



中國海洋集團

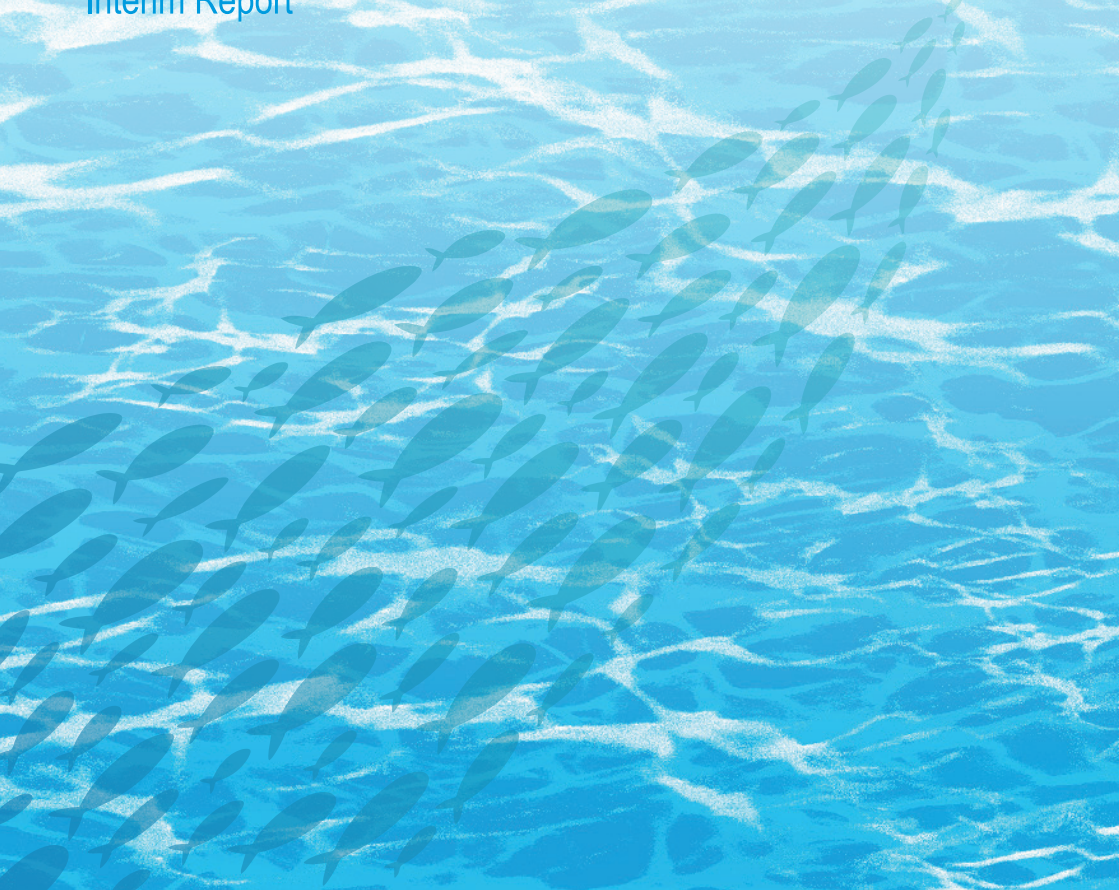
**CHINA OCEAN GROUP
DEVELOPMENT LIMITED**

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

2020-2021
Interim Report





CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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



HIGHLIGHTS

For the six months ended 30 September 2020 (the “Period”)

- Revenue of the Group was approximately HK\$380,468,000 as compared to the revenue of approximately HK\$337,981,000 recorded in the corresponding period in 2019.
- Profit of the Group for the Period was approximately HK\$11,492,000 (2019: approximately HK\$9,854,000).
- Profit attributable to equity holders of the Company was approximately HK\$12,931,000 (2019: approximately HK\$10,593,000).
- The Directors do not declare the payment of an interim dividend (2019: Nil).
- Basic earnings per share of the Company was approximately HK0.30 cents (2019: approximately HK0.25 cents).



