

# 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

# 2023

ANNUAL REPORT

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

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

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

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

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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  
17/F, Far East Finance Centre  
16 Harcourt Road  
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](http://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 2023 ("FY2023").

The period under review continued to be a challenging year to the Group, with the business environment and market condition in Hong Kong was still adversely affected by the recurring outbreaks of Novel Corona Virus ("COVID-19") during the period. Nevertheless, the business performance of the Group was relatively strong which resulted in an increase in revenue and higher profit margin.

With regards to our financial performance for FY2023 as compared with the year ended 31 March 2022 ("FY2022"), our revenue increased by approximately HK\$58.7 million, or 14.4% from approximately HK\$408.6 million to approximately HK\$467.3 million. The Group recorded a net profit of approximately HK\$50.2 million for FY2023 as compared to a net profit of approximately HK\$37.4 million for FY2022. The increase in net profit for FY2023 was mainly attributable to the increase in revenue and with higher gross profit margin.

Since the successful listing on the 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 400 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.

Looking forward to next year, while the COVID-19 may continue to bring uncertainties to the economy as a whole, but with high vaccination rate and less severe virus variant, people has accustomed to the virus and resuming to normal lives with relaxed quarantine measures; we anticipate that the food service industry will gradually be recovered from the pandemic. The Group will continue to monitor the market closely and with robust planning, we hope it will assist our management team to react to any unprecedented changes and to continue to strive for better business performance and results.

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, 13 June 2023

# 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 51, 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 23 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 47, 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 20 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 53, 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 over 26 years of experience in finance and accounting, serving Fortune Global 500 corporations and Hong Kong listed company. 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 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 nomination committee of the Company. Mr. Lee has over 24 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 54, 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 33 years of experience in finance and accounting, including 18 years of experience serving in listed companies in Hong Kong and Singapore. Dr. Leung is currently the CFO of China Asia Valley Group Limited (stock code: 63), a company listed on the Stock Exchange. 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 (practising) 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 55, 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 36, is the head of sales and marketing of our Group. Mr. Ho has approximately 15 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 46, 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 the 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 20 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 400 customers which are mainly frozen seafood resellers and frozen seafood catering service providers.

For the year ended 31 March 2023, the Group recorded a net profit of approximately HK\$50.2 million as compared to a net profit of approximately HK\$37.4 million for the year ended 31 March 2022. The Directors are of the view that the increase in net profit was mainly attributable to the increase in revenue and with higher gross profit margin.

In view of the steady increases in revenue and net profit generated for the year ended 31 March 2023, despite the sluggish economy in Hong Kong due to the recurring outbreak of Novel Corona Virus ("COVID-19"), the Directors are cautiously optimistic on the Group's business outlook.

## OUTLOOK

Looking forward, while the COVID-19 may continue to bring uncertainties to the economy as a whole, but with high vaccination rate and less severe virus variant, people has accustomed to the virus and resuming to normal lives with relaxed quarantine measures; the Directors anticipate that the food service industry will gradually be recovered from the pandemic.

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

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 14.4% from approximately HK\$408.6 million for the year ended 31 March 2022 to approximately HK\$467.3 million for the year ended 31 March 2023, primarily attributable to the increase in sales of Canada spot prawn, Argentina red prawn, Maruha red shrimp, Japan boiled scallop, Clearwater arctic clam, akagai sushi slice, Canada snow crab sections and flying fish roe.



# Management Discussion and Analysis

## 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 2023 was approximately HK\$388.6 million, representing an increase of approximately 13.0% from approximately HK\$343.9 million for the year ended 31 March 2022.

## Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2023 was approximately HK\$78.7 million, representing an increase of approximately 21.7% from approximately HK\$64.7 million for the year ended 31 March 2022. The Group's gross profit margin for the year ended 31 March 2023 was approximately 16.8%, representing an increase of approximately 1.0 percentage points as compared to approximately 15.8% for the year ended 31 March 2022. The increase in gross profit and gross profit margin was mainly due to the selling of various high margin products such as amaebi, headless cold water shrimp, Argentina red prawn, tamagoyaki, cream puff and king crab legs, 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 2023 was approximately HK\$11.0 million, representing a slight decrease of approximately 1.0% from approximately HK\$11.1 million for the year ended 31 March 2022. The selling and distribution costs accounted for approximately 2.4% and 2.7% of the total revenue for the year ended 31 March 2023 and 2022 respectively.

## Administrative expenses

For the year ended 31 March 2023, the Group's administrative expenses primarily comprised of staff costs for administrative and management personnel, directors' remuneration, auditor's remuneration, listing compliance expenses, rent rates and management fee for office, office utilities, depreciation and insurance. Administrative expenses increased from approximately HK\$7.8 million for the year ended 31 March 2022 to approximately HK\$8.7 million for the year ended 31 March 2023. The increase in administrative expenses of the Group was mainly due to increases in staff messing, overseas travelling and listing compliance expenses.

## Finance costs

Finance costs represented interests on bank borrowings, lease liability and bank overdrafts. Finance costs increased from approximately HK\$70,000 for the year ended 31 March 2022 to approximately HK\$93,000 for the year ended 31 March 2023.

## Taxation

For the year ended 31 March 2023 and 2022, our tax expenses was approximately HK\$10.4 million and HK\$8.0 million, respectively, increased by approximately HK\$2.4 million or 30.3%, which was consistent with the increase in estimated assessable profits.

## Profit for the year

For the year ended 31 March 2023, the Group's profit and total comprehensive income attributable to the owners of the Company was approximately HK\$50.2 million as compared to approximately HK\$37.4 million for the year ended 31 March 2022. The increase was mainly attributable to the increases in revenue and gross profits generated, and partially offset by the increase in administrative expenses for the year.

# 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.

As disclosed in the Company's announcement dated 24 August 2021, the Board has resolved to reallocate the remaining balance of the unutilized net proceeds to strengthening our warehouse storage capability, for details please refer to the announcement dated 24 August 2021.

Set out below is the actual utilization of net proceeds up to 31 March 2023:

	Use of net proceeds per Prospectus HK\$'000	Revised utilization as disclosed in 24 August 2021 announcement HK\$'000	Utilized up to 31 March 2023 HK\$'000
Strengthening our warehouse storage capability	29,632	31,809	31,809
Enhancing our logistics capability	8,376	6,199	6,199
Broadening our product offerings by entering into exclusive agency agreements and/or sale agency agreements	21,504	21,504	21,504
General working capital	3,494	3,494	3,494
Total	63,006	63,006	63,006

## 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 2023, the Group had bank deposit and cash and cash equivalents of approximately HK\$79.4 million (31 March 2022: HK\$48.8 million).

