers.

The Group encourages employees to use recycled or renewable material for packaging, and aim to design the packaging to be returnable, reusable, and renewable wherever possible.

Environmental, Social and Governance Report

A3. The Environment and Natural Resources

The Group's major frozen seafood suppliers are mainly located in Japan, China and Vietnam. To the best of our knowledge, Japan, China and Vietnam impose certain fishing moratoria and trawling restrictions for preventing overfishing and replenishing marine livestock. The duration of moratoria and restrictions on trawling methods varies between these countries and depending on the territorial waters concerned.

The Group has implemented control procedures to check whether our suppliers who are Seafood Harvesters and Exporters which engage in commercial fishing have complied with the relevant fishing moratoria or trawling restrictions in their respective countries. For suppliers who engage in commercial fishing, we will obtain their legal catch certificates and/or fishing licenses and/or certificates of origin; require the relevant suppliers to provide written undertakings to us that they will at all times comply with the relevant fishing moratoria and trawling restrictions in their respective countries and carry out background checks with emphasis on their business history, credibility, any breaches of fishing moratoria or trawling restrictions and possession of certifications in HACCP and ISO; perform web search, public record search and media search from time to time to check whether there are any news about our Seafood Harvesters and Exporters with commercial fishing activities breaching any relevant laws and regulations, catching limits, fishing moratoria or trawling restrictions or supplying endangered species; perform regular checks on our procurement list to ensure that no endangered species would be procured; and timely monitor whether there are updates on relevant laws and regulations regarding fishing moratoria issued by relevant government authorities, coupled with detailed checking of catch certificates and/or certificates of origin to ensure no illegal catching in restricted zones. The Group will endeavor to refrain from procuring any wild caught seafood products from the relevant suppliers if, to the best of our knowledge, the regions concerned are subject to fishing moratoria and trawling restrictions at the material time, and will instead look for alternative supplies in other regions or from fishing farms in order to maintain sufficient supplies.

The Group will also endeavor to minimize wastage due to stock obsolescence. To prevent overstocking and minimize the amount of obsolete or expired products, we have adopted an Enterprise Resource Planning ("ERP") system to constantly monitor our inventory level. In order to maintain accurate inventory records, we also conduct periodic inventory counts to ensure the actual inventory level matches the inventory information stored in our ERP system. Accurate inventory records are important for procurement as the purchase order quantities will be adjusted based on various factors including the review of historical sales trend and exchange of market information between members of our procurement and sales teams periodically.

Furthermore, in accordance with the HACCP and ISO 9001 requirements, the Group takes a "first-in, first-out" approach to handle stocks. Those products which are delivered to the warehouses earlier in time will be sold to customers first. Such approach minimizes the chance of deterioration and obsolescence of products.

Environmental, Social and Governance Report

B. SOCIAL

The Group strives to fulfill its social responsibilities as a corporate citizen of the communities. We strive to establish harmonious relationship with employees, customers, suppliers, and the communities. We care about the development and well-being of our employees, ensuring high standards of service responsibilities, enhance transparent relationship with external parties including customers and suppliers, and contribute to our community development.

Employment and Labour Practices

B1. Employment

The Group is committed to provide a fair and respectful workplace for our employees. We ensure our human resources policies comply with all applicable laws in Hong Kong and with reference to the general practice and benchmark of the industry. The Group has established a comprehensive system of remuneration, incentive and performance management system to attract and retain talents for our long-term and stable growth. The system consists of basic salary, discretionary bonus and staff benefits (i.e. mandatory provident fund, medical and other insurance, annual leave, sick leave and various subsidies) for the employees.

The Group advocates equal opportunity and observes anti-discrimination ordinances. With reference to the Group's job vacancies, the policy is to give priority to internal promotions of current employees who are eligible. The Group ensures that all employees are not discriminated against for their sex, age, marital status, ethnic background, religion, nationality or disability. During the year, the Group does not receive any report on discrimination.

As at 31 March 2021, the Group had a total number of 19 employees including 17 full time and 2 part time staff, which comprises of management, office and logistics staff.

By Gender

| | | |
|--------|----|-------|
| Male | 13 | 68.4% |
| Female | 6 | 31.6% |
| Total | 19 | 100% |

By Age Group

| | | |
|--------------------|----|-------|
| Under 30 years old | 1 | 5.3% |
| 30-50 years old | 8 | 42.1% |
| Over 50 years old | 10 | 52.6% |
| Total | 19 | 100% |

Environmental, Social and Governance Report

During the year ended 31 March 2021, there were 6 employees left the Group with 5 logistics staff and 1 office staff. Following are the employee turnover rate by gender and by age group:

| By Gender | Turnover Rate | |
|---------------|---------------|-------|
| Male | 5 | 38.5% |
| Female | 1 | 16.7% |
| Total/Overall | 6 | 31.6% |

| By Age Group | Turnover Rate | |
|--------------------|---------------|-------|
| Under 30 years old | 1 | 100% |
| 30–50 years old | 0 | 0% |
| Over 50 years old | 5 | 50% |
| Total/Overall | 6 | 31.6% |

B2. Health and Safety

The Group values health and work safety of our employees is of utmost importance and we have provided our employees with guidance from time to time on work safety laws to ensure that our employees are kept abreast of our safety procedures and policies. The Group believes that high standards in these areas underpin a critical aspect of operating efficiency and effectiveness, which indirectly help us to compete effectively in this competitive industry.

We have implemented a wide scope of internal training programmes and an integrated management memorandum, through which our Group educates and reminds our employees of the importance of and the correct practices for health and safety in the workplace. The personnel at our human resources and administration department has to record and keep track of any injuries of our employees that have occurred during their performing of work duties, to ensure insurance claims and treatments are effectively pursued to protect our employees and our Group.

With the outbreak of COVID-19, the well-being and health of the Group's employees are our utmost priority. In order to ensure a safe and healthy working environment for our employees, the Group strives to minimize the risk of COVID-19 transmission through implementing precautionary measures in the workplace. The measures are listed below:

- Surgical mask and alcohol based hand sanitizers are provided to employees
- Workplace and common area are disinfected more frequent
- Employees or visitors who show symptoms of COVID-19 are not permitted to enter the Group's premises
- Periodically, employees are reminded to maintain their own personal hygiene

Environmental, Social and Governance Report

During the year, the Group has established workplace health and safety policies in compliance with applicable laws in Hong Kong, and except for two reportable cases under the Employees' Compensation Ordinance there have not been any major injuries of our employees that will have caused material adverse impact on the business, operations or financial performance of our Group.

