DAISHO MICROLINE HOLDINGS LIMITED
大 昌 微 綫 集 團 有 限 公 司
Stock Code : 0567

2018/2019 ANNUAL REPORT

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CORPORATE INFORMATION AND FINANCIAL CALENDAR

Board of Directors

Executive directors

Ms. Cheung Lai Na *(Chairman)*
Ms. Cheung Lai Ming
Mr. Lee Man Kwong *(Re-designated as executive director on 1 June 2018)*
Mr. Law Ping Wah *(Re-designated as executive director and appointed as Chief Financial Officer on 1 November 2018)*

Independent non-executive directors

Mr. Leung King Fai
Mr. Chou Yuk Yan
Dr. Chan Yau Ching, Bob *(Appointed on 3 September 2018)*

Company Secretary

Mr. Siu Ching Hung *(Resigned on 4 September 2018)*
Ms. Chan Suet Lam *(Appointed on 4 September 2018)*

Principal Bankers

Societe Generale Singapore
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Xiamen International Bank Co., Ltd

Auditor

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Legal Advisers in Hong Kong

Sidley Austin

Legal Advisers in Bermuda

Appleby

Registered Office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Head Office and Principal Place of Business

Room Nos. 901–2, 9th Floor
Tai Tung Building
No. 8 Fleming Road
Wanchai, Hong Kong

Principal Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Registrar in Hong Kong

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

0567

Company Website

www.irasia.com/listco/hk/daisho

Financial Calendar

Interim Results:
28 November 2018

Annual Results:
26 June 2019

Annual General Meeting

30 August 2019

Dividends

Interim dividend:	Nil
Proposed final dividend:	Nil

MESSAGE FROM THE CHAIRMAN

The global economic condition started to deteriorate since the second quarter of 2018, seriously affecting the petroleum and energy products market and the printed circuit board ("PCB") market. Despite these short-term challenges, our management team remains committed to pursuing the business diversification strategy since mid-2017.

During the year, trading of petroleum products and vessel chartering business continue to grow as we expanded our client network to include more international buyers and sellers into the business. We will continue to strengthen our logistic capability and expand our product portfolio to grow our petroleum-related trading business.

On the other hand, we continued our efforts to broaden the customer base by expanding the domestic market for PCB business in mainland China during the year. With the relocation of our PCB production facilities to a leased factory in Huizhou, PRC, our cost containment measures to reduce operating costs for our PCB business started to take positive effect during the year.

Looking ahead, the global economy in 2019 seems to have stabilised in the past few months. However, downside risks could potentially post development challenges in the coming quarters. We will take cautious approach in developing our two-pronged business with an aim to establishing long-term sustainable growth. We will also look for both organic growth of our business and investments in petroleum-related assets through mergers and acquisitions so as to augment our overall competitiveness, broaden customer base, improve profit margin and meet with shareholders' expectations.

May I take this opportunity to express my gratitude to all the staff members, business partners and associates for their unfailing support and wholehearted dedication.

Cheung Lai Na
Chairman

Hong Kong
26 June 2019

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Cheung Lai Na, aged 43, has been an executive director of Daisho Microline Holdings Limited (the "Company") since 9 June 2015. She was appointed as interim chairman of the Company on 28 December 2016 and has been re-designated as chairman of the Company since 3 July 2017. She is responsible for the overall strategic planning for the Company and its subsidiaries (together the "Group"). Apart from being the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company, she is also a director of all subsidiaries of the Company.

After her study in Canada, Ms. Cheung returned to Hong Kong and completed the Diploma course in China Finance from Hong Kong Management Association.

Ms. Cheung is the founder and chief executive officer of a bunkering company in Hong Kong. She is also the founder and director of a bunkering company in Singapore. She is a daughter of Mr. Cheung Ling Mun who is a substantial shareholder of the Company and a senior management of the Group, and also the elder sister of Ms. Cheung Lai Ming who is an executive director of the Company.

Cheung Lai Ming, aged 36, has been an executive director and a member of the Nomination Committee of the Company since 7 November 2016. She is a director of various subsidiaries of the Company. She had graduated with a Bachelor of Pharmacy degree in 2009 from the Monash University, Melbourne, Australia. She is the Head of Sales of a bunkering company in Hong Kong. She is also the founder and director of a bunkering company in Singapore. She is a daughter of Mr. Cheung Ling Mun who is a substantial shareholder of the Company and a senior management of the Group, and also the younger sister of Ms. Cheung Lai Na who is an executive director of the Company.

Lee Man Kwong, aged 64, has been redesignated as an executive director since 1 June 2018. He was appointed as an independent non-executive director on 14 December 2016 and re-designated as a non-executive director on 1 March 2017. Mr. Lee is also a director of various subsidiaries of the Company. He was admitted as a solicitor in Hong Kong in 1983, and is also a solicitor qualified in England and Wales and Singapore. Mr. Lee is the senior partner of Messrs. Chan, Lau & Wai, Solicitors, a Hong Kong law firm established in 1980. Mr. Lee was an executive director of CCT Fortis Holdings Limited (stock code: 138) from 1996 to 1997, an independent non-executive director of Mei Ah Entertainment Group Limited (stock code: 391) from 1993 to 2003, an independent non-executive director of Uni-Bio Science Group Limited (stock code: 690) from 2001 to 2005, an independent non-executive director of Asia Standard Hotel Group Limited (stock code: 292) from 2000 to 2003, the chairman and executive director of Neo Telemedia Limited (stock code: 8167) from 2004 to 2007, and an executive director of Sau San Tong Holdings Limited (stock code: 8200) from 2006 to 2007.

Law Ping Wah, aged 60, has been redesignated as an executive director and appointed as the chief financial officer since 1 November 2018. He was appointed as an independent non-executive director on 16 November 2017. Mr. Law received a Master of Business Administration Degree from the University of Warwick, UK. He serves as a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants, and a member of Hong Kong Securities and Investment Institute.

Mr. Law was an executive director of Celestial Asia Securities Holdings Limited (stock code: 1049) from March 1998 to June 2019 and CASH Financial Services Group Limited (stock code: 510) from August 2000 to June 2019 respectively, shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Leung King Fai, aged 47, has been an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since 9 June 2015. He has been appointed as the chairman of the Audit Committee of the Company with effect from 2 April 2016 and the chairman of the Remuneration Committee of the Company with effect from 12 December 2016. Mr. Leung graduated from the Deakin University with a Bachelor degree in Commerce in 1996. He is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and Chartered Institute of Management Accountants. He has over 20 years of experience in accounting, audit and finance.

Mr. Leung is currently an executive director of Chineseinvestors.com Inc. ("Chineseinvestors.com Inc.") (stock code: CIIX), a company listed on the OTCQB of United States since 1 March 2019. He was an independent director of Chineseinvestors.com Inc. from November 2017 to February 2019. He is also an independent director of Planet Green Holdings Corp. (stock code: PLAG), a company listed on New York Stock Exchange (NYSE) since 1 July 2019. Mr. Leung was an executive director of Kirin Group Holdings Limited (Stock code: 8109), a company listed on GEM of the Stock Exchange, from February 2015 to February 2019. He was also an independent director of Biostar Pharmaceuticals Inc. (stock code: BSPM), a company listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) Stock Market, from April 2011 to December 2017.

Chou Yuk Yan, aged 74, has been an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since 21 June 2016.

Mr. Chou was educated in Hong Kong and the Mainland China. He joined Kincheng Banking Corporation in Hong Kong in 1973 and his last position before his retirement at the same bank in 2000 was assistant manager. He started a new business in promoting health products in Hong Kong afterwards. He has considerable years of experience in banking industry and business management, particularly his invaluable experience in capital finance and his business acumen.

Chan Yau Ching, Bob, aged 56, has been an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since 3 September 2018. He is a holder of a Doctorate degree in Finance. Dr. Chan graduated from the Chinese University of Hong Kong and obtained a Bachelor's degree in Business Administration in 1984. He further obtained a Master degree in Business Administration from the University of Wisconsin-Madison, the United States of America ("US") in 1986, and a Doctorate degree in Finance from Purdue University, US in 1994. Dr. Chan is a member of the Chartered Financial Analyst Institution and the Hong Kong Society of Financial Analysts. Since April 2009, Dr. Chan has been a licenced representative/responsible officer engaging in type 4 (advising of securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

Dr. Chan was appointed as an executive director and the chief strategic officer of Celestial Asia Securities Holdings Limited (stock code: 1049) from August 2002 to February 2005, and later as the investment director from November 2005 to July 2010, where he was mainly responsible for strategic investment projects and asset management.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Chan was appointed as a managing director of Pricerite Group Limited (stock code: 996, currently known as Carnival Group International Holdings Limited) from November 2003 to November 2004, which primarily engaged in the retail of furniture and household products. During 2005 to 2007, Dr. Chan was appointed as the chief financial officer of Moli Group Limited (摩力集團有限公司), Shanghai, the People's Republic of China (a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited), which was a developer, operator and distributor of online games, where he was mainly responsible for building accounting, finance and control procedures and policies and in charge of the human resources. Dr. Chan was later appointed as the chief executive officer of Moli Group Limited from July 2010 to October 2012, where he was mainly responsible for the re-focusing of the company's business covering online and mobile entertainment.

Dr. Chan was appointed as the deputy chief executive officer and an executive director of Celestial Asia Securities Holdings Limited from November 2012 to July 2013, and later as the director of investments and corporate development from August to November 2013, where he was mainly responsible for the overall business development and the design and development of algorithm trading strategies respectively.

Since January 2002, Dr. Chan has been appointed as an independent non-executive director of Lee's Pharmaceutical Holdings Limited (stock code: 950), which principally engaged in the research, development, manufacturing and distribution of biopharmaceutical drugs in China.

Since March 2014, Dr. Chan has been appointed as a managing director of KBR Capital Limited, where he is mainly responsible for asset management, advising on capital market transactions and investment management. Dr. Chan is currently a managing director and a responsible officer of KBR Fund Management Limited, which is a licenced corporation carrying out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Since December 2016, Dr. Chan has been appointed as an independent non-executive director of China High Speed Transmission Equipment Group Company Limited (stock code: 658), which principally engaged in the design, manufacturing and distribution of transmission systems for wind powered generators with customers globally.

Since December 2018, Dr. Chan has been appointed as an independent director of Hangzhou Huaxing Chuangye Communication Technology Co., Ltd. (杭州華星創業通信技術股份有限公司) (stock code: 300025), the shares of which are listed on ChiNext of the Shenzhen Stock Exchange.

Senior Management

Cheung Ling Mun, aged 65, has been the general manager of a major subsidiary of the Company in Hong Kong and the president of a major subsidiary of the Company in Mainland China since July 2015. He has been the managing director of the aforesaid major subsidiary of the Company in Mainland China since October 2015. He is a substantial shareholder of the Company holding about 20% equity interests in the Company and he is also the father of Ms. Cheung Lai Na and Ms. Cheung Lai Ming who are executive directors of the Company.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung is one of the founders of two companies engaging in oil trading or bunkering business in Hong Kong and Singapore respectively. He carried on petroleum import and export trading business in Mainland China in his middle age with customers spreading over Mainland China and various South East Asia countries.