As at 31 March 2023, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$231.8 million (31 March 2022: HK\$190.9 million). As of the same date, the Group's total debt, comprising bank borrowings and lease liability, amounted to approximately HK\$2.2 million (31 March 2022: HK\$0.9 million).

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

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

# Management Discussion and Analysis

## **BORROWINGS AND GEARING RATIO**

As at 31 March 2023, the Group had no bank borrowings (31 March 2022: Nil). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

As at 31 March 2023, the gearing ratio of the Group, calculated by dividing total bank borrowings and lease liability with total equity and multiplied by 100%, was approximately 0.9% (31 March 2022: 0.5%).

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the year ended 31 March 2023, 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, Canada 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 2023, the Group has pledged its leasehold land and buildings total amounted to approximately HK\$50.7 million (31 March 2022: HK\$52.8 million) to secure the bank borrowings and banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

As at 31 March 2023 and 31 March 2022, 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 2023, the Group had 18 employees working in Hong Kong (31 March 2022: 19). 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 2023 amounted to approximately HK\$6.9 million (31 March 2022: HK\$6.4 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 2023.

## 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 Act of the Cayman Islands. In preparation of the listing of the Shares on the 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 the 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 2023 are set out in the note 30 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 2023, as extracted from the consolidated financial statements is set out on page 98 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 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53 of this annual report.

On 13 June 2023, the Board recommended the payment of a final dividend of HK 4.0 cents per ordinary share for the year ended 31 March 2023, totaling HK\$11,200,000 for the year ended 31 March 2023 (for the year ended 31 March 2022: HK 3.3 cents per ordinary share totaling HK\$9,240,000). The proposed final dividend in respect of the year ended 31 March 2023 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 ("2023 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 29 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 2023, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies Act, Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK\$86.6 million (31 March 2022: HK\$83.4 million) comprising accumulated profits of approximately HK\$13.7 million and the share premium amounting to approximately HK\$72.8 million.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2023, the aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 6.4% and 24.1% (2022: approximately 5.9% and 21.1%) of the Group's total revenue for the year, respectively.

During the year ended 31 March 2023, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers accounted for approximately 14.9% and 46.5% (2022: approximately 14.0% and 42.8%) 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 2023, 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 2023 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, 17 August 2023 ("2023 AGM") and being eligible, to offer themselves for re-election at the 2023 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 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 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 2023 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 and 27 to the consolidated financial statements of this annual report.

## **MANAGEMENT CONTRACTS**

During the year ended 31 March 2023, 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 27 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 2023 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 first 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.

As the term of the master sales agreements being extended by the first supplemental agreements expired on 31 March 2023, Quality Products (Hong Kong) Limited entered into the second supplemental agreements with Nakamura and Ichiban, respectively, on 14 March 2023 to further extend the term of the master sales agreements for three years until 31 March 2026.



# 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 2023 recorded in the books and records HK\$'000	Maximum annual caps for the year ended 31 March 2023 according to the agreement HK\$'000
(1) Master sales agreement with Nakamura	2,507	5,300
(2) Master sales agreement with Ichiban	377	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 2023 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 31 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 32 to 48 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' Act. 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 2023 AGM will be held on Thursday, 17 August 2023. The register of members of the Company will be closed from Monday, 14 August 2023 to Thursday, 17 August 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Friday, 11 August 2023.

## 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 HK 4.0 cents per share in respect of the year ended 31 March 2023 to the shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 25 August 2023. The final dividend, payable on Friday, 8 September 2023, is subject to the approval of the shareholders of the Company at the 2023 AGM to be held on Thursday, 17 August 2023.

The Register of Members of the Company will be closed from Thursday, 24 August 2023 to Friday, 25 August 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 August 2023.

## 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 2023 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 2023 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 2023 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 2023.

## AUDITOR

A resolution will be submitted at the 2023 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, 13 June 2023

# 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 and the code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the “CG Code”) and in relation to, among others, the Directors, Chairman and Chief Executive Officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

The Company was listed on the GEM of the Stock Exchange on 19 October 2017 (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 code provision C.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 code provision C.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 code provision C.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 2023.

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. So Yuk Ki and Dr. Leung Wai Ping Noel 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 <sup>(1)</sup> *(Chairman of the Board and Chief Executive Officer)*  
Ms. Tse Chun Ha Amy <sup>(2)</sup>

### Independent non-executive Directors

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

#### Notes:

<sup>(1)</sup> appointed on 18 April 2017

<sup>(2)</sup> appointed on 29 May 2017

<sup>(3)</sup> 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.



# Corporate Governance Report

## 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 C.5.3 of the CG 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.

During the year ended 31 March 2023, there were five Board meetings held. Details of the attendance of each director are as follows:

Directors	Attended/Held
Mr. Chan Kin Fung	5/5
Ms. Tse Chun Ha Amy	5/5
Mr. So Yuk Ki	5/5
Mr. Lee Kam Wan	5/5
Dr. Leung Wai Ping Noel	5/5

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](http://www.hkexnews.hk) and the Company's website at [www.oceanoneholding.com](http://www.oceanoneholding.com) to assist them in efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

# Corporate Governance Report

## AUDIT COMMITTEE

The audit committee was established on 21 September 2017 with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules and in compliance with code provision D.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 2023 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 2023, 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	4/4
Mr. Lee Kam Wan	4/4
Dr. Leung Wai Ping Noel	4/4

## 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 2023 amounted to HK\$1,000,000 and those in relation to non-audit services was HK\$124,500.

# Corporate Governance Report

## 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 code provision E.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 2023, 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.

# Corporate Governance Report

## NOMINATION COMMITTEE

The nomination committee was established on 21 September 2017 with written terms of reference in compliance with code provision B.3 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.

During the year ended 31 March 2023, there was one nomination committee meeting held. Details of the attendance record of the committee meeting are as follows:

<b>Committee members</b>	<b>Attended/Held</b>
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.

# Corporate Governance Report

## CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 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, 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.

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 D.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 2023, 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.

# Corporate Governance Report

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
- 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 2023 and considered that it was effective.

# Corporate Governance Report

## 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 2023, 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](http://www.oceanoneholding.com)).

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](mailto: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.

# Corporate Governance Report

## 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 the GEM's website and the Company's website;
- (b) periodic announcements are made through the Stock Exchange and published on the respective websites of the 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.

## SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2023, there were several changes and updates on the Articles of Association of the Company being proposed in order to comply with the latest requirements of the GEM Listing Rules and other laws and regulations. Such proposed amendments were duly passed by way of special resolution at the annual general meeting of the Company held on 18 August 2022.