Work Injury Statistics for the Period

| | |
|-----------------------------------|----------|
| Number of work-related fatalities | 0 case |
| Rate of work-related fatalities | 0% |
| Lost days due to work injury | 367 days |

B3. Development and Training

In view of the employees' importance to the Group's sustainable development, the Group's human resources department organizes trainings for our employees to support their personal growth and career development. The Group's policy is to provide employees necessary training and education in relation to their job duties. We aspire to retain talents and to assist our employees to develop their strengths and potentials.

All Directors and senior management will be trained or provided with updated information on corporate governance and listing regulations. The Group promotes effective corporate governance and offers opportunities for Directors and management to receive training and attend conferences organized by professional associations.

Since regulations on food safety changes from time to time, necessary trainings will be provided to our procurement and warehouse staff. We also encourage our staff to attend seminars, workshops and conferences relating to food safety, import of food, business management, etc.

Percentage of Employees trained during the Period

| | |
|-------------------------------------|-------|
| Employees who took part in training | 6 |
| Total number of employees | 19 |
| Percentage of employees trained | 31.6% |

Employees trained by Gender during the Period

| | | |
|--------|---|--------|
| Male | 4 | 66.7% |
| Female | 2 | 33.3% |
| Total | 6 | 100.0% |

Employees trained by Category during the Period

| | | |
|-----------------|---|--------|
| Management | 3 | 50.0% |
| Office staff | 1 | 16.7% |
| Logistics staff | 2 | 33.3% |
| Total | 6 | 100.0% |

Environmental, Social and Governance Report

Average training hours per employee by Gender

| | |
|---------|-----------|
| Male | 1.1 hours |
| Female | 0.6 hours |
| Overall | 0.9 hours |

Average training hours per employee by Category

| | |
|-----------------|-----------|
| Management | 3.8 hours |
| Office staff | 0.3 hours |
| Logistics staff | 0.4 hours |

B4. Labour Standards

The Group is in strict compliance with Hong Kong Employment Ordinance and other applicable laws in Hong Kong. The Group has a comprehensive recruitment procedure and strictly prohibits the recruitment of child or forced labour. The Group's management is responsible for implementing and reviewing matters related to recruitment, compensation, training and development and other employees' welfare issues, relevant guidelines are set out in staff handbook, employment contract, code of conducts, and internal notices. The Group will conduct investigations, and punishment or dismissal to relevant employees immediately when any illegal behavior is being discovered. Termination of employment contract, for any reasons such as unsatisfactory performance, will be carried out in strict accordance of applicable laws and internal guidelines.

Operating Practices

B5. Supply Chain Management

The Group considers the selection of suppliers to be of utmost importance as we believe the supply of quality products is one of the key factors for us to succeed in the frozen seafood import and wholesale industry. We are generally able to lower our purchase costs through directly purchasing from Seafood Harvesters and Exporters in foreign countries since they generally cover the primary sources of frozen seafood products. We continue to source our products from Frozen Seafood Processors and Exporters and Frozen Seafood Exporters which enables us to identify and source a wide variety of frozen seafood supplies with different origins in a cost effective way.

During the year ended 31 March 2021, there were a total of 48 active suppliers with the breakdown by geographical regions as follow:

| | |
|---------------------------------------|----|
| Asia (Japan, China, Vietnam, etc.) | 36 |
| South America (Argentina) | 2 |
| North America (United States, Canada) | 2 |
| Local | 8 |
| <hr/> | |
| Total | 48 |

When selecting and evaluating a potential supplier, the Group generally considers the portfolio of products capable to be offered by such potential supplier; the pricing of its products; and the quality of its products. In addition, the Group will also consider those efforts suppliers put to minimize potential negative impacts towards the environment and society. Once a new supplier has been selected, we approach the new supplier to discuss details of business cooperation, and for some of our suppliers we may enter into agency agreements with them in order to maintain long and close relationship with these suppliers.

Environmental, Social and Governance Report

The Group maintains close communication with its suppliers to have a better understanding of their operations. We will review the qualifications and performance of our suppliers including price level, product quality, delivery lead time and complaint record periodically. During the Year, the Group does not aware of any key supplier that has any significant negative impact on the business ethics, environmental protection and labour practices.

B6. Product Responsibility

The Group has implemented quality control measures by requiring our suppliers to provide us with the relevant health inspection reports or health certificates of the products before purchasing from them. Our overseas suppliers are required to provide us with health inspection report or health certificate in respect of the products delivered to us issued by the relevant government authorities or recognised institutions to certify that the products has achieved certain food safety standard and fit for human consumption.

The Group has set up a food safety committee in accordance with the HACCP and ISO 9001 requirements to maintain, evaluate and improve our quality control policies and procedures and to ensure that we are kept abreast of the development in food safety laws, regulations, guidelines and requirements that would have material effect on our operations or the frozen seafood industry. The members of food safety committee are also responsible for inspecting the health certificates from the suppliers.

To keep abreast of the development in food safety laws, regulations and requirements in a timely manner, food safety committee will meet regularly with focus on major news in the frozen seafood industry in Hong Kong and other jurisdictions in which our suppliers locate and updates in relevant laws and regulations; we will regularly review the various guidelines, requirements and orders issued by the Food and Environmental Hygiene Department in Hong Kong and enhance our quality control procedures accordingly; and we will actively communicate with our suppliers and conduct further desktop researches to enquire into the relevant updates.

Procurement team regularly checks whether our internal control and compliance manual has set out the relevant compliance requirements laid down by the relevant authorities in Hong Kong, such as (i) application for registration of food importers and distributors; (ii) update the main food categories and classifications applicable to us when there are changes of food types; and (iii) renewal of the registrations, and will update the same when necessary to ensure our food safety measures are up to the latest standard.

Upon receipt of products delivered to us by our suppliers, our logistics and warehouse team will conduct quality checking by (i) checking the relevant health certificates against the products to confirm that the products we procured are the subjects as stated under the health certificates provided by our suppliers; (ii) inspecting the packaging labels or certificates of origin of the relevant products to ascertain where such products originate and whether the import or sale of such products would subject to any specific regulations or requirements; (iii) inspecting their expiry dates to avoid inadvertent procurement of expired or close-to-expire food products; and (iv) inspecting their quantities and appearance to ensure compliance with the requirements we imposed and that the products are frozen at suitable temperatures and in proper packaging and in good condition for sale.

Environmental, Social and Governance Report

The Group also values our customers' feedback on our products and has implemented measures to handle complaints in an effective manner. Our customer service personnel handle all customers' complaints promptly upon receipt by way of phone, facsimile and email to ensure a timely response to all customers' concerns. For serious complaints such as large quantity products return, our customer service personnel will report such matters to the management for investigation and resolution. We believe the above measures can protect the rights of our customers. Such measures also help us to reinforce our quality control standards and strengthen our customers' confidence in our products. During the year ended 31 March 2021, there was no product recalled due to food safety reasons, and there was no official complaints received from customers during the period.