Hu Lei, aged 41, has been the chief executive officer of the major subsidiary of the Company in Mainland China. He graduated from Harbin Institute of Technology with a Bachelor of electronics and communication engineering degree in Mainland China. He is a veteran management in the electronic and technology industry, with proven track record in building business operations on both strategic and operation levels. He has over 18 years of experience in electronic products development, operation management and business development and he had taken senior positions in various State Owned Enterprises. He joined the Group in February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group's total revenue for the current year was approximately HK$1,516.8 million, representing an increase of 268% as compared with approximately HK$411.9 million for the last year. During the year under review, the revenue generated from trading of petroleum and energy products and related business segment had increased to HK$1,369.8 million, representing an increase of 546% as compared with the revenue of approximately HK$212.0 million in the preceding year. The Group had recorded the considerable growth in the revenue of trading of petroleum and energy products and related business segment in the current financial year as the trade of these products could be financed and negotiated by issuing letter of credit shortly after it had successfully secured new bank facilities in the third quarter of 2018. During the year, the Group recorded the revenue of approximately HK$136.1 million for its printed circuit boards ("PCB") segment, representing a decrease of 32% as compared with the revenue of HK$200.0 million in the preceding year. The decrease in revenue of PCB segment was mainly due to (i) the relocation of the Group's production plant in the third quarter of 2018 which inevitably caused some disruption in the Group's production activities and the loss of customer orders; and (ii) the raft of negative sentiment triggered by the recent escalating trade dispute between the USA and China which made its existing clients hold back on placing orders.

During the year under review, the Group's trading of petroleum and energy products and related business segment recorded a segment profit of approximately HK$3.5 million, representing an increase of 483% as compared with the profit of HK$0.6 million for the preceding year. The significant growth in the segment profit of the Group's trading of petroleum and energy products and related business segment was mainly due to the granting of new bank facilities to the Group in late 2018 which allowed the trade to be financed and negotiated by means of a letter of credit, thus greatly increasing the trading volume of these petroleum products for the remaining months of the year ended 31 March 2019. The Group's PCB segment recorded a segment loss of approximately HK$40.6 million, representing a decrease of 1% as compared with the segment loss of HK$41.0 million for the preceding year. The relocation of the PCB production had not only caused disruption in the production activities but also incurred some substantial one-off relocation and related costs including disposal of irremovable property, plant and equipment and voluntary compensation costs paid for termination employment contracts of certain staff and workers recognised during the process of the relocation which had brought about the adverse impact on the segment result of PCB. The Group had entered into the vessel chartering business during the year and recorded chartering income of approximately HK$10.9 million and a segment loss of approximately HK$7.8 million for the year ended 31 March 2019.

The Group recorded a net profit of approximately HK$100.5 million for the year ended 31 March 2019 as compared to a net loss approximately HK$80.1 million for the preceding year. The Group achieved a turnaround profit for the current year from the last year's loss after taking into account the following: (i) the gain of approximately HK$170.3 million on the disposal of the entire interest in Da Feng Hua Microline Technology (Huizhou) Company Limited, a wholly owned subsidiary of the Company, which owns the land and buildings of the Group being used for the PCB production activities before the relocation, (ii) fair value gain on derivative financial instruments of HK$25.7 million, (iii) loss on early redemption of promissory notes of HK$10.9 million and (iv) the excess of operating loss of the PCB segment over the operating profit of the trading of petroleum and energy products and related business segment for the current year.

The Group's gearing ratio (defined as interest-bearing borrowings, promissory note payable and liability component of convertible bonds divided by total capital) as at 31 March 2019 was 75% (2018: 135%). The Group's current ratio as at 31 March 2019 and 2018 was 1.35 times and 1.64 times respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review (continued)

As at 31 March 2019, the Group's total cash and bank balances (including pledged bank deposits) were approximately HK$180 million (2018: HK$214 million) and the Group's total interest-bearing borrowings amounting to approximately HK$98 million (2018: HK$106 million). Therefore, the Group had a net cash balance of approximately HK$82 million (2018: HK$108 million). Besides, the total credit facilities available to the Group were approximately HK$610 million (2018: HK$218 million) and, therefore, the unutilised credit facilities were approximately HK$512 million (2018: HK$112 million).

Capital Structure

The capital structure of the Group for the year ended 31 March 2019 is summarised as below:

Bank Borrowings

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing borrowings as at 31 March 2019 and 2018 are detailed in note 22 to the consolidated financial statements in this report.

Promissory Notes

On 27 March 2018 and 31 January 2019 respectively, promissory notes in the principal amounts of HK$33,310,000 (the "PN 1") and HK$40,735,000 (the "PN 2") were issued by the Company to Inter-Pacific Group Pte. Limited upon the completion of acquisition of two of four vessels and fulfillment of the conditions set out in the sale and purchase agreement. The Company had exercised its right to early redeem the two promissory notes during the year and did not have any outstanding balance as at 31 March 2019 (2018: HK$33 million).

Convertible Bonds

As at 31 March 2019, the Company had 6% interest-bearing convertible bonds. Summary of the movement of the convertible bonds is as follow, further details are set out in note 24 to the consolidated financial statements in this report.

Date of issue	Principal amount (HK$)	Maturity date	Conversion price per share (HK$)	Amount convert into shares during the year (HK$)	Balance (HK$)	Number of shares to be issued upon full conversion
22 September 2017	80,000,000	21 September 2020	0.36	–	80,000,000	222,222,222

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review (continued)

Capital Structure (continued)

Use of Proceeds from the Placing of Convertible Bonds Under Specific Mandate

The net proceeds from issue of convertible bonds under the supplemental placing agreement dated 26 May 2017 were approximately HK$77.2 million and completed on 22 September 2017. Up to the date of this report, the use of net proceeds are as follows:

Date of particulars of the convertible bonds	Net proceeds raise (approximately) (HK$)	Intended use of proceeds	Actual use of proceeds (approximately)
222,222,222 new shares to be issued upon full conversion on 21 September 2020 at conversion price of HK$0.36 per share	77.2 million	(1) Marketing development (2) Purchase of new machineries and equipment of the existing PCB business (3) Purchase on petroleum related products (4) Purchase of vessels (5) Bank facility line secured for petroleum trading (6) Working capital for petroleum trading	(1) Deposit for purchase of vessels of HK$34.1 million (2) Purchase of petroleum related products of HK$30 million (3) Purchase of new machineries of existing PCB business of HK$1.4 million (4) Marketing development of HK$0.3 million (5) Working capital for petroleum trading business of HK$11.4 million
		Utilised	HK$77.2 million
		Unutilised	HK$ Nil

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review (continued)

Foreign Exchange Exposure

The Group's transaction and monetary assets are principally denominated in Renminbi, Hong Kong dollars, Singapore dollars and United States dollars. The Group has not experienced any difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the year ended 31 March 2019. The Group did not enter into any foreign exchange derivative contract to manage the currency translation risk of Renminbi against United States dollars, United States dollars and Singapore dollars against Hong Kong dollars during the year ended 31 March 2019, but the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate time.

Litigation

Save as disclosed outstanding litigation set out in note 35 to the consolidated financial statements, the Group is not a party to any other significant legal proceedings.

Capital Commitments

As at 31 March 2019, the Group had a total capital commitments of approximately HK$84 million, contracted for but not provided for in the consolidated financial statements, of which mainly consisted of the capital commitments for acquisition of the two vessels.

Share Option Scheme

A share option scheme (the "Share Option Scheme") was approved and conditionally adopted by an ordinary resolution of the shareholder of the Company on 22 November 2016. On 23 June 2017, the Share Option Scheme was confirmed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

No share options had been granted by the Company under the Share Option Scheme since its adoption.

Contingent Liabilities

As at 31 March 2019, the Group did not have any material contingent liability (2018: Nil).

Employee Benefits and Emolument Policy

As at 31 March 2019, the Group had 84 (2018: 461) employees, including directors, working mainly in Hong Kong, Mainland China and Singapore. For the year ended 31 March 2019, the Group's total staff costs including directors' emoluments were approximately HK$47 million (2018: approximately HK$46 million).

The Company is committed to recruiting, training and retaining skilled and experienced employees to better serve our customers. The Company intends to do this through our remuneration packages, including discretionary bonuses and share option scheme, as well as an emphasis on employee training. The emolument of the employees of the Group is determined on the basis of their merit, qualifications and competence. The emoluments of the directors and senior management of the Company are decided by the Company's board of directors (the "Board") with the recommendation of the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company's Remuneration Committee makes recommendations to the Board on the specific remuneration packages of individual directors with reference to such factors as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the justification of performance-based remuneration.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisition and Disposals of Subsidiaries and Associated Companies

On 29 September 2017, the Group (the "Purchaser") entered into the sale and purchase agreement with Inter-Pacific Group Pte. Limited (the "Vendor"), pursuant to which, the Vendor conditionally agreed to dispose of the vessels at an aggregate consideration of HK$196,480,000; and the master lease agreement. Details of the acquisition have been set out in the Company's circular dated 27 December 2017. The first two vessels, namely Pacific Energy 28 and Pacific Energy 138, were delivered to the Group and the promissory notes in the principal amounts of HK$33,310,000 and HK$40,735,000 were issued to the Vendor upon fulfillment of the conditions set out in the sale and purchase agreement on 27 March 2018 and 31 January 2019 respectively.

On 21 August 2018, Daisho Microline Limited and Juko Industrial Ltd. (collectively the "Sellers", both are wholly-owned subsidiaries of the Company) and an independent third party (the "Purchaser") entered into a conditional sales and purchases agreement (the "Sales and Purchases Agreement") pursuant to which the Sellers agreed to sell and the Purchaser agreed to purchase the entire issued shares in 大鋒華微綫科技(惠州)有限公司 (Da Feng Hua Microline Technology (Huizhou) Company Ltd.)* ("Da Feng Hua"), a wholly-owned subsidiary of the Company, which owns the land and buildings of the Group (the "Disposal"). The consideration for the Disposal was HK$200,000,000 and the net proceeds therefrom were approximately HK$197.4 million. The Group had realised a gain on disposal of approximately HK$170.3 million. Details of the Disposal have been disclosed in the Company's circular dated 21 September 2018.The Disposal had been approved by the shareholders of the Company at the special general meeting held on 16 October 2018 and the completion thereof took place on 25 December 2018.

Outlook

Printed Circuit Boards Segment

During the year ended 31 March 2019, the Group had completed the relocation of the PCB manufacturing facility. The re-installation of the production lines in the new PCB plant opened a new chapter for the Group by further streamlining the production process and greatly improved the efficiency of the production. After commencing the operation of PCB production in a leased factory in Huizhou in late 2018, the Group no longer has to incur high operating costs to comply with stringent environmental requirements imposed by the local government. By pursuing the low-cost strategy after successfully reducing the operating costs and improving the production efficiency, the Group can better negotiate with its trade partners for better terms and thus is able to increase its sales revenue by expanding the PRC market for its PCB segment while maintaining the long-term business relationship with its existing domestic and overseas customers. Going forward, the business environment, both locally and abroad, will continue to be challenging amid the uncertainties, including Brexit and the slowdown of China's economy which has been hard hit by the escalating China-Us trade dispute, the Board believes that the expertise and experience of its management team, as well as the reputation in the PCB industry, will enable the Group to sustain its business development and expansion in the coming days.