FINANCIAL RESULTS

The board of directors (the “Board” and “Directors” respectively) of China Ocean Group Development Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months and six months ended 30 September 2020 together with the relevant comparative unaudited figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 September 2020

	Notes	For the six months ended 30 September		For the three months ended 30 September	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers	3	380,468	337,981	159,612	178,593
Cost of services rendered and cost of goods sold		(341,659)	(298,539)	(138,926)	(157,183)
Gross profit		38,809	39,442	20,686	21,410
Other revenue	3	2	3	1	–
Other income	4	4,659	4,492	56	(58)
Selling and distribution costs		(23)	(240)	(1)	(189)
Administrative expenses		(17,879)	(22,152)	(6,651)	(9,921)
Finance costs		(14,039)	(10,872)	(7,825)	(5,602)
Profit before taxation	6	11,529	10,673	6,266	5,640
Income tax expenses	7	(37)	(819)	(37)	3
Profit for the period		11,492	9,854	6,229	5,643



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) *(Continued)*

For the three months and six months ended 30 September 2020

	For the six months ended 30 September		For the three months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Notes				
Other comprehensive income/(loss) for the period, net of tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on consolidation	12,823	(74,596)	39,866	(70,402)
Total comprehensive income/(loss) for the period	24,315	(64,742)	46,095	(64,759)
Profit for the period attributable to:				
Equity holders of the Company	12,931	10,593	6,993	5,508
Non-controlling interests	(1,439)	(739)	(764)	135
	11,492	9,854	6,229	5,643
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	25,754	(64,003)	46,859	(64,894)
Non-controlling interests	(1,439)	(739)	(764)	135
	24,315	(64,742)	46,095	(64,759)
Earnings per share	8			
– Basic	HK0.30 cents	HK0.25 cents	HK0.16 cents	HK0.13 cents
– Diluted	HK0.30 cents	HK0.25 cents	HK0.16 cents	HK0.13 cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	465,253	440,675
Right-of-use assets		476	762
Intangible assets		702	724
Goodwill		116,971	116,971
		583,402	559,132
Current assets			
Inventories		617	278
Trade and other receivables	11	1,253,654	1,081,476
Loans and interests receivables	12	70,950	72,812
Bank balances and cash		4,190	2,924
		1,329,411	1,157,490
Current liabilities			
Trade and other payables	13	289,933	159,427
Borrowings		160,009	127,133
Corporate bonds		10,788	11,132
Lease liabilities		482	560
Tax payable		15,472	15,147
		476,684	313,399



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 September 2020

	As at	As at
	30 September 2020	31 March 2020
	(Unaudited)	(Audited)
<i>Notes</i>	HK\$'000	HK\$'000
Net current assets	852,727	844,091
Total assets less current liabilities	1,436,129	1,403,223
Non-current liabilities		
Deferred income	56,628	55,813
Borrowings	56,619	58,811
Lease liabilities	–	197
Contingent consideration payables	11,200	11,200
	124,447	126,021
NET ASSETS	1,311,682	1,277,202
Capital and reserves		
Share capital	14 43,060	42,260
Reserves	1,211,357	1,176,238
Equity attributable to equity holders of the Company	1,254,417	1,218,498
Non-controlling interests	57,265	58,704
TOTAL EQUITY	1,311,682	1,277,202



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2020

	Attributable to equity holders of the Company								
	Reserves						Subtotal (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total reserves (Unaudited) HK\$'000			
At 1 April 2019	42,260	1,378,822	594,707	(34,918)	(748,718)	1,189,893	1,232,153	59,974	1,292,127
Profit for the period	-	-	-	-	10,593	10,593	10,593	(739)	9,854
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
– Exchange difference on consolidation	-	-	-	(74,596)	-	(74,596)	(74,596)	-	(74,596)
Total Comprehensive income for the period	-	-	-	(74,596)	10,593	(64,003)	(64,003)	(739)	(64,742)
Transactions with equity holders									
Contributions and distributions									
Issue of shares under placement	-	-	-	-	-	-	-	-	-
At 30 September 2019	42,260	1,378,822	594,707	(109,514)	(738,125)	1,125,890	1,168,150	59,235	1,227,385



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (Continued)