For the details of the proposed amendments, please refer to the announcement and circular of the Company dated 14 and 27 June 2022 respectively.

The amended and restated Articles of Association of the Company are available on the websites of the GEM of the Stock Exchange and of the Company.



# Environmental, Social and Governance Report

## OVERVIEW

The Group is pleased to present its sixth 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 2023 (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.

## REPORTING PRINCIPLES

The following principles are adopted in this ESG Report:

- **Materiality:** Important and relevant information to stakeholders on different ESG aspects is covered in this ESG Report. A materiality assessment was conducted to determine material ESG issues with results approved by the Board.
- **Quantitative:** The relevant standards, methodologies and assumptions used to prepare the quantitative information are disclosed as appropriate. Quantitative information is provided with narrative and comparative figures where possible.
- **Balance:** The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader of this ESG Report.
- **Consistency:** Consistent methodologies are used to prepare and present ESG data in this ESG Report, unless otherwise specified, to allow for meaningful comparisons.

# Environmental, Social and Governance Report

## ESG GOVERNANCE STRUCTURE AND MANAGEMENT APPROACH

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The management of the Group is delegated with the responsibility of coordinating the implementation of the Group's environment, employment and service quality assurance policies.

The Board leads and provides direction to the management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

## PRINCIPAL ACTIVITIES AND COMMITMENT ON ESG

During the year ended 31 March 2023, 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

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

# Environmental, Social and Governance Report

## MATERIALITY ASSESSMENT

The previously identified material ESG issues namely product safety and quality control, supply chain management, occupational health and safety, staff development and training, and community investment as key issues to both the Group and its stakeholders. The Group has conducted a materiality assessment during the Period and 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. The result of the materiality assessment is shown as the following materiality matrix:

Materiality Matrix		Importance to the Group		
		Low	Medium	High
Importance to Stakeholder	High		<ul style="list-style-type: none"> <li>Community Investment</li> </ul>	<ul style="list-style-type: none"> <li>Product Safety &amp; Quality Control</li> <li>Supply Chain Management</li> </ul>
	Medium	<ul style="list-style-type: none"> <li>Intellectual Property Rights</li> </ul>	<ul style="list-style-type: none"> <li>Customer Privacy Protection</li> <li>Greenhouse Gas Emissions</li> <li>Use of Resources</li> <li>Climate Change</li> </ul>	<ul style="list-style-type: none"> <li>Occupational Health &amp; Safety</li> <li>Staff Development &amp; Training</li> <li>Anti-corruption</li> </ul>
	Low		<ul style="list-style-type: none"> <li>Waste Management</li> <li>Labour Standards</li> <li>Exhaust Gas Emission</li> </ul>	

## 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 complies with applicable laws and regulations.

#### A1.1 Emissions Data from Vehicles

The Group's annual fuel consumption by our trucks is approximately 16,378L with approximately 47,407 km travelled.

Types of emissions	kg
Nitrogen Oxides ("NO <sub>x</sub> ")	148.5
Sulphur Oxides ("SO <sub>x</sub> ")	0.3
Particulate Matter ("PM")	14.7

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

GHG emissions in total are 3,538.81 tons for the year ended 31 March 2023, 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 <sub>2</sub> ")	43,227.9
Methane ("CH <sub>4</sub> ")	2.4
Nitrous Oxide ("N <sub>2</sub> O")	1.2
<b>Total GHG emissions</b>	<b>43,231.5</b>

# Environmental, Social and Governance Report

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

During the year ended 31 March 2023, the Group’s annual consumption of refrigerants by our cold storage refrigerators is approximately 730.5 kg.

Types of emissions	kg
CO <sub>2</sub>	3,117,010.0
<b>Total GHG emissions</b>	<b>3,117,010.0</b>

## Scope 2 — Energy indirect emissions

GHG emissions from purchased electricity supplied by power companies:

During the year ended 31 March 2023, the Group’s annual electricity consumption is approximately 959,921 kWh.

Types of emissions	kg
CO <sub>2</sub>	374,369.2
<b>Total GHG emissions</b>	<b>374,369.2</b>

## Scope 3 — Other indirect emissions

Paper waste disposed at landfills:

Types of emissions	kg
CO <sub>2</sub>	1,499.4

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

Types of emissions	kg
CO <sub>2</sub> emission from fresh water processing	21.0
CO <sub>2</sub> emission from sewage processing	10.3

Business air travel by employees:

Types of emissions	kg
CO <sub>2</sub>	2,664.7
<b>Total GHG emissions</b>	<b>4,195.4</b>

# Environmental, Social and Governance Report

## **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**

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Non-hazardous waste produced — Landfill	312.4 kg
Non-hazardous waste intensity (per employee)	17.4 kg

## **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 wastes are 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	959,921 kWh
kWh per sales output (in ton)	284.9 kWh/ton

## *A2.2 Water consumption in total and intensity*

### Water consumed and intensity

Annual water consumed (in cubic metres "cbm")	49 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 3,428.8 kg, which mainly consists of plastic stretch film, packing tapes and paper carton boxes used to facilitate deliveries to customers.

The Group encourages employees to use recycled or renewable material for packaging, and aims 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 Canada. To the best of our knowledge, Japan, China and Canada 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

## A4. Climate Change

The Group understands that climate change may adversely impact our business and the global economy as a whole. Therefore, other than reducing the environmental footprints caused by the Group's business operations, the Group also strives to identify any physical and transition risks caused by climate change, and to formulate the climate change policy so as to adapt or to mitigate those major impacts associated with identified risks. In addition, the Group has initiated a climate change assessment to identify and mitigate the potential risks that may arise from its business operations. The result of the assessment was reviewed and confirmed by the management.

### *Physical Risks*

The increased frequency and severity of extreme weather such as typhoons, storms, and floods caused by heavy rains may lead to disruptions to the Group's business operations, affecting power supply, hampering and injuring its employees on the way or during their work. These events could disrupt supply chains, interrupt business operations, and damage the Group's assets.

In order to deal with these physical risks, the Group will regularly review the risks of business interruption relating to extreme weather and, where appropriate, develop countermeasures to mitigate the negative impacts. In addition, the Group has specified special work arrangements under potential environmental disasters, typhoons and rainstorms in accordance with relevant laws and regulations to avoid any chaotic situations that may lead to safety incidents.