* *English name is for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook (continued)

Trading of Petroleum and Energy Products and Related Business Segment

In the past, the Group had been focusing on the PCB business. The industrial complex, which had been occupied by the Group for its PCB, had been disposed of in late 2018 and the part of the net proceeds of the disposal had been used for the further development of the Group's trading of petroleum and energy products and related business segment. The Group established its trading of petroleum and energy products and related business segment in late 2017 but the revenue for the year ended 31 March 2018 were only approximately of HK$212.0 million. The main reason that the Group could not generate decent revenue and gross profit margins from the trading of the petroleum and energy products and related business segment was mainly due to the fact that the Group had difficulties in securing sufficient bank facilities that were needed to grow the business. With the proceeds from the disposal of the industrial complex and the new bank facilities the Group has recently secured for the petroleum trading, it has established its development blueprint for this new business in a proactive manner. The Board believes that there will be growing demand for petroleum and oil products as the countries and economies across Asia, Europe and Africa have taken part in some mega-infrastructure projects since China implemented its One Belt, One Road Initiative in 2013. The Group will use the experience and knowledge of its traders in the Asian region to establish working cooperation and strengthen good relationships with its business partners for sourcing the supplies of petroleum products and securing long-term supply contracts. At the same time, the Group will continue expanding the sales channels by providing oil supply and trading services to its customers in wider regional and overseas markets. The Board is confident that the long-term growth in the trading of petroleum and energy products and related business segment will contribute to steady growth in revenue for the Group in the coming years.

Vessel Chartering Business Segment

The Group had entered into the vessel chartering business during the year and had experienced a healthy revenue of HK$10.9 million in 2019. The Board is confident that the long-term growth in the trading of petroleum and energy products and related business segment would synergise with the vessel chartering business segment and propel the Group forward in the foreseeable future.

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2019.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries consist of investment holding, manufacturing and trading of printed circuit boards, trading of petroleum and energy products and related business, and vessel chartering.

Results and Dividends

The Group's results for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss on page 64 of this report.

The Board do not recommend the payment of any dividend in respect of the year (2018: Nil).

Business Review

A review of the business of the Group during the year and a discussion on the Group's outlook are provided in Management Discussion and Analysis on pages 8 to 13 of this report, which constitute part of this report of the directors.

Details of the discussion of environmental policies and performance, and key relationships with employees, customers and suppliers are set out in the Environmental, Social and Governance Report on pages 23 to 40 of this annual report.

The principal risks and uncertainties of the Group are shown in note 32 to the consolidated financial statements.

Compliance with Laws and Regulations

To the best of the directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 March 2019.

For more details, please refer to the Environmental, Social and Governance Report on pages 23 to 40 of this annual report.

REPORT OF THE DIRECTORS

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out below.

Results

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**1,516,823**	411,859	170,245	206,940	238,559
PROFIT (LOSS) BEFORE TAXATION	**116,471**	(80,077)	(51,009)	(60,901)	17,797
Income tax expenses	**(16,005)**	–	–	–	(3,505)
PROFIT (LOSS) FOR THE YEAR	**100,466**	(80,077)	(51,009)	(60,901)	14,292
Attributable to:					
Owners of the Company	**100,466**	(80,077)	(51,009)	(60,901)	14,292

Assets and Liabilities

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**792,815**	483,822	381,147	529,752	611,264
TOTAL LIABILITIES	**(563,605)**	(333,402)	(172,782)	(299,468)	(298,918)
	229,210	150,420	208,365	230,284	312,346

Donations

During the year, the Group made no charitable and other donation (2018: Nil).

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Share Capital

Details of the Company's authorised and issued share capital are set out in note 26 to the consolidated financial statements.

Share Option Scheme

Pursuant to the Company's special general meeting on 22 November 2016 (the "Date of Adoption"), an ordinary resolution was passed to approve and adopt the new share option scheme of the Company (the "Scheme") which was further subject to approval by the Listing Committee of the Stock Exchange (the "Listing Committee") granting the approval for the listing of, and permission to deal in, any ordinary share of the Company which may fall to be issued pursuant to the exercise of the options (the "Listing Approval"). On 23 June 2017, the Listing Approval was confirmed by the Listing Committee.

The purpose of the Scheme is to provide the incentives or rewards to the eligible persons for their contribution to, and continuing efforts to promote interests of, the Company and to enable the Group to recruit and retain high-calibre employees. Eligible persons of the Scheme include (i) any director (whether executive or non-executive, including independent non – executive director) or employee (whether full time or part time) of the Company or any of its subsidiaries or associated companies; (ii) consultant, adviser, supplier or customer of the Company or any of its subsidiaries or associated companies; and (iii) any other group of classes of participants which the Board may, from time to time in its absolute discretion, consider appropriate on basis of such participants' contribution or potential contribution to the development, growth or benefit of the Company or any of its subsidiaries or associated companies. The Scheme will remain in force for 10 years from the Date of Adoption, unless otherwise terminated or altered.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not exceed 10% of the total number of shares in issue as at the Date of Adoption of the Scheme i.e. 48,024,000 shares (the "10% Limit") or the date of any shareholders' meeting in refreshing the 10% Limit, if applicable. The maximum number of shares issued and issuable to each eligible person under the Scheme in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue as at proposed grant date. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to an independent non-executive director or a substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the total number of shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000 within any 12-month period, are subject to shareholders' approval in advance in general meeting.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board and commences from the date on which the offer of share options is duly accepted by the grantee in accordance with the Scheme.

The exercise price of share options is determined by the Board, and shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation on the date of the office of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the share options; and (iii) the nominal value of the Company's shares.

No share options had been granted, exercised, cancelled or lapsed during the year ended 31 March 2019 and there were no outstanding share options as at 31 March 2019.

REPORT OF THE DIRECTORS

Pre-Emptive Rights

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

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.

Equity-Linked Agreements

Save for the Scheme as disclosed in this annual report, no equity-linked agreements were entered into by the Company or subsisted at any time during the year.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Reserves and Distributable Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity on page 68 of this report, respectively.

Major Suppliers and Customers

The percentages of the Group's purchases and sales for the year attributable to the largest and five largest suppliers and customers of the Group respectively are as follows:

a. Percentage of purchases attributable to the:

– Largest supplier	37%
– Five largest suppliers	85%

b. Percentage of sales attributable to the:

– Largest customer	44%
– Five largest customers	90%

None of the directors of the Company or any of their close associates or any shareholders of the Company (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers and customers.

REPORT OF THE DIRECTORS

Directors

The directors of the Company who held office during the year and up to the date of this report were:

Executive directors:

Ms. Cheung Lai Na	*(Chairman)*
Ms. Cheung Lai Ming	
Mr. Lee Man Kwong	*(Re-designated as executive director on 1 June 2018)*
Mr. Law Ping Wah	*(Re-designated as executive director and appointed as Chief Financial Officer on 1 November 2018)*

Independent non-executive directors:

Mr. Leung King Fai	
Mr. Chou Yuk Yan	
Dr. Chan Yau Ching, Bob	*(Appointed on 3 September 2018)*

Under the Bye-Laws of the Company, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that save for a director holding office as Chairman or Managing Director, every director shall be subject to retirement by rotation at least once every three years. In the spirit of good corporate governance practice, the existing Chairman of the Company, Ms. Cheung Lai Na has agreed to retire at least once every three years.

The Company's Bye-Laws also provides that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the next general meeting after appointment. The retiring directors shall be eligible for re-election.

In accordance with Bye-Law 99 of the Company's Bye-Laws, Ms. Cheung Lai Ming and Mr. Chou Yuk Yan shall retire at the forthcoming annual general meeting ("AGM"). In addition, Dr. Chan Yau Ching, Bob who has been appointed by the Board on 3 September 2018 shall retire at the forthcoming AGM pursuant to Bye-Law 102(B) of the Company's Bye-Laws. All of the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Directors' and Senior Management's Biographies

Biographical details of the directors and the senior management of the Company are set out on pages 4 to 7 of this report.

Directors' Service Contracts

No director proposed for re-election at the forthcoming 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.

Litigation

Save as disclosed outstanding litigation set out in note 35 to the consolidated financial statements, the Group is not a party to any other significant legal proceedings.

REPORT OF THE DIRECTORS

Permitted Indemnity Provisions

A permitted indemnity provision for the benefit of the directors and officers of the Company is currently in force and was in force throughout the year. Pursuant to the Bye-Laws of the Company, the directors and the officers of the Company 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 may incur or sustain by reasons of any act done, concurred in or omitted in or about the execution of their duties. The Company has maintained liability insurance to provide appropriate cover for the directors and officers of the Group.

Continuing Connected Transactions

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Pursuant to the Company's special general meeting held on 16 January 2018, an ordinary resolution was passed to approve a master lease agreement dated 29 September 2017 entered into between the Company and Inter-Pacific Group Pte. Limited ("IPP") of which owned as to 50% by Ms. Cheung Lai Na, a substantial shareholder of the Company, and the maximum annual transaction amount. Details of the transactions are set out in the circular of the Company dated 27 December 2017. According to the master lease agreement, the Group had continuing connected transactions for leasing of two vessels, namely Pacific Energy 28 and Pacific Energy 138, to the wholly-owned subsidiaries of IPP during the year ended 31 March 2019 at an aggregate chartering income of approximately HK$10,915,000.

Details of the continuing connected transactions entered into during the year ended 31 March 2019 are as follows:

Party	Nature	Duration	Monthly rent	Total amount
1. Pacific Energy 28 Pte. Limited	Chartering income for vessel named Pacific Energy 28	1 April 2018 to 31 March 2019	SG$135,000	SG$1,620,000 (equivalent to approximately HK$9,349,000)
2. Pacific Energy 138 Pte. Limited	Chartering income for vessel named Pacific Energy 138	1 February 2019 to 31 March 2019	SG$135,000	SG$270,000 (equivalent to approximately HK$1,566,000)

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive directors of the Company have reviewed the continuing connected transactions of the Company as set out above and confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

Mazars CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Mazars CPA Limited has issued a limited assurance report containing an unqualified conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, there were no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, entered into or subsisted at the end of the year or at any time during the year.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2019, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of director	Capacity	Number of issued ordinary shares held (Long positions)	Percentage of the Company's issued share capital
Cheung Lai Na	Trustee	120,068,000	20.84%

Note: Cheung Lai Na holds 120,068,000 shares of the Company in trust for Cheung Ling Mun, who is a substantial shareholder of the Company and a senior management of the Group, and the father of Cheung Lai Na and Cheung Lai Ming, executive directors of the Company.