During the Year, the Group does not aware of any incidents of non-compliance with relevant laws and regulations regarding health and safety, advertising, labelling, privacy matters relating to products and services provided and methods of redress that have significant impact on the Group.

B7. Anti-Corruption

The Group places great importance to the corporate culture of honesty and integrity. We have established anti-corruption policies which are set out in the staff hand book and the code of conduct. Employees are not allowed to receive any benefits and gifts from suppliers or customers, and shall not solicit or accept any advantage without the permission of the Group when conducting the Group's business affairs. All employees are fully briefed on the relevant anti-corruption policies and guidelines upon entering into their employment contracts, to ensure that they comply strictly with them and will carry out their duties in good faith. The Group reviews the relevant policies annually and will strengthen the organizational risk management with regards to corruption if needed. During the year, there are no legal cases regarding corrupt practices brought against the Group or its employees.

Community

B8. Community Investment

The Group believes in giving back to the society and we engage in various activities that could make positive impact in the livelihood of the communities in which we operate in. Through charitable giving and volunteerism, we seek to create value for the society and bring joy and happiness to people's lives.

During the year, the Group's subsidiary company Quality Products (Hong Kong) Limited participates in volunteer services and is awarded the 2020/2021 Caring Company Logo. The management of the Group encourages employees to participate in community and charity services so as to give back to society.

Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF OCEAN ONE HOLDING LTD.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ocean One Holding Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 47 to 91, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Net realisable value ("NRV") assessment of inventories

We identified the NRV assessment of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with estimation uncertainty associated with determining the allowances of inventories.

The Group makes allowance for inventories if the NRV of inventories is lower than the cost of inventories. In determining the NRV of the Group's inventories, the management takes into consideration the fluctuations in price, the inventory level, the conditions, aging and expiry dates of inventories.

As disclosed in note 17 to the consolidated financial statements, the carrying amount of the Group's inventories was HK\$27,316,000 as at 31 March 2021 and no allowance for inventories has been made for the year.

Our procedures in relation to the NRV assessment of inventories included:

- Obtaining an understanding of how allowance for inventories is estimated by the management;
- Discussing with the management, evaluating the basis of identification of aged or obsolete inventories by the management and assessing the reasonableness of allowance for inventories, based on the fluctuations in price, the inventory level, the conditions, aging and expiry dates of inventories;
- Testing the aging analysis of inventories, on a sample basis, to the goods received notes; and
- Checking the subsequent selling prices of inventories, on a sample basis, to the sales invoices.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Leung Chui Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|--|-------|------------------|------------------|
| Revenue | 5 | 327,746 | 323,673 |
| Cost of goods sold | | (279,071) | (281,439) |
| Gross profit | | 48,675 | 42,234 |
| Other income | 6 | 930 | 186 |
| Other loss | 7 | (53) | (305) |
| Selling and distribution costs | | (7,957) | (7,012) |
| Administrative expenses | | (8,173) | (11,353) |
| Finance costs | 8 | (89) | (364) |
| Profit before taxation | 9 | 33,333 | 23,386 |
| Taxation | 11 | (5,987) | (4,686) |
| Profit and total comprehensive income for the year | | 27,346 | 18,700 |
| Earnings per share — basic (HK cents) | 13 | 9.8 | 6.7 |

Consolidated Statement of Financial Position

AT 31 MARCH 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 14 | 60,960 | 58,118 |
| Right-of-use assets | 15 | 1,695 | 2,542 |
| Deposit paid for property, plant and equipment | | – | 2,600 |
| Investment property | 16 | 1,372 | 1,423 |
| | | 64,027 | 64,683 |
| Current assets | | | |
| Inventories | 17 | 27,316 | 32,740 |
| Trade and other receivables | 18 | 51,865 | 38,405 |
| Bank balances and cash | 19 | 35,592 | 16,228 |
| | | 114,773 | 87,373 |
| Current liabilities | | | |
| Trade and other payables | 20 | 13,305 | 6,657 |
| Taxation payable | | 2,444 | 875 |
| Bank borrowings | 21 | 796 | 2,545 |
| Lease liabilities | 22 | 848 | 917 |
| | | 17,393 | 10,994 |
| Net current assets | | 97,380 | 76,379 |
| Total assets less current liabilities | | 161,407 | 141,062 |
| Non-current liabilities | | | |
| Lease liabilities | 22 | 867 | 1,715 |
| Deferred tax liabilities | 23 | 28 | 21 |
| | | 895 | 1,736 |
| Net assets | | 160,512 | 139,326 |
| Capital and reserves | | | |
| Share capital | 24 | 2,800 | 2,800 |
| Reserves | | 157,712 | 136,526 |
| Total equity | | 160,512 | 139,326 |

The consolidated financial statements on pages 47 to 91 were approved and authorised for issue by the Board of Directors on 15 June 2021 and are signed on its behalf by:

CHAN KIN FUNG
DIRECTOR

TSE CHUN HA
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2021

| | 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 | 2,800 | 72,851 | 3,000 | 12,000 | 37,535 | 128,186 |
| Profit and total comprehensive income for the year | – | – | – | – | 18,700 | 18,700 |
| Dividend paid (note 12) | – | – | – | – | (7,560) | (7,560) |
| At 31 March 2020 | 2,800 | 72,851 | 3,000 | 12,000 | 48,675 | 139,326 |
| Profit and total comprehensive income for the year | – | – | – | – | 27,346 | 27,346 |
| Dividend paid (note 12) | – | – | – | – | (6,160) | (6,160) |
| At 31 March 2021 | 2,800 | 72,851 | 3,000 | 12,000 | 69,861 | 160,512 |

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. ("Ocean One (BVI)") pursuant to the group reorganisation.
- (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.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2021