### *Transition Risks*

The Group anticipates that there will be more stringent climate legislation and regulations to support the global vision of carbon neutrality. The Hong Kong Government has also announced the "Hong Kong's Climate Action Plan 2050" with the participation of the whole community in order to achieve the carbon neutrality before 2050. It is expected that government authorities will implement more stringent policies and regulations to reduce GHG emissions and waste in order to promote public awareness of the climate change.

The Group understands that any non-compliance with the laws and regulations as applicable to its businesses from time to time, its business operations will be adversely affected. Besides, negative publicity may also arise due to failure to meet the compliance requirements for climate change. As a result, the Group's related capital investment and compliance costs may increase. In response to the policy and legal risks as well as the reputational risks, the Group regularly monitors the existing and emerging trends, policies and regulations relevant to climate change and will alert the Board whenever necessary to avoid cost incremental costs, non-compliance fines or reputational risks due to delayed response. In addition, the Group may also need to adjust its business strategies, where appropriate, to be in line with the government's efforts to support the global vision of de-carbonization.

# 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 relationships 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 relationships 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 Period, the Group does not receive any report on discrimination.

As at 31 March 2023, the Group had a total number of 18 employees including 16 full time and 2 part time staff, which comprises of management, office and logistics staff.

#### By Gender

Male	12	66.7%
Female	6	33.3%
Total	18	100%

#### By Age Group

Under 30 years old	1	5.5%
30–50 years old	5	27.8%
Over 50 years old	12	66.7%
Total	18	100%

# Environmental, Social and Governance Report

During the year ended 31 March 2023, there were 4 employees left the Group and all were logistics staff. Following are the employee turnover rate by gender and by age group:

By Gender	Turnover Rate	
Male	4	33.3%
Female	0	0%
Total/Overall	4	22.2%

By Age Group	Turnover Rate	
Under 30 years old	0	0%
30–50 years old	2	40.0%
Over 50 years old	2	16.7%
Total/Overall	4	22.2%

## B2. Health and Safety

The Group considers the 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 in Hong Kong, 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
- Rapid Antigen Test kits are provided to employees during the fifth wave of COVID-19 pandemic

# Environmental, Social and Governance Report

During the Period, the Group has established workplace health and safety policies in compliance with applicable laws in Hong Kong, and except for one reportable case 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

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Number of work-related fatalities	0 case
Rate of work-related fatalities	0%
Lost days due to work injury	224 days

There is no work-related fatalities occurred in each of the past three years including the reporting period.

### 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 with the 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 change 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

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Employees who took part in training	9
Total number of employees	18
Percentage of employees trained	50.0%

## Employees trained by Gender during the Period

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Male	7	77.8%
Female	2	22.2%
Total	9	100.0%

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## Employees trained by Category during the Period

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Management	3	33.3%
Office staff	3	33.3%
Logistics staff	3	33.3%
Total	9	100.0%

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# Environmental, Social and Governance Report

## Average training hours per employee by Gender

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Male	1.8 hours
Female	0.4 hours
Overall	1.3 hours

## Average training hours per employee by Category

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Management	5.3 hours
Office staff	0.2 hours
Logistics staff	0.8 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 with 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 2023, there were a total of 57 active suppliers with the breakdown by geographical regions as follow:

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Asia (Japan, China, Vietnam, etc.)	43
North America (Canada, United States)	4
South America (Argentina)	2
Local	8

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Total	57
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# Environmental, Social and Governance Report

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.

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 Period, 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**

### *Product Safety and Quality Control*

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 have 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 2023, there was no product recalled due to food safety reasons, and there was no official complaint received from customers.

During the Period, 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.

## *Intellectual Property Rights*

The Group ensures all products and services, as well as business operations, are compliant with legal standards and procedures, and prevent the infringement of intellectual property rights. The Group is committed to compliance with relevant laws of intellectual property rights by valuing and protecting its intellectual properties through patent fees and periodic trademark renewals.

The Group values its intangible assets as much as its tangibles and respects the intellectual property rights of other parties. The Group has established internal control policy and procedures on intellectual property rights to ensure that all employees do not infringe upon any third-party copyrights, with breach of the policy will lead to disciplinary actions.

## *Customer Privacy Protection*

The Group is committed to protect customers' data and privacy information and to maintain the confidentiality of business information. Policy related to data protection has been established and included in the code of conduct to provide guidelines to the employees regarding the collection, usage and destruction of the customer data. The Group restricts employee access to sensitive data, allowing access only to relevant employees for carrying out their roles and responsibilities. For the sake of protecting the customer's information, the Group has implemented data security measures such as firewalls, anti-virus software, ERP system access with password and data encryption. Any violations of the Group's policy will be subjected to disciplinary action.

## **B7. Anti-Corruption**

### *Anti-Corruption Policies*

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 handbook 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 Period, there are no legal cases regarding corrupt practices brought against the Group or its employees.



# Environmental, Social and Governance Report

Regarding anti-corruption training provided during the Period, the Group has circulated the training package on business ethics for listed companies as supplied by Independent Commission Against Corruption of Hong Kong to all the directors for self training. Besides, the Group has carried out an in-house training to the management and key staff on the code of conduct with emphasis on anti-corruption policies and guidelines.

## *Whistle-blowing Mechanism*

The Group prohibits any misconduct such as bribery, extortion, fraud, and money laundering. Stakeholders can report to the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behavior to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimization. When criminal action is suspected, report will be made to the relevant regulators or law enforcement authorities when the management considers it necessary. Any employee involved may face disciplinary actions, including termination of employment.

## **Community**

### **B8. Community Investment**

The Group believes in giving back to the society and we engage in various activities that could make positive impact on 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 Period, the Group's subsidiary company Quality Products (Hong Kong) Limited participates in volunteer services and is awarded the 2022/2023 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 53 to 97, which comprise the consolidated statement of financial position as at 31 March 2023, 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 2023, 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") issued by the HKICPA. 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

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### How our audit addressed the key audit matter

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#### *Impairment assessment of trade receivables*

We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.

As disclosed in note 4 to the consolidated financial statements, trade receivables which are credit-impaired are assessed for lifetime ECL individually, and those which are not credit-impaired are assessed for lifetime ECL based on collective assessment grouped by categories of trade debtors. The trade debtors are categorised based on their repayment history and/or past due status. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.

As disclosed in note 32 to the consolidated financial statements, the carrying amount of the Group's trade receivables as at 31 March 2023 was HK\$51,069,000 and no ECL allowance has been made for the year as amounts involved are insignificant.