Save as disclosed above, as at 31 March 2019, none of the directors had any interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Arrangement to Purchase Shares or Debentures

Other than the Scheme disclosed in this annual report, at no time during the year and at the end of the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 31 March 2019, the interests of the substantial shareholders and other persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name	Capacity and nature of interest	Number of issued ordinary shares held (Long positions)	Percentage of the Company's issued share capital
Cheung Ling Mun	Beneficial owner	120,068,000	20.84%
Spring Global Enterprises Limited (Note 1)	Beneficial owner	59,576,000	10.34%
Ng Man Chan (Note 1)	Interest in controlled corporation	59,576,000	10.34%
Alexis Consortium Ltd. (Note 2)	Beneficial owner	50,000,000	8.68%
BC Management Services Ltd. (Note 2)	Interest in controlled corporation	50,000,000	8.68%

Notes:

(1) Spring Global Enterprises Limited is wholly-owned by Ng Man Chan. Ng Man Chan is deemed to be interested in all the shares in which Spring Global Enterprises Limited is interested under Part XV of the SFO.

(2) Alexis Consortium Ltd. is wholly-owned by BC Management Services Ltd. BC Management Services Ltd. is deemed to be interested in all the shares in which Alexis Consortium Ltd. is interested under Part XV of the SFO.

Save as disclosed above, as at 31 March 2019, no other persons had any interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public throughout the year and as at the date of this report.

Directors' Interest in a Competing Business

During the year and up to the date of this report, no director is considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

REPORT OF THE DIRECTORS

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 41 to 57 of this annual report.

Events after Reporting Period

Save as disclosed elsewhere in the consolidated financial statements, there were no significant events affecting the Company that have occurred since the end of the year.

Auditor

The consolidated financial statements of the Group for the year ended 31 March 2019 have been audited by Mazars CPA Limited, Certified Public Accountants, who will retire and, being eligible, offers itself for re-appointment and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

Environmental, Social and Governance

The Environmental, Social and Governance ("ESG") exercise for the year ended 31 March 2019 have been undertaken by a third party consultant which enables the Company to present a succinct and balanced account of our ESG related matters to our stakeholders in a transparent manner which are set out in the ESG Report on pages 23 to 40 of this report.

On behalf of the Board

Cheung Lai Na
Chairman

Hong Kong
26 June 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Scope

The reporting period of this Environmental, Social and Governance Report is from 1 April 2018 to 31 March 2019. It contains information covering the factory of Daisho Microline Holdings Limited (the "Group") located in Huizhou, the PRC, for the manufacturing of PCBs.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and is published on an annual basis.

2. Message from Management

Upholding the business philosophy of "Saving First, Governing at Sources" and the green operation policy, the Group strives to provide customers with high-quality, efficient PCB manufacturing services. Meanwhile, the Group is committed to protecting the environment and maintaining the original ecology. In this connection, it keeps upgrading and transforming production facilities such as water recirculating systems and chiller systems. In its pursuit of excellence, the Group innovates constantly to improve production processes and introduce new technologies. This will help save energy, cope with resource shortages and address environmental pollution, thereby enhancing the Group's environmental performance and helping the Group make progress towards its sustainability vision. Furthermore, the Group lays great emphasis on employment and labour relations and regularly improves relevant standards to safeguard employees' labour rights. Relevant staff training is also held on a regular basis. To this end, the Group has established an Environmental, Social and Governance Committee ("ESG Committee") that consists of the Chairman, chief executive, marketing director, manufacturing director and administrative staff. The Group also promotes sustainable business practices from within to build a green image and reduce environmental, social and governance (ESG) risks.

3. Stakeholder Engagement

The Group holds general meetings every year, providing an effective platform for the board of directors to exchange opinions with shareholders. In addition to general meetings, the Group from time to time communicates with customers, industry peers, suppliers and other stakeholders through visits, teleconferences, corporate electronic mailboxes, customer service personnel, and industry exhibitions, to listen to their opinions and expectations and maintain close contact with each other. The Group will also report our overall business performance to investors annually in its annual report.

4. Environmental, Social and Governance Performance

4.1 Environment

The Group has formulated the Environmental Management System, an operational guide for energy conservation, and operates in strict compliance with ISO 14001, an internal standard for an environmental management system. It also continuously monitors and evaluates environmental performance in its operation processes. The Group has also set up the Environmental Department to review environmental risks arising from operations, identify major environmental issues in its business, and develop and implement appropriate preventive measures to alleviate environmental pollution. The Group strictly complies with relevant environmental laws and regulations. Therefore, no case was identified where the Group was prosecuted and fined for violating laws relating to environmental protection during the period. The overall resource and energy consumption both recorded significant declines due to a fall in total production this year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Environmental, Social and Governance Performance (continued)

4.2 Emissions

GHG emission

The Group's greenhouse gas (GHG) emissions primarily come from the use of automobile fuel, the electricity purchased by the Group from suppliers, paper consumption and business travel. A third-party testing agency will be regularly engaged to monitor pollutant emissions and to conduct energy audits in order to assist the Group in seeking better energy-saving and emissions reduction solutions as responses to climate change. The amount and density of GHG emissions produced by the Group during the reporting period were detailed as follows:

Sources of GHG emissions	Total annual consumption
Facility power consumption (kWh)	12,348,463
Facility power consumption density (kWh/m^2)	582.47
Car petrol consumption (l)	672,383
Car petrol consumption density (l/m^2)	31.72
Diesel consumption (l)	30,657
Diesel consumption density (l/m^2)	1.45
Waste paper disposed of at landfills (kg)	542
Total flight miles (km)	27,500
Total GHG emissions (Scope 1, 2 and 3) (tonne of carbon dioxide equivalent)	11,944.82
Average GHG emissions per square metre of floor area (tonne of carbon dioxide equivalent/m^2)	0.56

Business travel saving policy

The Group understands that long-distance transportation in business travel will increase energy consumption and result in carbon emissions. Therefore, the Group strives to make use of teleconferences, mailing, express delivery and other electronic communication methods to reduce travel. If an application for business travel has to be made, departmental heads shall strictly monitor the applications to minimise long-distance travel.

Supporting procurement from local suppliers

In the light of reducing the time and distance of transportation, the Group will give priority to local suppliers in the absence of any supplier specifically designated by customers and under the same business conditions (such as cost, quality, technology and service, and environmental protection). As of 31 March 2019, the Group's local suppliers account for as high as over 95% of our total number of suppliers, reducing additional GHG emissions caused by overseas transportation, cutting the Group's carbon footprint, and, in particular, driving local economic activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Environmental, Social and Governance Performance (continued)

4.2 Emissions (continued)

Air pollution control policy

The Group strictly monitors air pollutants emitted from factories in production processes. It is committed to improving and installing purification towers for the removal of pollutants such as volatile organic compounds and acidic/alkaline mist before the exhausted air is emitted to the atmosphere. In addition, the purified air quality is regularly monitored by an independent third-party agency to ensure emissions comply with national regulations. The Group has also eliminated diesel vehicles and replaced them with gasoline vehicles. In the future, the Group will identify and purchase electric vehicles to further cut pollutant emissions and save fuel.

Sources of GHG emissions	Total annual consumption
NOx (kg)	34.95
SOx (kg)	9.88
PM (kg)	3.28

4.3 Use of Resources

The Group always pays attention to environmental care and recognises that energy and water resources are the resources on which it is most dependent for its operations. The Group has set up an energy measurement management organisation to monitor, record and manage the Group's energy and water resource consumption. The organisation will also promote technical transformation programs and arrange training for the Group to enhance the awareness of resource conservation. To improve energy efficiency and make good use of water resources, the Group has set key performance indicators (KPIs) for energy and water resources consumed in production processes and constantly monitors the use of energy and water resources on a monthly basis to see if the standards are met.

Saving energy

The Group requires every employee to participate in energy saving and emission reduction actions, such as shutting off all energy-consuming equipment and machinery when not in use in all areas and posting small signs on equipment switches and notices in the Company's bulletin boards as energy saving reminders. In particular, department heads deliver training on energy conservation for their employees to enhance their energy conservation awareness, for example, by reminding them to turn off lighting equipment in their work area prior to leaving for that day. Whenever appropriate, the Group measures the use of equipment in production plants and offices to ensure that the purchase, installation and use of equipment are rational and necessary. The Group will integrate redundant and non-essential energy-consuming equipment to avoid unnecessary energy consumption where necessary. Furthermore, halogen lighting fixtures in offices, production workshops and conference rooms are gradually replaced by LED energy-saving lamps. This is expected to help reduce energy consumption by at least 50% and save an average of approximately RMB120,000 in electricity bills each year.

The Group seeks for equipment upgrade and accessory update to improve energy conversion efficiency and utilisation. It also actively upgrades and transforms production process technologies to enhance production efficiency and material utilisation and to reduce product losses. When procuring new energy-consuming equipment, the Group will give priority to energy efficiency and electricity consumption over the price to assess whether purchases should be made in off-peak quarters. The Group will also repair and clean energy-consuming equipment for smart and efficient energy use.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Environmental, Social and Governance Performance (continued)

4.3 Use of Resources (continued)

Saving water

The Group has been promoting water conservation. No issue relating to applicable water sources and difficulties in water intake is identified in daily operations. "Please Save Water" labels have also been posted on all water faucets to remind employees to shut off the water supply after use. In addition, the Group has specially assigned personnel for managing water equipment as well as regular cleaning, maintenance and inspection. If any leakage or deterioration of equipment and accessories is identified during the inspection, it will be repaired or replaced in a timely manner to reduce water consumption.

To reduce the amount of water used in the manufacturing process, the Group has established a water recirculating system for cleaning equipment and mixing ingredients. Efficient wastewater treatment technologies are deployed and such facilities and technologies can greatly reduce water consumption and recycle wastewater. The wastewater generated during production processes will also be recovered. After being treated by a wastewater recovery system, the wastewater will be purified with pharmaceutical water. The Group recycles standard-compliant treated wastewater and some tap water and RO concentrated water during production to reduce its reliance on tap water. This will increase the water recycling rate, reduce wastewater discharges, and tap water consumption. However, production plants in this year consumed water of 288,287 tonnes with the density of 13.60 tonnes/m2. A small amount of the remaining untreated effluents is properly treated through industrial and domestic wastewater treatment facilities. Constant monitoring on the quality of effluents is also conducted by qualified third-party testing agencies to ensure 100% compliance with discharge standards.