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 33,333 | 23,386 |
| Adjustments for: | | |
| Interest income | (60) | (137) |
| Depreciation of property, plant and equipment | 1,615 | 748 |
| Depreciation of right-of-use assets | 847 | – |
| Depreciation of investment property | 51 | 51 |
| Finance costs | 89 | 364 |
| Loss on disposal of property, plant and equipment | – | 3 |
| Operating cash flows before movements in working capital | 35,875 | 24,415 |
| Decrease in inventories | 5,424 | 2,983 |
| Increase in trade and other receivables | (13,460) | (3,666) |
| Increase (decrease) in trade and other payables | 5,248 | (945) |
| Cash generated from operations | 33,087 | 22,787 |
| Hong Kong Profits Tax paid | (4,411) | (5,378) |
| NET CASH FROM OPERATING ACTIVITIES | 28,676 | 17,409 |
| INVESTING ACTIVITIES | | |
| Interest received | 60 | 137 |
| Purchases of property, plant and equipment | (457) | (141) |
| Deposit paid for property, plant and equipment | – | (300) |
| NET CASH USED IN INVESTING ACTIVITIES | (397) | (304) |
| FINANCING ACTIVITIES | | |
| New bank borrowings raised | – | 22,000 |
| Dividends paid | (6,160) | (7,560) |
| Repayments of bank borrowings | (1,749) | (35,687) |
| Repayments of lease liability | (917) | (119) |
| Interest paid | (89) | (364) |
| NET CASH USED IN FINANCING ACTIVITIES | (8,915) | (21,730) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 19,364 | (4,625) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 16,228 | 20,853 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash | 35,592 | 16,228 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

1. GENERAL INFORMATION

Ocean One Holding Ltd. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 18 April 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Karlson Holding Limited which was incorporated in the British Virgin Islands ("BVI") and controlled by Mr. Chan Kin Fung ("Mr. Chan"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 32.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

| | |
|--|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective

| | |
|---|--|
| HKFRS 17 | Insurance Contracts and the related Amendments ⁵ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ⁴ |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶ |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions ¹ |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ⁵ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ⁵ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁵ |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use ⁴ |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract ⁴ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 ⁴ |

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective for annual periods beginning on or after a date to be determined

Except as stated below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price to individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction does not give rise to goodwill or bargain purchase gain.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Leases

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 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee

Right-of-use assets

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 are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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 are 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 consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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 in 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, 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 Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over its estimated useful lives and after taking into account of its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the investment property is derecognised.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers where are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model (including trade receivables and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Government grants (Continued)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees such as wages and salaries after deducting any amount already paid.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Net realisable value ("NRV") assessment of inventories

The Group makes allowance for inventories based on an assessment of the NRV of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the NRV is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the fluctuations in price, the inventory level, the conditions, aging and expiry dates of inventories. If the NRV of the inventories of the Group is less than expected, additional allowance may be required. As at 31 March 2021, the carrying amount of inventories is HK\$27,316,000 (2020: HK\$32,740,000). No allowance for inventories has been made for both years.

Impairment assessment of trade receivables

The management of the Group estimates the amount of lifetime ECL of trade receivables based on individual assessment, after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 35 and 18 respectively. As at 31 March 2021, the carrying amount of trade receivables is HK\$46,013,000 (2020: HK\$34,325,000). No impairment loss on trade receivables has been made for both years as the amounts involved are insignificant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

5. REVENUE AND SEGMENT INFORMATION

The Group recognises revenue from trading of frozen seafood products.

The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from trading of frozen seafood products is generally recognised when goods are delivered, which is the point of time when the customer has the ability to direct the use of products and obtain substantially all of the remaining benefits of the products. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The Group is engaged in importing and wholesaling of frozen seafood products. Information reported to the members of executive directors of the Company, being the chief operating decision makers (the "CODM"), for the purposes of resources allocation and assessment of performance focuses on revenue analysis by products and by geographic locations of customers. In addition, the CODM reviews the results of the Group as a whole to make decisions. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

All sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 of time:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------------------------|------------------|------------------|
| Crabs and roe | 39,116 | 29,325 |
| Fishes | 48,575 | 48,800 |
| Octopuses and cuttlefishes | 11,056 | 15,618 |
| Prawns | 79,474 | 90,940 |
| Processed seafood products | 56,929 | 60,108 |
| Scallops, oysters and surf clams | 67,779 | 59,932 |
| Miscellaneous products | 24,817 | 18,950 |
| | 327,746 | 323,673 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue by types of customers

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

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Frozen seafood resellers | 314,544 | 300,785 |
| Frozen seafood catering service providers | 13,202 | 22,888 |
| | 327,746 | 323,673 |

Geographical information

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

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------|------------------|------------------|
| Hong Kong | 263,361 | 255,157 |
| Macau | 27,620 | 29,335 |
| Mainland China | 36,618 | 37,495 |
| Taiwan | 75 | 1,686 |
| Japan | 72 | – |
| | 327,746 | 323,673 |

All of the Group's non-current assets are located in Hong Kong.

Information about major customers

No customers contributed over 10% of total revenue of the Group for both years.

6. OTHER INCOME

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Interest income | 60 | 137 |
| Rental income (with negligible outgoings) | 48 | 48 |
| Government grants (note) | 822 | – |
| Others | – | 1 |
| | 930 | 186 |

Note: During the current year, the Group recognised government grants of HK\$822,000 in respect of COVID-19-related subsidies, of which HK\$802,000 and HK\$20,000 relates to Employment Support Scheme and one-off subsidy provided by Hong Kong Government.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

7. OTHER LOSS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Exchange loss, net | 53 | 302 |
| Loss on disposal of property, plant and equipment | – | 3 |
| | 53 | 305 |

8. FINANCE COSTS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---------------------|------------------|------------------|
| Interests on | | |
| — bank borrowings | 62 | 309 |
| — bank overdrafts | 5 | 43 |
| — lease liabilities | 22 | 12 |
| | 89 | 364 |

9. PROFIT BEFORE TAXATION

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation has been arrived at after charging: | | |
| Directors' remuneration (<i>note 10(a)</i>) | 1,701 | 1,722 |
| Other staff costs | 4,021 | 4,192 |
| Retirement benefit scheme contributions for other staff | 169 | 180 |
| Total staff costs | 5,891 | 6,094 |
| Auditor's remuneration | 1,030 | 1,220 |
| Cost of inventories recognised as expenses | 279,071 | 281,439 |
| Depreciation of property, plant and equipment | 1,615 | 748 |
| Depreciation of right-of-use assets | 847 | – |
| Depreciation of investment property | 51 | 51 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Details of the emoluments paid or payable (including emoluments for the services as directors of the group entities prior to becoming directors of the Company) to the directors of the Company for their services rendered to the entities comprising the Group are as follows:

| | Fees HK\$'000 | Salaries and allowances HK\$'000 | Performance related incentive payments HK\$'000 | Retirement benefit scheme contributions HK\$'000 | Total HK\$'000 |
|---|------------------|---|---|--|-------------------|
| For the year ended 31 March 2021 | | | | | |
| Executive directors | | | | | |
| Mr. Chan | – | 802 | 68 | 18 | 888 |
| Ms. Tse Chun Ha Amy | – | 401 | 34 | 18 | 453 |
| Independent non-executive directors | | | | | |
| Dr. Leung Wai Ping, Noel | 120 | – | – | – | 120 |
| Mr. So Yuk Ki | 120 | – | – | – | 120 |
| Mr. Lee Kam Wan | 120 | – | – | – | 120 |
| | 360 | 1,203 | 102 | 36 | 1,701 |
| For the year ended 31 March 2020 | | | | | |
| Executive directors | | | | | |
| Mr. Chan | – | 816 | 68 | 18 | 902 |
| Ms. Tse Chun Ha Amy | – | 408 | 34 | 18 | 460 |
| Independent non-executive directors | | | | | |
| Dr. Leung Wai Ping, Noel | 120 | – | – | – | 120 |
| Mr. So Yuk Ki | 120 | – | – | – | 120 |
| Mr. Lee Kam Wan | 120 | – | – | – | 120 |
| | 360 | 1,224 | 102 | 36 | 1,722 |