Our procedures in relation to impairment assessment of trade receivables included:

- Understanding the credit risk assessment and impairment assessment process and evaluating how the management estimates the loss allowance for trade receivables;
- Testing the integrity of information used by management in impairment assessment process, including trade receivables aging analysis as at 31 March 2023 and settlements during the year, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices, bank advices and other supporting documents;
- Challenging management's basis and judgement in determining expected credit loss allowance on trade receivables as at 31 March 2023, including the reasonableness of management's consideration of the grouping of trade debtors, and the basis of estimated loss rates applied in each category of trade debtors (with reference to historical observed default rates and forward-looking information); and
- Evaluating the disclosures regarding the impairment assessment of trade receivables in note 32 to the consolidated financial statements.

# Independent Auditor's Report

## 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.

## 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.

# Independent Auditor's Report

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

- 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.
- 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  
13 June 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	5	467,349	408,617
Cost of goods sold		(388,612)	(343,944)
Gross profit		78,737	64,673
Other income	6	1,198	97
Other gain (loss)	7	362	(447)
Selling and distribution costs		(10,991)	(11,096)
Administrative expenses		(8,672)	(7,781)
Finance costs	8	(93)	(70)
Profit before taxation	9	60,541	45,376
Taxation	11	(10,389)	(7,971)
Profit and total comprehensive income for the year		50,152	37,405
Earnings per share — basic (HK cents)	13	17.9	13.4

# Consolidated Statement of Financial Position

AT 31 MARCH 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	52,913	58,298
Right-of-use asset	15	2,168	847
Investment properties	16	3,647	1,321
		<b>58,728</b>	<b>60,466</b>
<b>Current assets</b>			
Inventories	17	51,321	46,453
Trade and other receivables	18	60,707	51,340
Bank deposit with original maturity of more than three months	19	20,000	–
Cash and cash equivalents	19	59,371	48,765
		<b>191,399</b>	<b>146,558</b>
<b>Current liabilities</b>			
Trade and other payables	20	11,729	11,495
Taxation payable		4,320	3,673
Lease liability	21	1,038	867
		<b>17,087</b>	<b>16,035</b>
<b>Net current assets</b>		<b>174,312</b>	<b>130,523</b>
<b>Total assets less current liabilities</b>		<b>233,040</b>	<b>190,989</b>
<b>Non-current liabilities</b>			
Lease liability		1,130	–
Deferred tax liabilities	22	81	72
		<b>1,211</b>	<b>72</b>
<b>Net assets</b>		<b>231,829</b>	<b>190,917</b>
<b>Capital and reserves</b>			
Share capital	23	2,800	2,800
Reserves		229,029	188,117
<b>Total equity</b>		<b>231,829</b>	<b>190,917</b>

The consolidated financial statements on pages 53 to 97 were approved and authorised for issue by the board of directors on 13 June 2023 and are signed on its behalf by:

CHAN KIN FUNG  
DIRECTOR

TSE CHUN HA AMY  
DIRECTOR

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2023

	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 2021	2,800	72,851	3,000	12,000	69,861	160,512
Profit and total comprehensive income for the year	–	–	–	–	37,405	37,405
Dividends paid (note 12)	–	–	–	–	(7,000)	(7,000)
At 31 March 2022	2,800	72,851	3,000	12,000	100,266	190,917
Profit and total comprehensive income for the year	–	–	–	–	50,152	50,152
Dividends paid (note 12)	–	–	–	–	(9,240)	(9,240)
At 31 March 2023	2,800	72,851	3,000	12,000	141,178	231,829

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 2023

	2023 HK\$'000	2022 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	60,541	45,376
Adjustments for:		
Interest income	(695)	(24)
Depreciation of property, plant and equipment	3,095	3,315
Depreciation of right-of-use asset	847	848
Depreciation of investment properties	148	51
Finance costs	93	70
Operating cash flows before movements in working capital	64,029	49,636
Increase in inventories	(4,868)	(19,137)
(Increase) decrease in trade and other receivables	(8,873)	525
Increase (decrease) in trade and other payables	234	(1,810)
Cash generated from operations	50,522	29,214
Hong Kong Profits Tax paid	(9,733)	(6,698)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>40,789</b>	<b>22,516</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	201	24
Purchases of property, plant and equipment	(184)	(653)
Placement of bank deposit with original maturity of more than three months	(20,000)	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(19,983)</b>	<b>(629)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(9,240)	(7,000)
Repayments of bank borrowings	–	(796)
Repayments of a lease liability	(867)	(848)
Interest paid	(93)	(70)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(10,200)</b>	<b>(8,714)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>10,606</b>	<b>13,173</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>48,765</b>	<b>35,592</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR,</b>	<b>59,371</b>	<b>48,765</b>
represented by		
Bank deposit with original maturity of less than three months	20,000	–
Bank balances	39,371	48,765
	<b>59,371</b>	<b>48,765</b>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 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 Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the 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 30.

## 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 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 Group’s annual period beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

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

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

### ***Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”***

HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 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 8 “Definition of Accounting Estimates”**

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

**Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”**

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liability, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

The amendments are effective for the Group’s annual reporting period beginning on 1 April 2023. The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

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 2023

## 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, 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".

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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

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

### 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.

#### *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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Revenue from contracts with customers (Continued)*

##### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

#### **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 of HKFRS 16 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.

##### *The Group as a lessee*

##### *Right-of-use asset*

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 asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 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)*

##### 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 asset.

##### Lease liability

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.

After the commencement date, lease liability is adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) 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 liability as a separate line item in the consolidated statement of financial position.

##### 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 liability by making corresponding adjustments to the relevant right-of-use asset.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 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 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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

##### 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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

#### *Cash and cash equivalents*

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 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.

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 asset" 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 less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, the property's deemed cost for subsequent accounting shall be its carrying amount at the date of change in use.

#### *Investment properties*

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties 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 2023

## 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, investment properties and right-of-use asset*

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties and right-of-use asset 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, investment properties and right-of-use asset is 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 2023

## 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 which 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 and 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.

#### 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 2023

## 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 subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, bank deposit with original maturity of more than three months and cash and cash equivalents) 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. Trade receivables which are credit-impaired are assessed for lifetime ECL individually. The trade receivables which are not credit-impaired are assessed for lifetime ECL based on collective assessment grouped by categories of trade debtors. The trade debtors are categorised based on their repayment history and/or past due status.

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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 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 subject to impairment assessment under HKFRS 9 *(Continued)*

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

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;
- 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 (without taking into account any collaterals held by the Group).