Waste policy

The Group strictly follows the *Environmental Management System* regarding the impact of the manufacturing business on the environment and its preventive measures, including measures on waste treatment and use of other natural resources, and a green office policy. In addition to implementing green operations at factories, the Group values the practice of green office and strives to implement a green office policy to encourage a wise use of resources while promoting waste reduction at the source. To achieve the ultimate waste management goal of "full classification and zero waste", the Group takes measures, such as reducing raw materials and developing green production technologies, at the source to reduce waste. It also plays a more active role in promoting the recycling of waste to implement the management guideline of 3Rs (Reduce, Reuse, and Recycle) waste resourcification cycle, thereby lowering waste disposal costs and reducing environmental hazards caused by improper disposal of waste on land and water. In view of this, the Group makes efforts through administrative measures, equipment management and employee awareness improvement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Environmental, Social and Governance Performance (continued)

4.3 Use of Resources (continued)

Non-hazardous waste control policy

In accordance with the *Law on the Prevention and Control of Environmental Pollution by Solid Waste, Administrative Measures for Urban Living Garbage* and other national regulations, the Group identifies and sorts various types of non-hazardous solid wastes and sends reusable wastes including paper, metal, personal protective equipment and valuable chemicals to qualified recyclers for proper disposal. These recyclable wastes will also be declared and documented to relevant authorities in accordance with established statutory requirements for future analysis of environmental performance. Besides, the Group has also clearly set out internal guidelines for the identification, classification, recycling, storage and transport of wastes. Meanwhile, the Group is committed to carrying out the following waste reduction measures at offices:

- Print documents double-sided;
- Reuse one-side used paper;
- Promote a paperless office by replacing paper documents with computer files to reduce the use of paper-based office supplies;
- Recycle printer ink cartridges by a professional organisation;
- Effectively plan meals in canteens to reduce food waste;
- Handle ingredients in kitchens in accordance with the "first in, first out" principle and properly mark their expiry dates; and
- Supervise shelf lives of food raw materials, control the temperature, moisture, and dust, and conduct regular food inspection and handling to avoid wasting ingredients.

Hazardous waste control policy

The generation of hazardous wastes is unavoidable during production processes due to our business nature. Despite this, the Group identifies hazardous wastes generated from factories with reference to the 2018 National Hazardous Waste List and requires factories to establish and implement hazardous waste management procedures in accordance with the requirements in the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Administrative Measures for Hazardous Waste Transfer Manifests* and other regulations. Relevant procedures are compliant with QC080000, a hazardous substance management system certification for quality assessment specification introduced and implemented by the International Electrotechnical Commission (IEC), providing a framework for the control of hazardous substances to ensure that hazardous wastes are stored centrally and segregated and that qualified contractors are engaged to handle and dispose of the wastes at factories. Our hazardous wastes include hazardous chemicals, metals, and electronic wastes. The Group strives to manage the wastes by controlling at the source. As such, it works to optimise technologies, reduce usage and take other measures at various levels to prevent adverse impacts on the environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Environmental, Social and Governance Performance (continued)

4.3 Use of Resources (continued)

Hazardous waste control policy (continued)

The Group's hazardous chemicals generated in operations include gold wastewater, nickel wastewater, waste etching solutions, tin stripping solutions, and film fixers. Such chemicals have certain recycling value. They will be collected and legally processed by qualified contractors to recover useful metals and reuse them in PCB manufacturing. Examples of electronic wastes are discarded batteries, electronic components, and electrical appliances. All electronic wastes are sorted and packaged in dedicated containers before being handled by contractors. The Group also asks contractors to use qualified vehicles for transportation and store them in accordance with temperature and humidity standards required for electronic waste storage.

The total volume and density of hazardous and non-hazardous wastes produced by the Group during the reporting period were as follows:

Types of waste	Annual emissions Overall figure of the Group
Hazardous waste (tonne)	908.77
Non-hazardous waste (tonne)	0.6
Average hazardous waste per square metre of floor area (tonne/m^2)	0.043
Average non-hazardous waste per square metre of floor area (tonne/m^2)	0.000028

Packaging materials reduction policy

The Group is committed to promoting the reduction of excessive packaging. Before a product is produced, graphic designers must follow the requirements of the operational guide in the *Customer Packaging Requirements Summary* and shall, as much as possible, integrate green packaging concepts into the packaging design process. In purchasing materials, the Group gives priority to the use of production technologies resulting in relatively less pollution and low waste and actively makes improvements to reduce waste pollution and accordingly the consumption of energy and resources.

In the reporting period, the types and density of packaging materials consumed by the Group during operation are set out as follows:

Types of major resources consumed	Total annual consumption
Finished product packaging materials (plastic) (tonne)	7.24
Density of finished product packaging materials (plastic) (tonne/m^2)	0.00034
Finished product packaging materials (paper) (tonne)	15.57
Density of finished product packaging materials (paper) (tonne/m^2)	0.00073
Finished product packaging materials (metals) (tonne)	68.04
Density of finished product packaging materials (metals) (tonne/m^2)	0.0032
Finished product packaging materials (others) (tonne)	4.78
Density of finished product packaging materials (others) (tonne/m^2)	0.00023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Environmental, Social and Governance Performance (continued)

4.4 The Environment and Natural Resources

With the understanding that the society and our customers are concerned with environmental issues, the Group works to promote green procurement policies that favour eco-friendly materials, carry out environmental education, and encourage the eating of sustainable food, as part of its sustainability effort.

Green procurement policy

The Group has prepared the *DML Green Procurement Standards* guide book, which sets rigorous standards based on the principle of green procurement for all of the Group's products. This guide book details various regulated substances and their content limits and will be updated in good time in accordance with relevant regulations. The Group gives priority to suppliers who have outstanding environmental performance or hold environmental management system certificates and/or offer eco-labelled products. A supplier's energy saving performance will be an important factor in making procurement decision. In view of its strong support for sustainable development and environmental stewardship, the Group also expects suppliers to share the Group's environmental, social and governance philosophy, fulfil their social corporate responsibilities and do their best to improve the environment in compliance with national regulations and policies.

Policy on the use of environmental-friendly materials

To ensure that the hazardous substances contained in a product are compliant with international requirements, all the packaging materials used by the Group for finished products must be in line with standard operations set out in the *ROHS Management Regulations, Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and the internal Operational Guide for the Packaging Department and Customer Packaging Requirements Summary*. These laws and regulations stipulate that the content of substances of very high concern (SVHCs) in products should meet standards and that packaging materials must be free of polyvinyl chloride (PVC) or halogenated ozone depleting substances (ODSs). The total content of cadmium, hexavalent chromium, lead and mercury should not exceed 50 ppm to reduce the environmental impact of these substances. In addition, the Group has gained the Forest Stewardship Council (FSC) Chain-of-Custody certification. This means that paper products and wooden packaging materials/products used by the Group come from FSC-certified forests and are confirmed to be strictly monitored throughout the entire production chain from manufacturing, processing, distribution, and delivery to consumers without being mixed with wood raw materials from uncertified forests. To seek for perfection, the Group also requires suppliers of business cards, promotional publications and printing papers to use FSC-certified paper products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. Environmental, Social and Governance Performance (continued)

4.4 The Environment and Natural Resources (continued)

Appreciating food

In addition to the green procurement policy mentioned above, the Group has also proactively incorporated the concept of sustainable use of biological resources into the operation of the Group's canteens. For example, the Group offers vegetarian food at staff canteens; allows employees to serve themselves their own desired portions of food to reduce leftovers; provides seasonal and local food; and posts reminders and posters to encourage employees to order the appropriate amount of food and avoid wasting food. The ingredients necessary for three meals a day at the Group's canteens are all bought and used on the same day. All fresh and seafood ingredients will be used only with inspection certificates from relevant departments. At its annual dinners, the Group offers no shark fins and tries to choose seafood from/proven to be from sustainable sources, showing its determination to protect the ocean. The Group also continues to offer help to World Wide Fund for Nature (WWF) in Hong Kong to support their progress in the protection of biodiversity.

Environmental protection training and activities for employees

In order to effectively cope with environmental emergencies, an environmental emergency plan has been developed for the workers to follow in case of emergencies. This includes precautionary measures and emergency responses for the identified workplace environmental hazard sources, which consists of both man-made and natural categorised scenarios such as fire and leakage of hazardous chemicals and liquids. This plan enables all employees to be familiar with crisis management procedures and emergency measures to minimise the impact, including casualties, of such emergencies. The Group also displays its environment-related information and advocates environmental care in its environmental information disclosure platform. The Group organises training and activities on a regular basis. On 1 November 2018, the Group held a 15-km clean ocean campaign called "Walking Along the 'Black Paijiao' Coastline" in the 'Black Paijiao' coastline of Huizhou. During the campaign, all the staff picked up trash along the way at the beach and sorted and placed the rubbish at a garbage collection station.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society

5.1 Employment

In addition to complying with employment regulatory requirements applicable to any place where we operate, the Group has formulated employment policies, namely, the *Personnel Management System* and the *Recruitment Management System*, to ensure that employees are fairly and reasonably treated. For the year ended 31 March 2019, the Group had 293 employees, comprising 261 full-time employees and 32 temporary employees. The employee turnover rate for the year was 3%. During the reporting period, the Group had not identified or received any irregularities or complaints on discrimination or recruitment.

Employee Structure	**Number of Employees (During the Year Ended 31 March 2019)**
By gender	
Male	165
Female	128
By age	
18–24	94
25–34	81
35–44	76
45–54	36
55–64	5
65 or above	1
By rank	
Senior management	7
Middle management	8
Supervisor	13
Staff	265

Equal employment opportunity and promotion policy

In the recruitment process, the Group will not require applicants to disclose irrelevant or inapplicable personal data. Only job seekers' qualifications, experience, and abilities and job requirements are taken into account during employment, regardless of factors such as nationality, race, gender, religious beliefs and cultural background. All job seekers and employees have equal opportunities for employment and promotion. The Group treats employees equally and promotions, dismissals, and adjustment of salaries and benefits are based only on their education levels, professional qualifications, capabilities, and performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society (continued)

5.1 Employment (continued)

Anti-discrimination policy

The Group has put in place an anti-discrimination policy that accepts different races and offers same employment benefits, regardless of skin colour, age, sexual orientation, race, disability, pregnancy, beliefs, political status, association or marital status. We do not tolerate any form of discrimination and encourage social integration instead. People here are treated according to their merits, not their gender identity. The Group also respects the individual liberty of employees. In this regard, it does not interfere with but protects their personal privacy.

Employee welfare policy

The Group pays much attention to the work-life balance among employees. Apart from statutory contributions to social insurance for all employees, the Group also buys group accident insurance for some employees. In addition, the Group offers different types of leave such as maternity leave, funeral leave, examination leave, industrial injury leave, breast-feeding leave, sick leave in accordance with the Labour Law, allowing employees to have enough rest. Bonuses, allowances, subsidies and benefits are all distributed to employees pursuant to relevant national and Group rules.

Compensation and retirement policy

The Group has prepared labour contracts in accordance with laws. Where either party, the employer or the employee, cancels the contract within the agreed period, except as otherwise specified in the contract, the party shall make due compensation to the other party pursuant to the terms and conditions of the contract, and the amount of compensation shall be determined as provided in the contract. Furthermore, the Group helps employees eligible for retirement complete retirement formalities in accordance with the requirements of national laws for entitlement to retirement benefits.