For the six months ended 30 September 2020

	Attributable to equity holders of the Company								
	Reserves						Subtotal (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total reserves (Unaudited) HK\$'000			
At 1 April 2020	42,260	1,378,822	594,707	(76,602)	(720,689)	1,176,238	1,218,498	58,704	1,277,202
Profit for the period	-	-	-	-	12,931	12,931	12,931	(1,439)	11,492
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
- Exchange difference on consolidation	-	-	-	12,823	-	12,823	12,823	-	12,823
Total Comprehensive income for the period	-	-	-	12,823	12,931	25,754	25,754	(1,439)	24,315
Transactions with equity holders									
<i>Contributions and distributions</i>									
Issue of shares under subscription	800	9,365	-	-	-	9,365	10,165	-	10,165
Issue of convertible bonds	-	-	-	-	-	-	-	-	-
	800	9,365	-	-	-	9,365	10,165	-	10,165
At 30 September 2020	43,060	1,388,187	594,707	(63,779)	(707,758)	1,211,357	1,254,417	57,265	1,311,682



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the six months ended 30 September 2020

	For the six months ended 30 September 2020 (Unaudited) HK\$'000	For the six months ended 30 September 2019 (Unaudited) HK\$'000
NET CASH RECEIVED FROM/(USED IN)		
OPERATING ACTIVITIES	(22,142)	(49,598)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,395)	(3,893)
Interest received, other than from loan receivables	2	3
NET CASH USED IN INVESTING ACTIVITIES	(16,393)	(3,890)
FINANCING ACTIVITIES		
Proceeds from issue of shares under subscription	10,164	–
Proceeds from borrowings	35,159	48,601
Repayment of borrowings	(5,522)	(2,000)
NET CASH FROM FINANCING ACTIVITIES	39,801	46,601



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
(UNAUDITED) *(Continued)*

For the six months ended 30 September 2020

	For the six months ended 30 September 2020 (Unaudited) HK\$'000	For the six months ended 30 September 2019 (Unaudited) HK\$'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	1,266	(6,887)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,924</u>	<u>14,326</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>4,190</u>	<u>7,439</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u>4,190</u>	<u>7,439</u>



Notes to the condensed consolidated financial statements

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Bermuda Companies Act of 1981. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Room 03, 22/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

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

2. STATEMENT OF COMPLIANCE

The unaudited condensed consolidated interim financial statements for the Period have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"). These financial statements are unaudited but have been reviewed by the Company's audit committee (the "Audit Committee").

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020 and have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss, which were stated at fair value.

The accounting policies used in preparing these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 March 2020.



Notes to the condensed consolidated financial statements

2. STATEMENT OF COMPLIANCE *(Continued)*

The adoption of the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to the Group and effective from the current period had no significant effects on the financial performance and financial position of the Group for the current and prior periods.

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

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial period beginning on 1 April 2020. The management does not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the financial position, financial performance and cash flows of the Group.



Notes to the condensed consolidated financial statements

3. REVENUE AND OTHER REVENUE

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

	For the six months ended 30 September		For the three months ended 30 September	
	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue from contracts with customers				
Sales of goods from:				
Supply chain management				
services business	377,636	321,456	158,752	167,537
Ocean fishing business	2,812	16,458	840	11,029
Service fees from:				
Interest income from loans				
to customers	20	67	20	27
Revenue	380,468	337,981	159,612	178,593
Interest income	2	3	1	–
Other revenue	2	3	1	–
Total revenue	380,470	337,984	159,613	178,593



Notes to the condensed consolidated financial statements

4. OTHER INCOME

	For the six months ended 30 September		For the three months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest income from other loan	1,620	3,240	–	–
Government subsidiary income	933	463	257	(471)
Sundry income	2,106	789	(201)	413
	4,659	4,492	56	(58)

5. SEGMENT INFORMATION

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

- Supply chain management segment which provides services involving the planning and implementation of an integrated solution for the effective flow of business, logistic, information and funds;
- Money lending segment which provides money lending services; and
- Ocean fishing segment which provides fishing and catching business in open sea beyond the coastal region.