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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 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 subject to impairment assessment under HKFRS 9 *(Continued)*

#### (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; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

#### (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.

Lifetime ECL for trade receivables which are not credit-impaired are considered on a collective basis grouped by categories of trade debtors. The trade debtors are categorised based on their repayment history and/or past due status. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 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 subject to impairment assessment under HKFRS 9 *(Continued)*

#### (v) Measurement and recognition of ECL *(Continued)*

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.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

#### *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 are subsequently measured at amortised cost, using the effective interest method.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Financial instruments (Continued)*

##### *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 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.

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 asset and the related lease liability, the Group first determines whether the tax deductions are attributable to the right-of-use asset or the lease liability.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### *Taxation (Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liability, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use asset and lease liability is assessed on a net basis. Excess of depreciation on right-of-use asset over the lease payments for the principal portion of lease liability results 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 taxable entity by the same taxation authority.

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.

#### *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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

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

### 3.2 Significant accounting policies *(Continued)*

#### **Share-based payments**

##### *Equity-settled share-based payment transactions*

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to other reserve.

#### **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.

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".

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 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.

### Impairment assessment of trade receivables

The Group performs impairment assessment under ECL model on trade receivables which are credit-impaired individually, the trade receivables which are not credit-impaired are assessed for lifetime ECL based on collective assessment grouped by categories of trade debtors. The trade debtors are categorised based on their repayment history and/or past due status. 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 32 and 18 respectively. As at 31 March 2023, the carrying amount of trade receivables is HK\$51,069,000 (2022: HK\$42,587,000). No impairment loss on trade receivables has been made for both years.

## 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 to the places designated by customers, 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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

The disaggregated information of revenue is as follows:

### Revenue from major products

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

	2023 HK\$'000	2022 HK\$'000
Crabs and roe	53,599	40,398
Fishes	62,432	55,988
Octopuses and cuttlefishes	15,005	16,113
Prawns	118,719	105,423
Processed seafood products	51,754	56,818
Scallops, oysters and surf clams	143,651	107,132
Miscellaneous products	22,189	26,745
	467,349	408,617

### Revenue by types of customers

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

	2023 HK\$'000	2022 HK\$'000
Frozen seafood resellers	452,907	396,438
Frozen seafood catering service providers	14,442	12,179
	467,349	408,617

### Geographical information

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

	2023 HK\$'000	2022 HK\$'000
Hong Kong	368,100	322,543
Macau	41,012	39,036
Mainland China	57,837	41,146
Taiwan	–	5,631
Japan	400	261
	467,349	408,617

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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 6. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Interest income	695	24
Rental income (with negligible outgoings)	145	48
Government grants ( <i>Note</i> )	349	–
Others	9	25
	1,198	97

*Note:* During the year ended 31 March 2023, the Group recognised government grants of HK\$349,000 in respect of COVID-19-related subsidies, which relates to Employment Support Scheme provided by the government of Hong Kong Special Administrative Region.

## 7. OTHER GAIN (LOSS)

	2023 HK\$'000	2022 HK\$'000
Exchange gain (loss), net	362	(447)

## 8. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interests on		
— bank borrowings	–	14
— bank overdrafts	15	12
— lease liability	78	44
	93	70

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 9. PROFIT BEFORE TAXATION

	2023 HK\$'000	2022 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration ( <i>note 10(a)</i> )	1,842	1,788
Other staff costs	4,943	4,384
Retirement benefit scheme contributions for other staff	163	178
<b>Total staff costs</b>	<b>6,948</b>	<b>6,350</b>
Auditor's remuneration	1,000	1,000
Cost of inventories recognised as expenses	388,612	343,944
Depreciation of property, plant and equipment	3,095	3,315
Depreciation of right-of-use asset	847	848
Depreciation of investment properties	148	51

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and Chief Executive's emoluments

Details of the emoluments paid or payable 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
<b>For the year ended 31 March 2023</b>					
Executive directors					
Mr. Chan	–	889	75	18	982
Ms. Tse Chun Ha Amy	–	444	38	18	500
Independent non-executive directors					
Dr. Leung Wai Ping, Noel	120	–	–	–	120
Mr. So Yuk Ki	120	–	–	–	120
Mr. Lee Kam Wan	120	–	–	–	120
	360	1,333	113	36	1,842
<b>For the year ended 31 March 2022</b>					
Executive directors					
Mr. Chan	–	857	71	18	946
Ms. Tse Chun Ha Amy	–	428	36	18	482
Independent non-executive directors					
Dr. Leung Wai Ping, Noel	120	–	–	–	120
Mr. So Yuk Ki	120	–	–	–	120
Mr. Lee Kam Wan	120	–	–	–	120
	360	1,285	107	36	1,788

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.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 2 (2022: 2) were directors of the Company for the year ended 31 March 2023, whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2022: 3) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Employees		
— salaries and allowances	1,626	1,499
— performance related incentive payments	127	125
— retirement benefit scheme contributions	50	50
	1,803	1,674

Their emoluments were within the following bands:

	Number of employees	
	2023	2022
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.

## 11. TAXATION

	2023 HK\$'000	2022 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current tax	10,379	8,069
Under(over)provision in prior year	1	(142)
	10,380	7,927
Deferred taxation (note 22)	9	44
	10,389	7,971

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 11. TAXATION (Continued)

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:

	2023 HK\$'000	2022 HK\$'000
Profit before taxation	60,541	45,376
Tax at Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	9,989	7,487
Tax effect of expenses not deductible for tax purposes	305	316
Tax effect of income not taxable for tax purposes	(172)	(4)
Tax effect on two-tiered tax rate	(165)	(165)
Tax effect of tax losses not recognised	114	105
Tax effect of deductible temporary difference not recognised	349	355
Under(over)provision in prior year	1	(142)
Others	(32)	19
Taxation charge	10,389	7,971

## 12. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Dividend recognised as distribution during the year:		
Final dividend for 2022 of HK3.3 cents per share (2022: final dividend for 2021 of HK2.5 cents per share)	9,240	7,000

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2023 of HK4.0 cents (2022: HK3.3 cents) per share, in an aggregate amount of HK\$11,200,000 (2022: HK\$9,240,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 13. EARNINGS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
Earnings for the purpose of basic earnings per share	50,152	37,405
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.