Work-life balance policy

The Group advocates work-life balance and always pays attention to employees' health and safety. It also cares much about their mental health and private needs. To this end, the Group has developed a variety of family-friendly leaves for our employees to meet their family needs. The Group also provides other welfare policies to enhance the sense of belonging among employees. Examples of these policies are as follows: (1) setting up a rest and gym area to encourage employees to do more exercise and improve physical fitness; (2) holding monthly staff birthday parties to increase employees' connections; (3) organising the Chinese New Year dinner (with a lucky draw) and commendation ceremony every year to thank and praise employees; (4) distributing festive food and meal snacks every year on each festival to share happiness and make them feel warm inside; (5) sponsoring short company trips for employees to improve their health; and (6) holding the Huafeng labour union sports meeting including events such as table tennis, Honghua Lake group hiking, and a tug-of-war to promote teamwork and sportsmanship.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society (continued)

5.2 Health and Safety

With safety as the Group's operational principle, it is the responsibility of the Group to ensure that employees work in a safe environment. To manage and control the impact of production on the health of employees and to prevent the occurrence of accidents, the Group has established a health and safety system for supervising and implementing effective preventive measures and improvement programmes.

Occupational health and safety policy

The Group regularly conducts a comprehensive safety evaluation to identify risks in factory operations, proposing plans for improvement and establishing health and safety monitoring objectives. The Safety Department has been set up to arrange safety production training for all employees and to develop safety production rules and operating procedure guidelines. The guidelines cover fire-fighting facilities management and fire drills, dangerous goods and waste management, employee safety education, protective equipment usage and precautionary accident management.

Workplace safety management

With the commitment of achieving zero accidents at work, the Group implements 6S management policies in accordance with the *Procedures for the Implementation of 6S Management and the 6S Visual and Common Standards*. This is conducive to shortening operational cycles, improving staff efficiency, safeguarding product quality, ensuring timely delivery, reducing unnecessary waste during production processes, and ultimately achieving sustainable growth in the enterprise's economic efficiency and enhancing corporate image. Employees engaged in high-risk processes are also required to wear labour protection supplies such as goggles, gloves, helmets, masks, and earplugs. First aid kits are available at all production sites for emergency use. Medical supplies in first aid kits will also be inspected and replaced each month. The Group provides free health check annually to all employees who work in the manufacturing production line and biennially to office workers. Every three years the Group will contract a professional third-party organisation to assess health risks during production processes and the safety of the working environment. In the event of a fire/chemical spill, the heads of production departments report to the Group in a timely manner in accordance with the management mechanism, review the cause of the accident, and hold a safety review meeting to prevent the recurrence of similar incidents.

Employee safety training

In addition to having in place clear policies and a good working environment, proper occupational health and safety training plays a pivotal role in enhancing employee safety awareness. Therefore, the Group organises suitable training for all employees to ensure effective implementation of procedures and safe operation of equipment. New employees, temporary workers and apprentices must complete production safety training before they are allowed to assume positions at production bases. The training content covers correct protective equipment usage, production safety and occupational health knowledge and cases, job/equipment safety operations and other aspects. Operators assuming special positions that require special licenses/qualifications can start working only after undergoing professional training and obtain relevant professional licenses, if applicable. The Group also arranges employees to conduct firefighting and emergency drills on a regular basis to familiarise them with emergency escape routes for full preparation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society (continued)

5.2 Health and Safety (continued)

In addition, the Group also has developed a code of practice for the use of protective equipment to teach employees how to wear it properly, thereby reducing threats to their health. They are not allowed to operate such protective equipment or must be guided by a safety officer/specialist if they are not familiar with the purpose and performance of the equipment. If necessary, security personnel who have received first aid training are arranged for immediate assistance. Each year, a company-wide training is organised on fire safety knowledge and hazardous chemicals and other matters that need employees' attention to help employees gain new insights by studying the past and improve their awareness.

During the reporting period, the Group had not identified any incidence of violation of relevant local laws and regulations concerning occupational health and safety applicable to the places in which we operate.

	Overall figure of the Group
Number of work-related fatalities	0
Number of working days lost due to work-related injuries	91

5.3 Development and Training

Career development policy

The Group has developed a series of career development programmes for employees. Comprehensive training including ISO 9001, ISO14001, TS16949 and QC80000 training, is provided to employees to improve their skills. In training new joiners, the Group implements the concept of mentoring, making it easy for new staff to adapt to the working environment and familiarize themselves with working procedures and guidelines. The company's profile has also been added to new employee training so that employees can familiarize themselves with the Company's operating philosophy and background. The Group also requires that employees to be trained prior to their assumption of office or relocation, and that they can only formally take office after passing the examination. Furthermore, to enhance production quality, specified orientation and internal training have also been provided according to their respective positions within the manufacturing process. Department training is delivered on a weekly or monthly basis to familiarize employees with the latest operating standards and procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society (continued)

5.3 Development and Training (continued)

Training programmes for employees in different positions

In accordance with the internal Training Management Regulations, the Group has formulated the *Annual Training Programme* to provide job skills training and annual training for employees in different positions to bring up employees to tackle different types of skills and improve their career development. During the reporting period, the total number of employees trained within the Group and the average number of training hours per employee are set out as follows:

Gender/Employee's grading	Total number of employees trained
Male	165
Female	128
Senior management	7
Middle management	8
Supervisor	13
General staff	265

During the reporting period, the total number of employees trained by the Group was 293, and the total number of training hours for all employees was 879. The average number of training hours per employee was approximately 3 hours. The senior management mentioned above comprises directors only.

A number of training and coaching programs, including leadership training, have been developed for middle – and high-level managers to help them understand their responsibilities and capabilities as managers and adapt to positions and improve management capabilities. In addition, the Group provides youth training programmes for young employees under the age of 30 each year. Guided by the concept of mentoring, the programmes adopt post knowledge training and programme implementation training to improve work skills and management capabilities of young employees. During the reporting period, the Group had a total of four young employees with a contract period of one year, one of whom was an administrative specialist and the other three were drilling technicians. In the same period, the Company also hired a university student to participate in a management trainee programme to learn daily administrative affairs. The younger generation is expected to equip themselves through planning to accumulate work experience and pass on their knowledge. The details of training for each employee will also be properly recorded.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society (continued)

5.4 Labour Standards

Child labour protection policy

The Group's policy stipulates that only adults aged 18 or above are recruited. To this end, in recruiting activities, the applicant's age certification and other reliable reference documents will be examined. The Human Resources Department will also remove job applicants under the age of 18 when reviewing the resumes. The Group will also ensure that no child labour is employed through annual child labour review and day-to-day management. Employment will be terminated immediately once a child labour is identified. If necessary, the Group will seek assistance from relevant institutions.

Forced labour prevention policy

The Group prohibits the use of any form of forced labour (including prison labour, indentured labour and bonded labour). It will never detain an employee's original identity card and will not require an employee to pay any security deposit, nor will any employment-related costs and expenses, such as visa, health check and work permit expenses and recruiting/employment agency fees, be deducted from the employee's wages.

The Group never forces its employees to work overtime in daily operations. Additional overtime beyond normal working hours is allowed only when an application is voluntarily made by an employee and it ensures that the daily overtime hours shall not exceed the requirements of local laws and regulations. If any irregularities are identified, the Group will conduct an investigation. In addition, the Group ensures that employees can move around in their work area during working hours and allows them to leave the workplace during meals and after work.

During the reporting period, the Group had not identified any incidence of child labour and violation of relevant laws and regulations concerning forced labour.

5.6 Supply Chain Management

The Group has established a supplier management policy to express its expectations and requirements for suppliers and their employees. The scope of this policy covers product quality, environmental and social responsibility, business ethics and other aspects, which are also the important criteria for selecting suppliers. To establish a fair and open procurement process, the Group will shop around in accordance with the procurement process. According to the current procurement process, when an order is received, the Purchasing Department will ask a requesting department to provide the corresponding procurement requirements and three qualified suppliers to make quotation for the procurement specifications. The engineering and technical department will be arranged to conduct a comprehensive evaluation on the suppliers' brands, technologies, materials and services. Finally, the Purchasing Department will determine the supplier based on the quotation and comprehensive evaluation results. The specific process is subject to the procurement operational guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society (continued)

5.6 Supply Chain Management (continued)

Suppliers review

As business requires, the Group has a set of stringent requirements for suppliers' products and services to ensure that their materials meet national and international requirements. Customers' trust in the Group is also based on its product quality. For this, the Group has established a system for selecting and reviewing suppliers to review the qualifications of new suppliers and conduct regular assessments of the performance of existing suppliers. During the selection of suppliers, in addition to business considerations, manufacturing process reports, materials details, test reports, environmental substance content reports are required for all of their products and raw materials to ensure that the products do not contain environmentally hazardous substances regulated under environmental directives and regulations such as the *Waste Electrical and Electronic Equipment Directive* (WEEE)/RoHS/REACH and comply with internal standards for packaging materials. In addition, the Group will arrange on-site audits. Only suppliers who pass all audits are included in the "list of qualified suppliers". As for existing suppliers, regular performance evaluations are conducted on four major areas: product quality, product price, service performance, and overdue rates. Any supplier failing to meet the requirements is required to formulate the "Eight Remedial Actions Report" for rectification. Those who fail to meet the above requirements will be removed from the list of qualified suppliers. Suppliers that pass audits shall sign agreements such as the *Letter of Commitment to Restricted Substances and the DML Green Procurement Standards* to show their commitments to product quality. In addition, suppliers are also required to post labels on the outer packaging of the materials they provide in accordance with the *Substance Marking Requirements of Suppliers for Environmental Management* to clearly specify product names, RoHS labels, hazard characteristics, expiry dates, first aid measures, and other information.

The geographical distribution of the Group's suppliers during the reporting period is set out as follows:

Geographical region	Number of suppliers
Hong Kong	6
The PRC	205
Others	4
Total	215

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society (continued)

5.7 Product Responsibility

The Group fully understands that health-friendliness and safety of our products and services are a key factor supporting the long-term development of the business. Therefore, it operates in strict compliance with laws and regulations and industry standards in the countries or regions where its products are manufactured and sold, or even stricter standards than those legally required.

Product quality assurance policy

The Group also strictly monitors the quality assurance of products, exercising quality control from the import of raw materials to the shipment of products. Unless otherwise specified by customers, we have standard procedures for approving the use of raw materials. Clean rooms including their temperature and humidity are also managed in accordance with the requirements of the *Clean Room Pollution Control* and the ISO 14644 standard. In addition to material quality testing, we also assess material safety and its impact on the environment. Manufacturing process reports of some products shall be reviewed by the Production Department to ensure their quality and safety, thereby reducing the risk of unexpected failures due to defects in design and manufacture.

In addition, the Group has established the quality management system in accordance with the international quality management system ("QMS") ISO 9001:2008 and ISO/TS16949:2009, with the commitment to providing customers with higher quality guarantees, strictly implementing production quality management practices, improving product quality management and development planning, and strengthening product quality management records to every detail in the course of production and distribution. Meanwhile, we also conduct customer satisfaction surveys. Customers can rate us on seven scoring criteria including the production cycle, product quality, price, on-time delivery rate, customer services, technology, and HSF & RoHS certification. This move is expected to help us constantly check the performance of suppliers with customers.