Notes to the condensed consolidated financial statements

5. SEGMENT INFORMATION *(Continued)*

(a) Segment results, assets and liabilities

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

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

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



Notes to the condensed consolidated financial statements

5. SEGMENT INFORMATION *(Continued)*

(b) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

For the six months ended 30 September

	Supply chain management		Money lending		Ocean fishing business		Consolidated	
	services business		business					
	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Sale/Services to external customers	377,636	321,456	20	67	2,812	16,458	380,468	337,981
Segment results	33,081	23,234	11	(198)	(3,056)	6,797	30,036	29,833
Unallocated income							561	638
Unallocated expenses							(19,067)	(19,798)
Profit before taxation							11,529	10,673
Income tax expense							(37)	(819)
Profit for the period							11,492	9,854



Notes to the condensed consolidated financial statements

5. SEGMENT INFORMATION *(Continued)*

(b) Business segments *(Continued)*

	Supply chain management services business		Money lending business		Ocean fishing business		Consolidated	
	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Assets and liabilities								
Segment assets	1,190,029	1,077,070	67	68	507,323	491,340	1,697,419	1,568,478
Unallocated assets including interests in associates							215,394	148,144
Consolidated total assets							1,912,813	1,716,622
Segment liabilities	262,290	111,128	39	39	140,942	136,140	403,271	247,307
Unallocated liabilities							197,860	192,113
Consolidated total liabilities							601,131	439,420



Notes to the condensed consolidated financial statements

6. PROFIT BEFORE TAXATION

The Group's profit before taxation is stated after charging (crediting) the following:

	For the six months ended 30 September		For the three months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	2,355	3,277	1,402	1,421
Amortisation of				
– intangible assets	39	–	20	–
– other assets	–	60	–	30

7. INCOME TAX EXPENSES

	For the six months ended 30 September		For the three months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current tax				
– Hong Kong Profits Tax	–	–	–	–
– PRC EIT	37	819	37	(3)
Tax charge for the period	37	819	37	(3)

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong during the Period (2019: 16.5%).



Notes to the condensed consolidated financial statements

7. INCOME TAX EXPENSES *(Continued)*

The Enterprise income tax (“EIT”) provision in respect of operations in the People’s Republic of China (the “PRC”) is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

8. EARNINGS PER SHARE

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

	For the six months ended 30 September		For the three months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	12,931	10,593	6,993	5,508
	Number of shares			
Weighted average number of ordinary shares in issue during the period	4,260,932,857	4,225,960,179	4,295,525,396	4,225,960,179
Effect of dilutive potential ordinary shares				
– Convertible bonds	31,172,000	31,172,000	31,172,000	31,172,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,292,104,857	4,257,132,179	4,326,697,396	4,257,132,179



Notes to the condensed consolidated financial statements

8. EARNINGS PER SHARE *(Continued)*

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company, adjusted to reflect the interest on the convertible bonds for the six months ended 30 September 2020 (2019: nil).

The Company has dilutive potential ordinary shares on exercise of the convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect for the six months ended 30 September 2020.

9. DIVIDENDS

The Directors do not declare the payment of an interim dividend for the Period (2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$16,395,000 which comprises mainly of fishing vessels amounting to approximately RMB14,428,000 (approximately HK\$16,395,000). (31 March 2020: approximately HK\$2,503,000).

As at 30 September 2020, the Group pledged certain leasehold land and building with carrying amount of approximately HK\$19,178,000 (31 March 2020: approximately HK\$19,604,000) as collateral to secure borrowings granted to the Group.



Notes to the condensed consolidated financial statements

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
<i>Note</i>		
Trade receivables from third parties	571,248	413,238
Less: loss allowance	(6,541)	(6,633)
	<hr/>	<hr/>
(a)	564,707	406,605
Other receivables		
Prepayments	743	5,029
Advance payment to suppliers	641,406	626,634
Deposit	10,176	9,323
Other receivables	32,430	29,624
Other tax recoverable	4,192	4,261
	<hr/>	<hr/>
	688,947	674,871
	<hr/>	<hr/>
	1,253,654	1,081,476
	<hr/>	<hr/>



Notes to the condensed consolidated financial statements

11. TRADE AND OTHER RECEIVABLES *(Continued)*

- (a) The Group normally grants credit term of 30 days to 90 days to its customers upon the delivery of products or when the services are rendered and invoices are issued. The aging of trade receivables (net of loss allowance) based on invoice date is as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Less than 90 days	193,027	218,603
91 – 180 days	208,223	99,029
181 – 270 days	136,500	24,034
271 – 365 days	15,836	43,277
Over 1 year	11,121	21,662
	<hr/> 564,707	<hr/> 406,605