Mr. Chan is the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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FOR THE YEAR ENDED 31 MARCH 2021

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 2 (2020: 2) were directors of the Company for the year ended 31 March 2021, whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2020: 3) individuals are as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Employees | | |
| — salaries and allowances | 1,319 | 1,376 |
| — performance related incentive payments | 111 | 111 |
| — retirement benefit scheme contributions | 49 | 51 |
| | 1,479 | 1,538 |

Their emoluments were within the following bands:

| | Number of employees | |
|----------------------|---------------------|------|
| | 2021 | 2020 |
| Nil to HK\$1,000,000 | 3 | 3 |

Performance related incentive payments were determined with reference to the Group's operating results, individual performances and comparable market statistics.

During both years, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

11. TAXATION

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-----------------------------|------------------|------------------|
| The charge comprises: | | |
| Hong Kong Profits Tax: | | |
| Current tax | 5,992 | 4,725 |
| Overprovision in prior year | (12) | (39) |
| | 5,980 | 4,686 |
| Deferred taxation (note 23) | 7 | – |
| | 5,987 | 4,686 |

Hong Kong Profits Tax for both years is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rates regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation | 33,333 | 23,386 |
| Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%) | 5,500 | 3,859 |
| Tax effect of expenses not deductible for tax purposes | 404 | 575 |
| Tax effect of income not taxable for tax purposes | (10) | (22) |
| Tax effect on two-tiered tax rate | (165) | (165) |
| Tax effect of tax losses not recognised | 150 | 452 |
| Overprovision in prior year | (12) | (39) |
| Others | 120 | 26 |
| Taxation charge | 5,987 | 4,686 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

12. DIVIDENDS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Dividend recognised as distribution during the year: | | |
| Final dividend paid for 2020 of HK2.2 cents per share (2020: paid for 2019 of HK2.7 cents per share) | 6,160 | 7,560 |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2021 of HK2.5 cents (2020: HK2.2 cents) per share, in an aggregate amount of HK\$7,000,000 (2020: HK\$6,160,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

13. EARNINGS PER SHARE

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

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Earnings for the purpose of basic earnings per share (profit for the year) | 27,346 | 18,700 |

| | 2021 | 2020 |
|---|-------------|-------------|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 280,000,000 | 280,000,000 |

No diluted earnings per share is presented as there are no potential ordinary shares during both years.

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FOR THE YEAR ENDED 31 MARCH 2021

14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK\$'000 | Cold storage facilities HK\$'000 | Equipment, furniture and fixtures HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|------------------------|--|---|---|-------------------------------|-------------------|
| COST | | | | | |
| At 1 April 2019 | 59,339 | 3,260 | 1,383 | 1,562 | 65,544 |
| Additions | – | – | 141 | – | 141 |
| Disposal | – | – | (14) | – | (14) |
| At 31 March 2020 | 59,339 | 3,260 | 1,510 | 1,562 | 65,671 |
| Additions | – | 4,000 | 457 | – | 4,457 |
| Write-off | – | (575) | – | – | (575) |
| At 31 March 2021 | 59,339 | 6,685 | 1,967 | 1,562 | 69,553 |
| DEPRECIATION | | | | | |
| At 1 April 2019 | 1,483 | 3,260 | 1,329 | 744 | 6,816 |
| Provided for the year | 424 | – | 44 | 280 | 748 |
| Disposal | – | – | (11) | – | (11) |
| At 31 March 2020 | 1,907 | 3,260 | 1,362 | 1,024 | 7,553 |
| Provided for the year | 989 | 267 | 78 | 281 | 1,615 |
| Write-off | – | (575) | – | – | (575) |
| At 31 March 2021 | 2,896 | 2,952 | 1,440 | 1,305 | 8,593 |
| CARRYING VALUES | | | | | |
| At 31 March 2021 | 56,443 | 3,733 | 527 | 257 | 60,960 |
| At 31 March 2020 | 57,432 | – | 148 | 538 | 58,118 |

All the Group's leasehold land and buildings are situated in Hong Kong.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

| | |
|-----------------------------------|-------------|
| Leasehold land and buildings | 2.53%–3.52% |
| Cold storage facilities | 20% |
| Equipment, furniture and fixtures | 20% |
| Motor vehicles | 30% |

As at 31 March 2021, the gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to HK\$4,651,000 (2020: HK\$4,626,000).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

15. RIGHT-OF-USE ASSETS

| | Leased properties HK\$'000 |
|----------------------------------|----------------------------------|
| As at 31 March 2021 | |
| Carrying amount | 1,695 |
| As at 31 March 2020 | |
| Carrying amount | 2,542 |
| For the year ended 31 March 2021 | |
| Depreciation charge | 847 |
| For the year ended 31 March 2020 | |
| Depreciation charge | – |

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16 | N/A | 792 |
| Variable lease payments not included in the measurement of lease liabilities | 1,659 | 1,737 |
| Total cash outflow for leases | 2,598 | 2,660 |
| Addition to right-of-use assets | – | 2,542 |

For both years, the Group leases an office and warehouse for its operations. Lease contracts are entered into for fixed term of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The variable lease payments refer to the lease payments based on weight of the goods stored in the warehouses calculated on pre-determined rate. The overall financial effect of using variable payment terms is that higher rental costs are incurred with higher inventory level.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

16. INVESTMENT PROPERTY

| | HK\$'000 |
|--|----------|
| <hr/> | |
| COST | |
| At 1 April 2019, 31 March 2020 and 31 March 2021 | 1,500 |
| <hr/> | |
| DEPRECIATION | |
| At 1 April 2019 | 26 |
| Provided for the year | 51 |
| <hr/> | |
| At 31 March 2020 | 77 |
| Provided for the year | 51 |
| <hr/> | |
| At 31 March 2021 | 128 |
| <hr/> | |
| CARRYING VALUES | |
| At 31 March 2021 | 1,372 |
| <hr/> | |
| At 31 March 2020 | 1,423 |
| <hr/> | |

The investment property is situated in Hong Kong and depreciated on a straight-line basis at 3.43% per annum.