## 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
<b>COST</b>					
At 1 April 2021	59,339	6,685	1,967	1,562	69,553
Additions	–	–	653	–	653
At 31 March 2022	59,339	6,685	2,620	1,562	70,206
Additions	–	61	123	–	184
Written off	–	(575)	–	–	(575)
Transfer to investment properties	(2,811)	–	–	–	(2,811)
At 31 March 2023	56,528	6,171	2,743	1,562	67,004
<b>DEPRECIATION</b>					
At 1 April 2021	2,896	2,952	1,440	1,305	8,593
Provided for the year	2,118	800	140	257	3,315
At 31 March 2022	5,014	3,752	1,580	1,562	11,908
Provided for the year	2,022	806	267	–	3,095
Written off	–	(575)	–	–	(575)
Transfer to investment properties	(337)	–	–	–	(337)
At 31 March 2023	6,699	3,983	1,847	1,562	14,091
<b>CARRYING VALUES</b>					
At 31 March 2023	49,829	2,188	896	–	52,913
At 31 March 2022	54,325	2,933	1,040	–	58,298

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 2023, the gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to HK\$5,012,000 (2022: HK\$5,587,000).

## 15. RIGHT-OF-USE ASSET

	Leased properties HK\$'000	
<b>As at 31 March 2023</b>		
Carrying amount		2,168
<b>As at 31 March 2022</b>		
Carrying amount		847
<b>For the year ended 31 March 2023</b>		
Depreciation charge		847
<b>For the year ended 31 March 2022</b>		
Depreciation charge		848
	2023 HK\$'000	2022 HK\$'000
Total cash outflow for leases	945	892
Addition to right-of-use asset	2,168	–

For both years, the Group leased an office for its operations. Lease contract was entered into for fixed term of 3 years. Lease terms were negotiated on an individual basis. 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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 16. INVESTMENT PROPERTIES

	HK\$'000
<b>COST</b>	
At 1 April 2021 and 31 March 2022	1,500
Transfer from property, plant and equipment	2,474
At 31 March 2023	<b>3,974</b>
<b>DEPRECIATION</b>	
At 1 April 2021	128
Provided for the year	51
At 31 March 2022	179
Provided for the year	148
At 31 March 2023	<b>327</b>
<b>CARRYING VALUES</b>	
At 31 March 2023	<b>3,647</b>
At 31 March 2022	1,321

The Group leases out car parks under operating leases with monthly rentals. The leases typically run for an initial period of two to three years (2022: two years).

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The investment properties are situated in Hong Kong and depreciated on a straight-line basis at 3.43% to 3.90% per annum.

The fair value of the Group's investment properties at 31 March 2023 was HK\$4,600,000 (2022: HK\$1,800,000). 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 properties, the highest and best use of the properties is their current use. The fair value measurements are categorised as level 2 hierarchy for both years.

## 17. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Finished goods	51,321	46,453

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 18. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	51,069	42,587
Prepayments	8,988	8,591
Interest receivables	494	–
Deposits	156	162
	60,707	51,340

As at 1 April 2021, trade receivables from contracts with customers amounted to HK\$46,013,000.

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:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	29,078	23,538
31 to 60 days	21,864	9,371
61 to 90 days	66	8,686
Over 90 days	61	992
	51,069	42,587

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor credit-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 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$18,527,000 (2022: HK\$15,560,000), which are past due at the end of the reporting period and HK\$61,000 (2022: HK\$134,000) 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 32.

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

	2023 HK\$'000	2022 HK\$'000
Japanese Yen ("JPY")	1,699	2,930
United State Dollar ("US\$")	11,046	10,493

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 19. BANK DEPOSIT WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS/CASH AND CASH EQUIVALENTS

As at 31 March 2023, the bank deposit with original maturity of more than three months carried interest at fixed interest rate of 4.50% per annum (2022: nil).

Cash and cash equivalents include bank balances, which carried interest at market rates range from 0.00% to 0.65% (2022: 0.00% to 0.33%), and short term deposits with original maturity of less than three months, which carried interest at fixed interest rate of 3.50% per annum (2022: nil), for the purpose of meeting the Group's short term cash commitments.

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

	2023 HK\$'000	2022 HK\$'000
JPY	1,444	2,432
US\$	8,199	7,749

## 20. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	8,704	7,797
Accruals	1,676	1,983
Rental deposit received	32	40
Others (Note)	1,317	1,675
	11,729	11,495

Note: The amount includes payable for acquisition of property, plant and equipment of HK\$1,200,000 (2022: HK\$1,400,000).

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:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	8,626	7,797
Over 60 days	78	–
	8,704	7,797

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 20. TRADE AND OTHER PAYABLES (Continued)

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

	2023 HK\$'000	2022 HK\$'000
JPY	6,077	4,095
US\$	507	1,576

## 21. LEASE LIABILITY

	2023 HK\$'000	2022 HK\$'000
<b>Lease liability payable:</b>		
Within a period not exceeding one year	1,038	867
Within a period of more than one year but not exceeding two years	1,130	–
	2,168	867
Less: Amount due for settlement with 12 months shown under current liabilities	(1,038)	(867)
Amount due for settlement after 12 months shown under non-current liabilities	1,130	–

The incremental borrowing rate applied to lease liability is 4.13% (2022: 3.45%) per annum.

## 22. DEFERRED TAXATION

	Accelerated tax depreciation HK\$'000
At 1 April 2021	28
Charged to profit or loss	44
At 31 March 2022	72
Charged to profit or loss	9
At 31 March 2023	81

At the end of the reporting period, the Group has unused tax losses and deductible temporary difference related to accelerated accounting depreciation of approximately HK\$3,607,000 (2022: HK\$2,917,000) and HK\$7,444,000 (2022: HK\$5,329,000) respectively which are 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.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 23. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022 and 31 March 2023	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2021, 31 March 2022 and 31 March 2023	280,000,000	2,800

## 24. 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 under the Share Option Scheme are exercised. HK\$1 is payable by eligible participant(s) on acceptance of an offer of option.

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 2023 and 2022 and no share options were outstanding as at 31 March 2023 and 2022.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 25. OPERATING LEASING ARRANGEMENTS

### The Group as lessor

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

	2023 HK\$'000	2022 HK\$'000
Within one year	121	24
In the second year	97	–
	218	24

Investment properties were leased for a term of one and three years.

## 26. PLEDGE OF OR RESTRICTIONS ON ASSETS

### Pledge of assets

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

	2023 HK\$'000	2022 HK\$'000
Property, plant and equipment	47,058	51,442
Investment properties	3,647	1,321
	50,705	52,763

### Restrictions on asset

In addition, lease liability of HK\$2,168,000 (2022: HK\$867,000) are recognised with related right-of-use asset of HK\$2,168,000 (2022: HK\$847,000) as at 31 March 2023. 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.