Notes to the condensed consolidated financial statements

12. LOANS AND INTERESTS RECEIVABLES

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Loans to customers	139	278
Accrued interest receivables	–	19
	139	297
Other loan	60,000	60,000
Accrued interest receivables	4,080	5,940
	64,080	65,940
Loan to staff	6,455	6,311
Accrued interest receivables	573	561
	7,028	6,872
Impairment allowance on individual assessment	(297)	(297)
	70,950	72,812
Analysed as:		
Non-current assets	–	–
Current assets	70,950	72,812
	70,950	72,812



Notes to the condensed consolidated financial statements

12. LOANS AND INTERESTS RECEIVABLES *(Continued)*

The Group seeks to maintain strict control over its outstanding loans receivable to minimize credit risk. Overdue balances are reviewed regularly by management.

The Group's loan receivable from customers which arise from money lending business of providing personal loans in Hong Kong, are denominated in Hong Kong Dollars.

The credit quality analysis of the loans receivable is as follows:

	As at	As at
	30 September	31 March
	2020	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Neither past due nor impaired		
– Unsecured	71,108	71,732
Less than 1 month past due	–	–
1 to 3 months past due	–	–
Over 3 months past due	139	1,377
	71,247	73,109
Impaired	(297)	(297)
	70,950	72,812



Notes to the condensed consolidated financial statements

13. TRADE AND OTHER PAYABLES

		As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
	<i>Note</i>		
Trade payables	(a)	151,728	22,674
Accruals		26,793	19,231
Other tax payables		2,965	2,965
Due to directors		2,323	1,101
Due to shareholder		450	450
Other payables		105,674	113,006
		<hr/> 289,933	<hr/> 159,427

- (a) Included in trade and other payables are trade payable with the following aging analysis, based on invoice date:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Less than 90 days	128,522	–
91 – 180 days	10	5,669
181 – 270 days	–	17,005
271 – 365 days	–	–
Over 1 year	23,196	–
	<hr/> 151,728	<hr/> 22,674



Notes to the condensed consolidated financial statements

14. SHARE CAPITAL

	Number of shares		Nominal value	
	30 September 2020 (Unaudited)	31 March 2020 (Audited)	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
<i>Authorised:</i>				
At beginning and at end of the period/year				
Ordinary shares of HK\$0.01 each	20,000,000,000	20,000,000,000	200,000	200,000
<i>Issued and fully paid:</i>				
At beginning of the period/year				
Ordinary shares of HK\$0.01 each	4,225,960,179	4,225,960,179	42,260	42,260
Issue of shares under subscription	80,000,000	–	800	–
At the end of the period/year				
Ordinary shares of HK\$0.01 each	4,305,960,179	4,225,960,179	43,060	42,260

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement.

The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;



Notes to the condensed consolidated financial statements

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(Continued)

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Financial assets and liabilities not measured at fair value

The carrying amounts of the financial assets and liabilities of the Group carried accounts at other than their fair value are not materially different from their fair values as at 30 September 2020 and 31 March 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

Operational review

Supply chain management and related services

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

During the Period, the Group continued its supply chain management service of aquatic products. The Group also expanded its operation to vertically integrated with fishing subsidiaries to secure the supply of aquatic products.

Money lending business

There were no loans and advances being made during the Period and there were no outstanding loans and advances at the end of the period, therefore, apart from the recovery of certain previously impaired loan, minimal interest income was received by the Group during the Period. The management of the Group has concentrated their effort to develop the supply chain management and ocean fishing operations.

Financial review

The Revenue for the Group increased for the Period to approximately HK\$380,468,000 as compared to approximately HK\$337,981,000 for the corresponding period in 2019. The Group's aquatic products business generated a total revenue of approximately HK\$377,636,000 as compared to approximately HK\$321,456,000 in 2019, the fishing operation also contributed to approximately HK\$2,812,000 to the Group's total revenue during the Period. The Group has continued to develop business relationship with its business partners and potential partners in the PRC in order to increase and explore new sources of income. The Group continued to concentrate on aquatic products during the Period.



The Group recorded an decrease in gross profit of the Group is approximately HK\$38,809,000 in the Period as compared to approximately HK\$39,442,000 in the corresponding period in 2019. The Group will continue to control the material costs and explore new business opportunities so as to improve the gross profit of the Group. The gross profit margin, excluding interest income received from the money lending business, decreased slightly from 11.7% to 10.2% during the Period. Gross profit margin of aquatic products from fishing operation were generally higher than from supply chain operation.