Product safety policy

To ensure the safety of products, the Group will conduct a comprehensive product safety inspection which must be certified by UL. The Group also engages independent third-party testing agencies each year to test the content of six substances and halogen specified in the RoHS Directive to ensure product safety.

Fair promotional information policy

The Group ensures that the product information published on our website and other promotional materials is true and accurate. Some of the Group's products are attached with operating instructions, the contents of which are supported by justifiable grounds. In addition, the Group requires that all information about a product released by sales staff when promoting the product is confirmed by the Group and that no negative statement is made against a competitor and/or product to prevent misleading by customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society (continued)

5.7 Product Responsibility (continued)

Handling of customer complaints

The Group has established a complaint handling mechanism. When a customer complaint is received, it will be handled in accordance with the procedures of the *Operational Guide for Handling Customer Complaints* and the Quality Department will perform case-by-case analysis. A reply on analysis results will be made to the customer and follow-up actions be taken within a specified period. The Group also has a designated department responsible for following up customer complaints and, if necessary, launching a product recall procedure in accordance with the *Unqualified Product Management Procedures*. The Group had not identified any incidence of violation of any legislation or any customer complaints relating to product responsibility during the reporting period. Moreover, among the products sold, no product is needed to be recalled for safety and health reasons.

Protection of intellectual property rights

Recognising the importance of intellectual property, confidential information and documents relating to in-house design or customers' intellectual property rights such as drawings and technical specifications are strictly protected and maintained by a specially designated department. Without permission, employees are not allowed to copy, store or take them away from our premises. The Group promises not to purchase any form of pirated software but only from authorised suppliers. It also updates its software and installs a firewall every month to further safeguard confidential information and group information.

Customer data privacy policy

The Group has developed provisions on the confidentiality of information and data, which clearly state the responsibilities and obligations of all departments and managers at all levels in the areas of protecting employee data, business assets and customer information. At the same time, employees are prohibited from disclosing confidential information from the time when they are employed. An employee violating the provisions will be subject to disciplinary action, and may face (inclusive of) dismissal in the worst case.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. Society (continued)

5.8 Anti-Corruption

Fair dealing and good faith are the core values that the Group has always been upholding. With this in mind, the Group has established and earnestly implements a series of sound internal control frameworks and policies with an aim of preventing fraud and stopping unethical business practices.

Conflict of interest reporting policy

Therefore, the Group has a system to supervise the conduct of employees and commits to manage all business without undue influence and regards honesty, integrity, and fairness as our core value. All directors and employees are required to strictly follow the stipulated Code of Conduct to prevent potential bribery, extortion, fraud and money laundering. The Group's Code of Conduct states clearly that:

(1) All directors and employees should avoid conflicts of personal interest and their professional duties;

(2) Employees who exercise authority, influence decisions and actions or gain access to company information through their employment in the Group to achieve private and personal gain are strictly prohibited;

(3) Employees are required to declare all conflicts of interest by completing the required form as instructed by the Group's Human Resources Department;

(4) Neither directors nor employees shall obtain or provide benefits to customers, contractors, suppliers, or people with business relationship with the Group; and

(5) Accepting voluntary gifts must be declared and complete the approval process as administered by the Group's Human Resources Department.

Third-party auditing policy

The Group engages an independent third-party audit agency to perform financial audits on the internal financial records which can be effectively audited by independent organisations to see whether or not they comply with the relevant legislations and financial requirements in terms of aspects including authenticity and evidence in order to prove that the Group's operations are true and fair.

The Group strictly complies with anti-corruption and anti-bribery legislation. It had not identified any incidence of breach of relevant laws during the reporting period.

5.9 Community Investment

While operating its business, the Group does not forget to shoulder social corporate responsibility. It is committed to helping vulnerable groups and communities with its own advantages and resources to show its support and care.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the shareholders of the Company (the "Shareholders"), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

Throughout the year ended 31 March 2019, the Company has complied with the code provisions as set out in the CG Code except for code provision A.1.1, details of which are explained in the relevant paragraphs of this Corporate Governance Report.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted its code of conduct regarding securities transactions by the directors and relevant employees (the "Code of Conduct") and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to govern the securities transactions of the directors and relevant employees.

The Company has made specific enquiry with all directors of the Company (the "Directors") and each of them has confirmed his/her compliance with the Code of Conduct throughout the year ended 31 March 2019.

No incident of non-compliance of the Code of Conduct by the relevant employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises seven members, consisting of four executive Directors and three independent non-executive Directors.

Executive Directors:

Ms. Cheung Lai Na *(Chairman)*
Ms. Cheung Lai Ming
Mr. Lee Man Kwong
Mr. Law Ping Wah *(Chief Financial Officer)*

Independent Non-executive Directors:

Mr. Leung King Fai
Mr. Chou Yuk Yan
Dr. Chan Yau Ching, Bob

The biographical information of the Directors are set out on pages 4 to 7 of this annual report.

Ms. Cheung Lai Na and Ms. Cheung Lai Ming, executive Directors, are sisters, and also daughters of Mr. Cheung Ling Mun who is a substantial shareholder of the Company and a senior management of the Group. Save as disclosed, none of the members of the Board is related to one another.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The Company has not appointed the Chief Executive Officer. Ms. Cheung Lai Na is the Chairman of the Company. She is responsible for the effective functioning and leadership of the Board. The role of the Chief Executive Officer focusing on the Company's business development and daily management and operations is delegated to and performed by the executive Directors and the senior management. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

Independent Non-executive Directors

During the year ended 31 March 2019, the Company has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The independent non-executive Directors of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

Under the Bye-Laws of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that save for a Director holding office as Chairman or Managing Director, every Director shall be subject to retirement by rotation at least once every three years. In the spirit of good corporate governance practice, the existing Chairman of the Company, Ms. Cheung Lai Na has agreed to retire at least once every three years.

The Company's Bye-Laws also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the next general meeting after appointment. The retiring Directors shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

The Directors have timely access to the information of the Company as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to its management team.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. The induction materials, including directors' manual and legal and regulatory update have been provided to the Directors upon appointment.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Directors have participated in the following trainings during the year ended 31 March 2019:

Name of Directors	**Type of Training**
Executive directors	
Ms. Cheung Lai Na	B
Ms. Cheung Lai Ming	A
Mr. Lee Man Kwong	A
Mr. Law Ping Wah	A & B
Independent non-executive directors	
Mr. Leung King Fai	A & B
Mr. Chou Yuk Yan	B
Dr. Chan Yau Ching, Bob	B

Note:

Types of training

A: Attending training sessions, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Board Composition" on page 42 of this annual report.

Audit Committee

The Audit Committee was established in 1999. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The Audit Committee currently consists of three independent non-executive Directors, at least one of whom possesses appropriate professional qualifications or accounting or related financial management expertise. The composition of the Audit Committee is as follows:

Mr. Leung King Fai *(Chairman)*
Mr. Chou Yuk Yan
Dr. Chan Yau Ching, Bob *(appointed as a member on 3 September 2018)*
Mr. Law Ping Wah *(ceased to be a member on 1 November 2018)*

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Board has also delegated the responsibility for reviewing the corporate governance matters of the Group to the Audit Committee.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (continued)

Audit Committee (continued)

During the year, the Audit Committee held two meetings to discharge its responsibilities and review and discuss the following matters:

– interim and annual financial results and reports and significant issues on the financial reporting;

– remuneration, terms of engagement and independence of the Company's external auditors;

– effectiveness of the risk management and internal control systems and internal audit function;

– continuing connected transactions;

– arrangements for employees to raise concerns about possible improprieties;

– the Company's corporate governance policies and practices; training and continuous professional development of Directors and senior management; the Company's policies and practices on compliance with legal and regulatory requirements; the compliance of the Code of Conduct and Model Code; and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Audit Committee also met the external auditors twice during the year.

Remuneration Committee

The Remuneration Committee was established in 2005. The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The Remuneration Committee currently comprises three independent non-executive Directors and one executive Director. The composition of the Remuneration Committee is as follows:

Mr. Leung King Fai *(Chairman)*
Mr. Chou Yuk Yan
Ms. Cheung Lai Na
Dr. Chan Yau Ching, Bob *(appointed as a member on 3 September 2018)*
Mr. Law Ping Wah *(ceased to be a member on 1 November 2018)*

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (continued)

Remuneration Committee (continued)

The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management as well as the Group's remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year, the Remuneration Committee held one meeting to review the remuneration packages of all Directors and senior management and make recommendation to the Board on the Group's remuneration policy and structure.

The Remuneration Committee also made recommendations to the Board on the remuneration of Directors appointed/re-designated and a senior management member appointed during the year.

Remuneration Bands of Senior Management

The remuneration bands of the members of senior management who are not Directors for the year ended 31 March 2019 are set out below:

Remuneration Bands	Number of Individuals
HK$ Nil to HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	1

Details of emoluments of Directors and the five highest paid individuals are set out in note 10 to the consolidated financial statements for the year ended 31 March 2019.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (continued)

Nomination Committee

The Nomination Committee was established in 2012. The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The Nomination Committee currently comprises two executive Directors and three independent non-executive Directors. The composition of the Nomination Committee is as follows:

Ms. Cheung Lai Na *(Chairman)*
Ms. Cheung Lai Ming
Mr. Leung King Fai
Mr. Chou Yuk Yan
Dr. Chan Yau Ching, Bob *(appointed as a member on 3 September 2018)*
Mr. Law Ping Wah *(ceased to be a member on 1 November 2018)*

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, considering the selection criteria of Directors and developing procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects and factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee has discussed and considered the measurable objectives for achieving diversity on the Board.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Nomination Policy of the Company that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year, the Nomination Committee held one meeting to review the structure, size and composition of the Board, the Nomination Policy, the Board Diversity Policy, contribution by each Director to perform his/her responsibilities and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the annual general meeting ("AGM"). The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

The Nomination Committee also made recommendations to the Board on the appointment and re-designation of Directors, the appointment of new company secretary and a senior management member during the year.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (continued)

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

At present, the Nomination Committee considered that the Board is sufficiently diverse. The Board has not set any measurable objectives but will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (continued)

Nomination Policy

The Board has delegated its responsibilities and authority to the Nomination Committee of the Company for identification and selection of candidates to stand for election as Directors. The Company has adopted a Nomination Policy that sets out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) the Shareholders for election as a director of the Company.

The Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 March 2019 is set out in the table below:

	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Special General Meeting
Executive Directors						
Ms. Cheung Lai Na	7/7	N/A	1/1	1/1	1/1	1/1
Ms. Cheung Lai Ming	7/7	N/A	N/A	1/1	1/1	1/1
Mr. Lee Man Kwong [Note 1]	7/7	N/A	N/A	N/A	1/1	1/1
Mr. Law Ping Wah [Note 2]	6/7	1/1	1/1	1/1	1/1	1/1
Independent Non-executive Directors						
Mr. Leung King Fai	5/7	2/2	1/1	1/1	1/1	0/1
Mr. Chou Yuk Yan	5/7	2/2	1/1	1/1	1/1	1/1
Dr. Chan Yau Ching, Bob [Note 3]	1/2	1/1	N/A	N/A	N/A	1/1

Notes:

1. Mr. Lee Man Kwong was re-designated from a non-executive Director to an executive Director of the Company with effect from 1 June 2018.