The fair value of the Group's investment property at 31 March 2021 was HK\$1,500,000 (2020: HK\$1,500,000). The fair value has been arrived at based on valuation carried out by Asset Appraisal Limited, independent valuers not connected with the Group. The valuation was determined by reference to recent market price for similar properties in the same location and conditions.

In estimating the fair value of the property, the highest and best use of the property is their current use. The fair value measurements are categorised as level 2 hierarchy for both years.

17. INVENTORIES

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------|------------------|------------------|
| Finished goods | 27,316 | 32,740 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

18. TRADE AND OTHER RECEIVABLES

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-------------------|------------------|------------------|
| Trade receivables | 46,013 | 34,325 |
| Prepayments | 5,688 | 3,918 |
| Deposits | 164 | 162 |
| | 51,865 | 38,405 |

As at 1 April 2019, trade receivables from contracts with customers amounted to HK\$28,576,000.

The Group usually allows a credit period ranging from 0 to 90 days to its trade customers. The following is an aging analysis of the trade receivables presented based on the invoices dates at the end of the reporting period:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | 28,814 | 20,059 |
| 31 to 60 days | 10,277 | 4,736 |
| 61 to 90 days | 3,008 | 6,824 |
| Over 90 days | 3,914 | 2,706 |
| | 46,013 | 34,325 |

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customer, the Group's management will assess the potential customer's credit quality and determine the credit limits of each customer. Credit limits attributable to customers are reviewed periodically.

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$20,165,000 (2020:HK\$14,246,000), which are past due at the end of the reporting period but no balance (2020: nil) has been past due 90 days or more. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables are set out in note 35.

Included in trade receivable is the following amounts denominated in currencies other than the functional currency of the respective group entity.

| | 2021 HK\$'000 | 2020 HK\$'000 |
|------------------------------|------------------|------------------|
| Japanese Yen ("JPY") | 2,229 | 2,490 |
| United State Dollar ("US\$") | 5,922 | 6,906 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

19. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rate from 0.00% to 0.12% (2020: 0.00% to 0.12%) per annum as at 31 March 2021.

Included in bank balances and cash is the following amounts denominated in currencies other than the functional currency of the respective group entity:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|------|------------------|------------------|
| JPY | 131 | 58 |
| US\$ | 2,161 | 172 |

20. TRADE AND OTHER PAYABLES

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-------------------------|------------------|------------------|
| Trade payables | 9,425 | 4,339 |
| Accruals | 2,454 | 2,301 |
| Rental deposit received | 8 | 8 |
| Others (note) | 1,418 | 9 |
| | 13,305 | 6,657 |

Note: The amount includes payable for acquisition of property, plant and equipment of HK\$1,400,000 (2020: nil).

The credit period of trade payables is ranging from 0 to 30 days.

The following is an aging analysis of trade payables presented based on the invoice dates at the end of each reporting period:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------|------------------|------------------|
| Within 30 days | 8,240 | 4,339 |
| 31–60 days | 1,185 | – |
| | 9,425 | 4,339 |

Included in trade and other payables is the following amounts denominated in currencies other than the functional currency of the respective group entity:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|------|------------------|------------------|
| JPY | 5,936 | 2,653 |
| US\$ | 1,292 | 1,155 |

Notes to the Consolidated Financial Statements

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21. BANK BORROWINGS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Term loans | 796 | 2,545 |
| Carrying amount of term loans that contain a repayment on demand clause (shown under current liabilities) but repayable | | |
| Within one year | 796 | 1,749 |
| Within a period of more than one year, but not exceeding two years | – | 796 |
| Amounts due within one year shown under current liabilities | 796 | 2,545 |

The above variable-rate bank borrowings are secured and bear interest at Hong Kong Prime Rate minus 1.5% per annum as at 31 March 2021 (2020: at Hong Kong Prime Rate minus 1.5% per annum).

At 31 March 2021, the range of effective interest rates (which are also equal to contracted interest rates) on the variable-rate bank borrowings is 3.57% (2020: 3.58%) per annum.

Details of the pledged assets to secure the bank borrowings are set out in note 27.

22. LEASE LIABILITIES

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Lease liabilities payable: | | |
| Within a period not exceeding one year | 848 | 917 |
| Within a period of more than one year but not exceeding two years | 867 | 848 |
| Within a period of more than two years but not exceeding five years | – | 867 |
| | 1,715 | 2,632 |
| Less: Amount due for settlement with 12 months shown under current liabilities | (848) | (917) |
| Amount due for settlement after 12 months shown under non-current liabilities | 867 | 1,715 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

23. DEFERRED TAXATION

| | Accelerated tax depreciation HK\$'000 |
|-----------------------------------|---|
| At 1 April 2019 and 31 March 2020 | 21 |
| Charged to profit or loss | 7 |
| At 31 March 2021 | 28 |

At the end of the reporting period, the Group has unused tax losses of approximately HK\$2,282,000 (2020: HK\$1,373,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

24. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|--|---------------------|--------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 April 2019, 31 March 2020 and 31 March 2021 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| At 1 April 2019, 31 March 2020 and 31 March 2021 | 280,000,000 | 2,800 |

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 21 September 2017. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to reward the employees, the directors of the Company and other selected participants for their contributions to the Group, and it is expected that they will make an effort to contribute to the development of the Group.

The board of directors may, at its absolute discretion, offer to grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Group must not in aggregate exceed 10% of the total number of shares in issue at the time dealings in the shares of the Company first commence on the Stock Exchange (i.e. 28,000,000 shares) and that none of the options granted the Share Option Scheme are exercised. HK\$1 is payable by eligible participant(s) on acceptance of an offer of option.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

25. SHARE OPTION SCHEME (Continued)

The Share Option Scheme will remain in force for a period of ten years from its adoption date. Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised by an eligible participant, in whole or in part, at any time during the period commencing from the date of grant and ending on such date as the board of directors may determine in granting the option, but in any event not exceeding ten years from the date of grant except that no option may be exercised until the expiry of 12 months after the date of grant. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the board of directors may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the board of directors may determine in its absolute discretion.

No options were granted or exercised during the year ended 31 March 2021 and 2020 and no share options were outstanding as at 31 March 2021 and 2020.

26. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenant for the following future minimum lease payments:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--------------------|------------------|------------------|
| Within one year | 48 | 24 |
| In the second year | 24 | – |
| | 72 | 24 |

Investment property was leased for a term of two years.

27. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to secure the bank borrowings and banking facilities granted to the Group.

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | 53,447 | 54,324 |
| Investment property | 1,372 | 1,423 |
| | 54,819 | 55,747 |

Restrictions on asset

In addition, lease liability of HK\$1,715,000 (2020: HK\$2,542,000) is recognised with related right-of-use assets of HK\$1,695,000 (2020: HK\$2,542,000) as at 31 March 2021. The lease agreement does not impose any covenants other than the security interests in the leased asset that is held by the lessor and the relevant leased asset may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

28. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related parties transactions:

| Name of related party | Nature of balance/transaction | 2021 HK\$'000 | 2020 HK\$'000 |
|--|---|------------------|------------------|
| Eastern Mark Limited ("Eastern Mark") | Interest expense on lease liabilities | 22 | – |
| | Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16 | – | 792 |
| | Lease liabilities | 1,715 | 2,542 |
| | Accrual (Note) | 515 | – |

Note: The amount represents the accrued compensation for the damages relating to the rented premises reimbursed to Eastern Mark as landlord. Such expenses are included in administrative expenses.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Salaries and allowances | 1,918 | 1,944 |
| Performance related incentive payments | 162 | 162 |
| Retirement benefit scheme contributions | 54 | 54 |
| | 2,134 | 2,160 |

29. RETIREMENT BENEFIT SCHEME

The Group participates in the Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes of 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK\$1,500 per month for each employee to the scheme.

The total expense recognised in profit or loss of HK\$205,000 (2020: HK\$216,000) represents contributions to the scheme by the Group at rate specified in the rule of the scheme during the year ended 31 March 2021.

30. NON-CASH TRANSACTION

During the year ended 31 March 2020, the Group entered into a new lease agreement for the use of office premises and a warehouse for 3 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK\$2,542,000 and HK\$2,542,000, respectively (2021: nil).

Notes to the Consolidated Financial Statements

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31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2021 HK\$'000 | 2020 HK\$'000 |
|------------------------------|------------------|------------------|
| Non-current assets | | |
| Investments in subsidiaries | 23,289 | 21,110 |
| Amount due from a subsidiary | 67,794 | 69,727 |
| | 91,083 | 90,837 |
| Current assets | | |
| Prepayments | 378 | 145 |
| Amount due from a subsidiary | 7,000 | 8,000 |
| Bank balances and cash | 953 | 687 |
| | 8,331 | 8,832 |
| Current liabilities | | |
| Other payables | (400) | (1,238) |
| Net current assets | 7,931 | 7,594 |
| Net assets | 99,014 | 98,431 |
| Capital and reserves | | |
| Share capital | 2,800 | 2,800 |
| Reserves (Note) | 96,214 | 95,631 |
| Total equity | 99,014 | 98,431 |

Note:

| | Share premium HK\$'000 | Capital reserve HK\$'000 | Accumulated profits HK\$'000 | Total HK\$'000 |
|--|------------------------------|--------------------------------|------------------------------------|-------------------|
| At 1 April 2019 | 72,851 | 15,089 | 124 | 88,064 |
| Profit and total comprehensive income for the year | – | – | 15,127 | 15,127 |
| Dividend paid | – | – | (7,560) | (7,560) |
| At 31 March 2020 | 72,851 | 15,089 | 7,691 | 95,631 |
| Profit and total comprehensive income for the year | – | – | 6,743 | 6,743 |
| Dividend paid | – | – | (6,160) | (6,160) |
| At 31 March 2021 | 72,851 | 15,089 | 8,274 | 96,214 |

Notes to the Consolidated Financial Statements

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32. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2021 and 2020 are as follows:

| Name of subsidiary | Place of incorporation | Issued and fully paid share capital | Equity interest attributable to the Group | | Principal activities |
|------------------------------------|------------------------|-------------------------------------|---|------|--|
| | | | 2021 | 2020 | |
| Directly held: | | | | | |
| Ocean One (BVI) | BVI | US\$2 | 100% | 100% | Investment holding |
| Indirectly held: | | | | | |
| Quality Products | Hong Kong | HK\$3,000,001 | 100% | 100% | Importing and wholesaling of frozen seafood products |
| Ocean One Property (H.K.) Limited | Hong Kong | HK\$1 | 100% | 100% | Property holding |
| Billiant Bright Properties Limited | Hong Kong | HK\$1 | 100% | 100% | Property holding |

None of the subsidiaries had any debt securities outstanding at 31 March 2021 and 2020 or at any time during both years. All subsidiaries operate in Hong Kong.

33. CAPITAL COMMITMENTS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | – | 1,400 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and lease liabilities disclosed in notes 21 and 22, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | 2021 HK\$'000 | 2020 HK\$'000 |
|------------------------------------|------------------|------------------|
| Financial assets | | |
| Financial assets at amortised cost | 81,605 | 50,553 |
| Financial liabilities | | |
| Amortised cost | 11,621 | 6,884 |

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, bank balances and cash, trade and other payables, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The carrying amounts of the Group's monetary assets and liabilities (including trade receivables, bank balances, trade payables) denominated in currencies other than the functional currency of the respective group entity at the end of the reporting period are as follows:

| | Assets | | Liabilities | |
|------|------------------|------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 |
| JPY | 2,360 | 2,548 | 5,936 | 2,653 |
| US\$ | 8,083 | 7,078 | 1,292 | 1,155 |

The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to fluctuation against a foreign currency of JPY and US\$. Under the pegged exchange rate system, the financial impact on exchange differences between US\$ and HK\$ is expected to be immaterial and therefore no relevant sensitivity analysis has been prepared.

The following table details the Group's sensitivity to a 10% increase and decrease in the functional currency of the group entity against JPY. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in JPY rate. The sensitivity analysis includes only outstanding JPY denominated monetary items and adjusts their translation at the year end for a 10% change. A positive number indicates an increase in post-tax profit for the year when HK\$ strengthens 10% against JPY. For a 10% weakening of HK\$ against JPY, there would be an equal but opposite impact on the post-tax profit for the year.

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-----|------------------|------------------|
| JPY | 299 | 9 |

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposures at the end of the reporting period do not reflect the exposure during both years.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to certain bank balances and bank borrowings (see notes 19 and 21 for details of these balances). Interest charged on the Group's borrowings are varied to Hong Kong Prime Rate. The directors of the Company consider the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Notes to the Consolidated Financial Statements

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35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings. The analysis is prepared assuming that the amount of liabilities outstanding at the end of the reporting period were outstanding for the whole year. 100 basis points increase or decrease represent the management's assessment of the reasonably possible change in interest rates of bank borrowings.