Net profit attributable to equity holders of the Company for the Period amounted to approximately HK\$12,931,000 as compared to a profit of approximately HK\$10,593,000 in the corresponding period in 2019. During the period, the administrative expenses decreased to approximately HK\$17.9 million from HK\$22.2 million in 2019 which is mainly due to the Group's tightening of cost control and the restriction imposed on travelling because of COVID-19, travelling and transportation expenses reduced significantly. The major components in administrative expenses being salaries and welfare for both staff and directors; rent and rates, legal and professional fee and depreciation.

Outlook

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



Liquidity, financial resources and capital structure

As at 30 September 2020, the Group had total assets of approximately HK\$1,912,813,000 (31 March 2020: approximately HK\$1,716,622,000), including bank balances and cash of approximately HK\$4,190,000 (31 March 2020: approximately HK\$2,924,000).

As at 30 September 2020, there was general banking facilities of RMB69,000,000 (31 March 2020: RMB33,000,000). Excluding the above banking facilities, during the Period, the Group financed its operation mainly with its own working capital, proceeds from the issue of placing/subsorption shares and borrowings.

As at 30 September 2020, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was 3.79% (31 March 2020: 2.15%). The Group's bank borrowings as at 30 September 2020 was approximately HK\$72,528,000 (31 March 2020: approximately HK\$36,989,000).

SUBSCRIPTION OF NEW SHARES

- i) On 10 July 2020, the Company has completed the subscription agreement II with the subscriber II (an independent third parties), of 40,000,000 new shares, (the "Subscription Share II") at HK\$0.13 per Subscription Share (the "Subscription II"). 40,000,000 Subscription Shares was allotted and issued by the Company pursuant to the subscription agreement. The gross proceeds from the Subscription II is HK\$5.2 million and the net proceeds of approximately HK\$5.1 million from the Placing were utilized as general working capital of the Group.
- ii) On 17 July 2020, the Company has completed the subscription agreement I with the subscriber I (an independent third party), of 40,000,000 new shares (the "Subscription Share I") at HK\$0.13 per Subscription Share (the "Subscription I"). 40,000,000 Subscription Shares were allotted and issued by the Company pursuant to the subscription agreement I. The gross proceeds from the Subscription I is HK\$5.2 million and the net proceeds of approximately HK\$5.1 million from the Placing were utilized as general working capital of the Group.



- iii) On 16 September 2020, the Company proposed to issue 100 million subscription shares (the “Subscription Shares”) to a subscriber at a subscription price of HK\$0.10 per Subscription Share, representing a total subscription price of HK\$10.0 million. The proceeds will be used as general working capital of the Group.

Please refer to the Company’s announcements dated 16 September 2020 for further details.

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in Hong Kong Dollar (“HKD”) and Renminbi (“RMB”). As such, the Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between HKD and RMB. The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 30 September 2020, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

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

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

Charge on group assets

As at 30 September 2020, the Group pledged certain leasehold land and building with carrying amount of approximately HK\$19.1 million (31 March 2020: approximately HK\$19.6 million) as collateral to secure borrowings granted to the Group.

Contingent liabilities

Save as disclosed above, the Group had no contingent liability as at 30 September 2020 (31 March 2020: Nil).



Employees and remuneration policies

As at 30 September 2020, the Group had 71 (31 March 2020: 78) employees including the Directors. Total staff costs (excluding Directors' emoluments) amounted to approximately HK\$6,496,000 for the Period, as compared to approximately HK\$6,481,000 in the corresponding period in 2019. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

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

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

RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process. Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of the Group would be submitted to the Board.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel.

Financial Risk

The Group's also faces financial risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of these financial risks are set out in annual report for the year ended 31 March 2020.

INTERIM DIVIDEND

The Directors do not declare the payment of an interim dividend for the Period (2019: Nil).