## 27. 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	2023 HK\$'000	2022 HK\$'000
Eastern Mark Limited (Note)	Interest expense on lease liability	78	44
	Lease liability	2,168	867

Note: Mr. Chan is controlling shareholder of Eastern Mark Limited.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 27. RELATED PARTY TRANSACTIONS *(Continued)*

### Compensation of key management personnel

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

	2023 HK\$'000	2022 HK\$'000
Salaries and allowances	2,118	2,041
Performance related incentive payments	178	170
Retirement benefit scheme contributions	54	54
	2,350	2,265

## 28. 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\$199,000 (2022: HK\$214,000) represents contributions to the scheme by the Group at rate specified in the rule of the scheme during the year ended 31 March 2023.

During the years ended 31 March 2023 and 2022, the Group had no forfeited contribution available to reduce its contributions to the retirement benefit schemes.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
Non-current assets		
Investments in subsidiaries	27,938	25,427
Amount due from subsidiaries	64,587	66,836
	92,525	92,263
Current assets		
Prepayments	154	149
Amount due from a subsidiary	12,000	9,000
Cash and cash equivalents	432	264
	12,586	9,413
Current liabilities		
Other payables	200	400
Amount due to a subsidiary	459	–
	659	400
Net current assets	11,927	9,013
Net assets	104,452	101,276
Capital and reserves		
Share capital	2,800	2,800
Reserves (Note)	101,652	98,476
Total equity	104,452	101,276

Note:

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2021	72,851	15,089	8,274	96,214
Profit and total comprehensive income for the year	–	–	9,262	9,262
Dividends paid	–	–	(7,000)	(7,000)
At 31 March 2022	72,851	15,089	10,536	98,476
Profit and total comprehensive income for the year	–	–	12,416	12,416
Dividends paid	–	–	(9,240)	(9,240)
At 31 March 2023	72,851	15,089	13,712	101,652

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 30. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Equity interest attributable to the Group		Principal activities
			2023	2022	
Directly held:					
Ocean One (BVI)	BVI/Hong Kong	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 2023 and 2022 or at any time during both years.

## 31. 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 represents the lease liability disclosed in note 21, 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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 32. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets at amortised cost	130,934	91,352
Financial liabilities		
Amortised cost	9,904	9,197

### Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, bank deposit with original maturity of more than three months, cash and cash equivalents and trade and other payables. 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, cash and cash equivalents and 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
JPY	3,143	5,362	6,077	4,095
US\$	19,245	18,242	507	1,576

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.

### 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 in foreign currency rates. A positive (negative) number indicates an increase (decrease) 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.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

	2023 HK\$'000	2022 HK\$'000
JPY	245	(106)

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 fair value interest rate risk in relation to fixed-rate bank deposits and lease liability and cash flow interest rate risk in relation to certain cash and cash equivalents (see note 19 for details). The directors of the Company consider the Group's exposures to interest rate risk from cash and cash equivalents, fixed-rate bank deposits and lease liability are not significant as they are within short maturity period or have insignificant balances 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.

### Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank deposit with original maturity of more than three months and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables which are credit-impaired were assessed individually. The trade receivables which are not credit-impaired are assessed for lifetime ECL based on collective assessment grouped by categories of trade debtors. The trade debtors are categorised based on their repayment history and/or past due status. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits for customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

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

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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 after due dates but usually settles in full
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

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	
				2023 HK\$'000	2022 HK\$'000
Trade receivables	N/A	Low risk	Lifetime ECL (not credit-impaired)	18,720	18,624
		Watch list	Lifetime ECL (not credit-impaired)	32,349	23,963
Interest receivables	A3	N/A	12m ECL	494	–
Bank deposit with original maturity of more than three months	A3	N/A	12m ECL	20,000	–
Cash and cash equivalents	Aa3–A3	N/A	12m ECL	59,371	48,765



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 32. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

#### Credit risk and impairment assessment *(Continued)*

As at 31 March 2023, the Group has concentration of credit risk by geographical location as 65% (2022: 56%) of trade receivables are in Hong Kong.

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

The credit risks on interest receivables, cash and cash equivalents and bank deposit with original maturity of more than three months 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 is 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 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. 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.

#### Liquidity and interest risk tables

	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
<b>2023</b>					
Trade payables	–	8,704	–	8,704	8,704
Other payable	–	1,200	–	1,200	1,200
Lease liability	4.13	1,104	1,152	2,256	2,168
		11,008	1,152	12,160	12,072
<b>2022</b>					
Trade payables	–	7,797	–	7,797	7,797
Other payable	–	1,400	–	1,400	1,400
Lease liability	3.45	945	–	945	867
		10,142	–	10,142	10,064

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

## 32. FINANCIAL INSTRUMENTS *(Continued)*

### 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.

## 33. 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	Lease liability HK\$'000 <i>(Note 21)</i>	Interest payable HK\$'000	Dividend payable HK\$'000	Total HK\$'000
At 1 April 2021	796	1,715	–	–	2,511
Financing cash flows	(796)	(848)	(70)	(7,000)	(8,714)
Interest expenses	–	–	70	–	70
Dividends declared	–	–	–	7,000	7,000
At 31 March 2022	–	867	–	–	867
Financing cash flows	–	(867)	(93)	(9,240)	(10,200)
Lease modification	–	2,168	–	–	2,168
Interest expenses	–	–	93	–	93
Dividends declared	–	–	–	9,240	9,240
At 31 March 2023	–	2,168	–	–	2,168

## 34. NON-CASH TRANSACTION

On 31 March 2023, the Group renewed the existing lease for the office by extending the lease term for another two years to 31 March 2025, resulting in a remeasurement of lease liability of HK\$2,168,000 with corresponding adjustment to right-of-use asset with the same amount (2022: nil).

# Financial Summary

	Year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>RESULTS</b>					
Revenue	467,349	408,617	327,746	323,673	327,429
Gross profit	78,737	64,673	48,675	42,234	43,512
Profit before taxation	60,541	45,376	33,333	23,386	30,100
Taxation	10,389	7,971	5,987	4,686	5,147
Profit for the year attributable to owners of the Company	50,152	37,405	27,346	18,700	24,953
<b>As at 31 March</b>					
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	58,728	60,466	64,027	64,683	62,502
Current assets	191,399	146,558	114,773	87,373	91,315
Non-current liabilities	1,211	72	895	1,736	111
Current liabilities	17,087	16,035	17,393	10,994	25,520
Net current assets	174,312	130,523	97,380	76,379	65,795
Net assets	231,829	190,917	160,512	139,326	128,186

Note: On 1 April 2019, the Group has applied HKFRS 16 "Leases". Accordingly, certain information for the year ended 31 March 2019 which was prepared under HKAS 17 "Leases" may not be comparable to the years ended 31 March 2020, 2021, 2022 and 2023.