If interest rates on variable-rate bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Company's post-tax profit for the year would decrease/increase by HK\$7,000 (2020: HK\$21,000).

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group applies the simplified approach to provide for prescribed by HKFRS 9, which permits the use of the lifetime ECL for trade receivables.

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description |
|------------------------|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts |
| Watch list | Debtor frequently repays but usually settles after due dates |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

35. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

| | External credit rating | Internal credit rating | 12m ECL or lifetime ECL | Gross carrying amount | |
|-------------------|---------------------------|---------------------------|------------------------------------|-----------------------|------------------|
| | | | | 2021 HK\$'000 | 2020 HK\$'000 |
| Trade receivables | N/A | Low risk | Lifetime ECL (not credit-impaired) | 13,206 | 7,486 |
| | | Watch list | Lifetime ECL (not credit-impaired) | 32,807 | 26,839 |
| Bank balances | A1–A3 | N/A | 12m ECL | 35,592 | 16,228 |

As at 31 March 2021, the Group has concentration of credit risk by geographical location as 72% (2020: 63%) of trade receivables are in Hong Kong.

No ECL allowance for trade receivables was provided as the directors of the Company considered the amounts involved are insignificant. The directors of the Company have also assessed all available forward-looking information, including but not limited to market data on merchandise trade industry.

The credit risks on bank balances are limited because the counterparties are banks with high crediting ratings assigned by international credit-rating agencies. The management of the Group considers the probability of default in negligible and accordingly, no loss allowance was recognised.

Liquidity risk

For the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest cash flows are at floating rate, the undiscounted amount is derived from current interest rates at the end of the reporting period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

| | Weighted effective interest rate % | On demand or less than 1 year HK\$'000 | 1-2 years HK\$'000 | 2-5 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amounts HK\$'000 |
|-------------------|---|---|--------------------------|--------------------------|---|---------------------------------|
| 2021 | | | | | | |
| Trade payables | – | 9,425 | – | – | 9,425 | 9,425 |
| Other payables | – | 1,400 | – | – | 1,400 | 1,400 |
| Bank borrowings | | | | | | |
| — variable-rate | 3.57 | 796 | – | – | 796 | 796 |
| Lease liabilities | 3.45 | 848 | 989 | – | 1,837 | 1,715 |
| | | 12,469 | 989 | – | 13,458 | 13,336 |
| 2020 | | | | | | |
| Trade payables | – | 4,339 | – | – | 4,339 | 4,339 |
| Bank borrowings | | | | | | |
| — variable-rate | 3.58 | 2,545 | – | – | 2,545 | 2,545 |
| Lease liabilities | 3.45 | 939 | 893 | 945 | 2,777 | 2,632 |
| | | 7,823 | 893 | 945 | 9,661 | 9,516 |

Bank borrowings with repayment on demand clauses are included in the “on demand or less than 1 year” time band in the above maturity analysis. As at 31 March 2021, the aggregate carrying amounts of these bank borrowings amounted to HK\$796,000 (2020: HK\$2,545,000). Taken into account the Group’s financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

| | Weighted effective interest rate % | On demand or less than 1 year HK\$'000 | 1-2 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount HK\$'000 |
|-----------------|---|---|--------------------------|---|--------------------------------|
| 2021 | | | | | |
| Bank borrowings | | | | | |
| — variable-rate | 3.50 | 808 | – | 808 | 796 |
| 2020 | | | | | |
| Bank borrowings | | | | | |
| — variable-rate | 3.58 | 1,808 | 808 | 2,616 | 2,545 |

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2021

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

The amount included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank borrowings HK\$'000 (Note 21) | Lease liabilities HK\$'000 (Note 22) | Interest payable HK\$'000 | Dividend payable HK\$'000 | Total HK\$'000 |
|---------------------------|---|---|---------------------------------|---------------------------------|-------------------|
| At 1 April 2019 | 16,232 | 209 | – | – | 16,441 |
| Financing cash flows | (13,687) | (119) | (364) | (7,560) | (21,730) |
| Interest expenses | – | – | 364 | – | 364 |
| Dividend declared | – | – | – | 7,560 | 7,560 |
| Non-cash change (Note 30) | – | 2,542 | – | – | 2,542 |
| At 31 March 2020 | 2,545 | 2,632 | – | – | 5,177 |
| Financing cash flows | (1,749) | (917) | (89) | (6,160) | (8,915) |
| Interest expenses | – | – | 89 | – | 89 |
| Dividend declared | – | – | – | 6,160 | 6,160 |
| At 31 March 2021 | 796 | 1,715 | – | – | 2,511 |

Financial Summary

For the five years ended 31 March 2017, 2018, 2019, 2020 and 2021

| | Year ended 31 March | | | | |
|---|---------------------|------------------|------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| RESULTS | | | | | |
| Revenue | 327,746 | 323,673 | 327,429 | 239,794 | 217,447 |
| Gross profit | 48,675 | 42,234 | 43,512 | 31,407 | 26,490 |
| Profit before taxation | 33,333 | 23,386 | 30,100 | 10,401 | 20,276 |
| Taxation | 5,987 | 4,686 | 5,147 | 3,747 | 3,003 |
| Profit for the year attributable to owners of the Company | 27,346 | 18,700 | 24,953 | 6,654 | 17,273 |
| As at 31 March | | | | | |
| | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| ASSETS AND LIABILITIES | | | | | |
| Non-current assets | 64,027 | 64,683 | 62,502 | 5,780 | 5,069 |
| Current assets | 114,773 | 87,373 | 91,315 | 123,301 | 59,300 |
| Non-current liabilities | 895 | 1,736 | 111 | 210 | 435 |
| Current liabilities | 17,393 | 10,994 | 25,520 | 19,478 | 48,846 |
| Net current assets | 97,380 | 76,379 | 65,795 | 103,823 | 10,454 |
| Net assets | 160,512 | 139,326 | 128,186 | 109,393 | 15,088 |

Notes:

- (a) On 1 April 2018, the Group has applied HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". Accordingly, certain information for the years ended 31 March 2016, 2017 and 2018 which was prepared under HKAS 39 and HKAS 18 "Revenue" may not be comparable to the years ended 31 March 2019, 2020 and 2021.
- (b) On 1 April 2019, the Group has applied HKFRS 16 "Leases". Accordingly, certain information for the years ended 31 March 2016, 2017, 2018 and 2019 which was prepared under HKAS 17 "Leases" may not be comparable to the years ended 31 March 2020 and 2021.