EVENTS AFTER THE REPORTING DATE

Subsequent Event

- i) After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group.
- ii) On 20 October 2020, the Company has completed the subscription agreement with the subscriber (an independent third parties), of 50,000,000 new shares, (the “Subscription Share”) at HK\$0.10 per Subscription Share (the “Subscription”). 50,000,000 Subscription Shares was allotted and issued by the Company pursuant to the subscription agreement. The gross proceeds from the Subscription is HK\$5.0 million and the net proceeds from the Placing would be utilized as general working capital of the Group.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 30 September 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interest or short positions which they had taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors were as follows:



Long position in the Shares

Name of Director	Capacity	Number of ordinary Shares held	Approximate percentage of issued share capital
Ms. Wei Qing (<i>Note 1</i>)	Beneficial owner	79,608,000	1.85%
Mr. Fan Guocheng	Beneficial owner	800,000	0.02%
Mr. Cai Haiming	Beneficial owner	151,404,857	3.52%

Note:

- (1) Ms. Wei Qing is beneficial interested in 67,852,000 Shares through Sunny Sky Capital Management Limited.

Save as disclosed above, as at 30 September 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), which were required: (a) 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 he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the Directors to be notified to the Company and the Stock Exchange.



SHARE OPTION SCHEME

The Company adopted a share option scheme on 18 October 2011 (the “Share Option Scheme”) for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit additional employees and retain existing employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.

Eligible participants of the Share Option Scheme include the employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under paragraphs headed “Directors’ and Chief Executive’s Interests in Shares, Underlying Shares and Debentures” and “Share Option Scheme” above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.



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

As at 30 September 2020, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% 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 substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of the ordinary shares held	Approximate percentage of issued share capital
Liu Yi	Beneficial owner	724,292,000 (L)	16.82%

(L) denotes long position

Save as disclosed above, as at 30 September 2020, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who was directly or indirectly, interested in 10% 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 substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.



SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 30 September 2020, no person is individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its shares (the "Shares"), nor did the Company or any of its subsidiaries purchase or sell any such Shares during the Period.

CHANGES OF DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

The changes of the Directors' and Chief Executive's information since the disclosure made in the Company's 2019-2020 Annual report dated 14 August 2020 were set out as follows:

- Mr. Lui Chun Pong ("Mr. Lui"), a non-executive director of the Company, was an executive director of Hsin Chong Group Holdings Limited ("HCGH"), a limited company incorporated in Bermuda, from 11 September 2015 to 31 December 2016 and was redesignated to non-executive director from 1 January 2017 to 28 November 2018. HCGH, together with its subsidiaries, were principally engaged in building construction, civil engineering, electrical and mechanical installation, property development and investment. HCGH had been listed on the Main Board of the Stock Exchange until 31 December 2019 and by an order dated 20 January 2020 made by the Supreme Court of Bermuda, HCGH was wound up upon the petition by a creditor of HCGH. Mr. Lui confirmed that he is not a party of such winding up proceedings and is not aware of any actual or potential claim that has been or will be made against him as a result of the above.

DIRECTORS' INTEREST IN COMPETING INTERESTS

During the Period, none of the Directors or the controlling shareholders or substantial shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.



PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

CODE OF CONDUCT REGARDING DIRECTOR'S SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The Company has applied the principles in the CG Code and complied with the code provisions set out in the CG Code for the Period, except for the deviation from the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual to ensure a balance of power and authority. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are performed by Mr. Liu Rongsheng. The Board considers that the present structure is more suitable for the Company for it provides strong and consistent leadership in the planning and execution of long-term business plans and strategies of the Company. The Directors will continue to review the effectiveness of the Group's corporate governance structure to assess whether changes, including the separation of the roles of the chairman and chief executive officer, as and when necessary.



AUDIT COMMITTEE

The Audit Committee was established in October 2001 with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. As at 30 September 2020, the Audit Committee comprised of three independent non-executive Directors, namely Mr. Kam Hou Yin, John, Mr. Lam Man Hing and Mr. Li Cao. The chairman of the Audit Committee was Mr. Kam Hou Yin, John.

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit Committee, which is of the opinion that such statements comply with the applicable accounting standards, requirements of the GEM Listing Rules and any other applicable laws and that adequate disclosures have been made.

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

Hong Kong, 10 November 2020

As at the date of this report, the executive Directors are Mr. Liu Rongsheng, Mr. Fan Guocheng and Ms. Wei Qing; the non-executive Directors are Mr. Lui Chun Pong and Mr. Cai Haiming; the independent non-executive Directors are Mr. Kam Hou Yin John, Mr. Lam Man Hing and Mr. Li Cao.