2. Mr. Law Ping Wah was re-designated from an independent non-executive Director to an executive Director and appointed as Chief Financial Officer of the Company, and ceased to be a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company with effect from 1 November 2018.

3. Dr. Chan Yau Ching, Bob was appointed as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company with effect from 3 September 2018.

Only three regular Board meetings were held during the year 31 March 2019 as the Company is not required under the Listing Rules to announce its quarterly results.

The Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of the other Directors during the year.

Independent non-executive Directors have attended the annual general meeting of the Company held in 2018 to gain and develop a balanced understanding of the view of Shareholders.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

During the year, the Board had engaged its internal staff member (the "Internal Audit Officer") to perform a review of the Group's internal controls (the "Internal Controls Review") and assist the Company to perform a Group's risk assessment. The scope of work of the Internal Audit Officer was to conduct a gap analysis of the Company's risk management and internal control systems to identify potential areas of improvement, and to perform a high-level Internal Controls Review of certain business processes to identify potential internal controls design gaps, and to recommend practical actions to be taken. To preserve the independence, the Internal Audit Officer reports directly to the Audit Committee on audit matters and to the Board on administrative matters. The Internal Audit Officer adopts a risk-based approach in developing the annual internal audit work plan that is reviewed and endorsed by the Audit Committee. The Internal Audit Officer reports audit progress and audit observations to the Audit Committee on a biannual basis.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2019.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company conducts its business affairs according to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Future Commission. The Company strictly prohibits the unauthorised use of confidential or inside information by Directors, employees and other relevant persons (for example external service providers and project working team members).

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Board is responsible for the handling and dissemination of inside information. In order to ensure the market, shareholders and stakeholders are fully and promptly informed about the material developments in the Company's business, the Board has adopted continuous disclosure policy and procedures to handle proper information disclosure. Release of inside information is subject to the approval of the Board. All staff of the Company shall not communicate inside information to any external parties unless with approval from the Board. As such, staff shall not respond to market speculation and rumours unless authorised. In addition, all external presentation materials or publication must be pre-vetted before released.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The report of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 62 to 63.

AUDITOR'S REMUNERATION

The remuneration paid to the Company's external auditors of the Company, Mazars CPA Limited, in respect of audit services and non-audit services for the year ended 31 March 2019 was as follows:

	2019 **HK$'000**	2018 HK$'000
Audit services	**1,200**	1,080
Non-audit services (Note)	**563**	370
	1,763	1,450

Note:

Non-audit services during the year mainly included agreed-upon procedures report on the Group's interim report for the period ended 30 September 2018 and professional services in relation to the disposal of a subsidiary which constituted a very substantial disposal transaction.

The Audit Committee is of the view that the auditor's independence was not affected by the provision of non-audit related services.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

During the period from 1 April 2018 to 3 September 2018, Mr. Siu Ching Hung had been appointed as the company secretary of the Company. With effect from 4 September 2018, the Company had engaged Tricor Services Limited as external service provider and Ms. Chan Suet Lam had been appointed as the company secretary of the Company to fill the vacancy arising from the resignation of Mr. Siu Ching Hung. Details of the above change of company secretary can be referred to in the Company's announcement dated 4 September 2018.

Ms. Chan's primary contact person at the Company is Mr. Law Ping Wah, executive Director and Chief Financial Officer of the Company.

Ms. Chan is responsible for providing advice to the Company on corporate governance matters and relevant updates on applicable laws, rules and regulations so as to uphold good corporate governance practices of the Company. All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening a Special General Meeting

Shareholders holding not less than one-tenth (1/10) of the paid-up capital of the Company can deposit with either the registered office or the head office of the Company a written request to convene a special general meeting ("SGM") of the Company for the attention of the Chairman of the Board.

The written request must state the purposes of the SGM, signed by the shareholders concerned with correspondence details of those shareholders and may consist of several documents in like form, each signed by one or more of those shareholders.

If the Board does not within 21 days from the date of the deposit of the written request proceed duly to convene a SGM for a day not more than 28 days after the date on which the notice convening the SGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of the written request.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (continued)

Putting Forward Proposals at General Meetings

Any number of shareholders representing not less than one-twentieth (1/20) of the total voting rights of all shareholders of the Company having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than 100 shareholders of the Company could make a written request to the Company at the expense of those shareholders making the written request to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office or the head office of the Company for the attention of the Chairman of the Board not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition.

With regard to the procedures for shareholders to propose a person for election as a director of the Company at any general meeting, please refer to the document named "Procedures Shareholders can Use to Propose a Person for Election as a Director" as posted on the Company's website at www.irasia.com/listco/hk/daisho.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room Nos. 901-2, 9th Floor Tai Tung Building, No. 8 Fleming Road Wanchai, Hong Kong (For the attention of the Chairman of the Board)
Email:	dminfo@daisho-microline.com.hk
Fax:	(852) 2953 0322

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Constitutional Documents

The Company has not made any changes to its Bye-Laws during the year under review. A copy of the Company's Memorandum of Association and New Bye-Laws is available on the websites of the Stock Exchange and the Company.

Policies relating to Shareholders

The Company has in place a Shareholder Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed.

The Company has adopted a Dividend Policy, which sets out the approach for the declaration and payment of dividend by the Board. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

INDEPENDENT AUDITOR'S REPORT

MAZARS
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MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 18 號中環廣場 42 樓

To the members of Daisho Microline Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Daisho Microline Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 64 to 144, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 financial position of the Group as at 31 March 2019, and of its financial performance and 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 (the "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 ("HKSAs") 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment (other than vessels)	
As at 31 March 2019, the Group has property, plant and equipment (other than vessels) of approximately HK$33,600,000. For the purpose of assessing impairment of these property, plant and equipment (other than vessels), the Group engaged an independent professional valuer to provide assistance in assessing the recoverable amount of these non-current assets. The recoverable amount of these non-current assets was determined by management based on fair value less costs of disposal calculation. We have identified the impairment assessment of these non-current assets as a key audit matter because of their significance to the consolidated financial statements and the significant judgement involved in determining assumptions. Related disclosures are included in Notes 4(i) and 12 to the consolidated financial statements.	Our procedures, among others, included: a) Assessing the appropriateness of using fair value less costs of disposal calculation in estimating the recoverable amount of these non-current assets; b) Evaluating the competence, capabilities and objectivity of the independent professional valuer; c) Assessing the methodologies used by the independent professional valuer; d) Challenging the reasonableness of key assumptions based on our knowledge of the industry and market; and e) Checking, on a sample basis, the accuracy and relevance of the input data provided by management to the independent professional valuer.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECL") assessment of trade receivables	
As at 31 March 2019, the gross amount of trade receivables and its related allowance for ECL amounted to approximately HK$460,660,000 and HK$5,642,000 respectively. At each reporting date, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix that is based on historical data and is adjusted for forward-looking information of respective trade receivables. The management of the Group believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for this purpose. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis. We have identified the management's ECL assessments on trade receivable as a key audit matter because the carrying amount of trade receivables was significant to the consolidated financial statements and the ECL assessment of these balances required significant judgement and involved high level of uncertainty. Related disclosures are included in Notes 4(iii), 16 and 32 to the consolidated financial statements.	Our procedures, among others, included: a) Understanding of the Group's credit risk management and practices and assessing the Group's impairment provisioning policy in accordance with the requirements of applicable accounting standards; b) Assessing the application of impairment methodology of ECL, and checking the assumptions and key parameters to external data sources where available; c) Assessing the reasonableness and relevancy of the external information used by the Group as the forward-looking information; d) Testing, on a sample basis, the accuracy of aging categories of trade receivables based on relevant delivery notes, sales invoices and sales contracts; and e) Checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group's disclosures in relation to credit risk exposed by the Group in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of embedded derivatives of the convertible bonds	
Management engaged an independent professional valuer to estimate the fair value of the Group's embedded derivatives of convertible bonds which have a net liability amount of approximately HK$1,643,000 as at 31 March 2019 with net fair value gain of approximately HK$25,743,000 recorded in the consolidated statement of profit or loss for the year ended 31 March 2019. We have identified the valuation of the derivatives as a key audit matter because of their significance to the consolidated financial statements and the significant judgement involved in determining assumptions. Related disclosures are included in Notes 4(vi), 24 and 33 to the consolidated financial statements.	Our procedures, among others, included: a) Evaluating of the independent professional valuer's competence, capabilities and objectivity; b) Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the convertible bonds; and c) Checking the accuracy and relevance of the input data used.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2018-2019 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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, related safeguards.

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 and 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong,

The engagement director on the audit resulting in this independent auditor's report is:
She Shing Pang
Practising Certificate number: P05510

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**1,516,823**	411,859
Cost of sales		**(1,502,506)**	(399,461)
Gross profit		**14,317**	12,398
Other income	7	**25,893**	11,354
Selling and distribution expenses		**(5,544)**	(7,176)
Administrative expenses		**(68,213)**	(43,310)
Other operating expenses		**(14,525)**	(844)
Gain on disposal of a subsidiary	30	**170,291**	–
Impairment loss of property, plant and equipment	12	**–**	(24,291)
Loss on disposal of available-for-sale financial assets		**–**	(3,357)
Loss on early redemption of promissory notes	23	**(10,905)**	–
Fair value gain (loss) on derivative financial instruments	24	**25,743**	(17,136)
Provision for impairment loss on trade receivable	32	**(5,642)**	–
Finance costs	8	**(14,944)**	(7,715)
Profit (Loss) before taxation	8	**116,471**	(80,077)
Income tax expenses	9	**(16,005)**	–
Profit (Loss) for the year		**100,466**	(80,077)
Earnings (Loss) per share	11		
Basic (Hong Kong cents)		**17.43**	(13.90)
Diluted (Hong Kong cents)		**10.49**	(13.90)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Profit (Loss) for the year	**100,466**	(80,077)
Other comprehensive (loss) income:		
Item that has been reclassified subsequently to profit or loss:		
Reclassification adjustment of translation reserve upon disposal of a subsidiary	**(8,084)**	–
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of functional currency to presentation currency	**(13,592)**	22,132
Other comprehensive (loss) income for the year	**(21,676)**	22,132
Total comprehensive income (loss) for the year	**78,790**	(57,945)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	12	**119,134**	104,847
Prepaid lease payments	13	**–**	12,972
Deposits paid for acquisition of property, plant and equipment		**15,885**	23,501
		135,019	141,320
Current assets			
Inventories	15	**731**	31,504
Trade and bill receivables	16	**456,410**	83,538
Other receivables, deposits and prepayments	17	**20,390**	13,412
Pledged bank deposits	18	**117,724**	154,441
Cash and cash equivalents	19	**62,541**	59,607
		657,796	342,502
Current liabilities			
Trade payables	20	**355,611**	77,044
Other payables and accruals	21	**18,349**	25,846
Interest-bearing borrowings	22	**98,461**	105,543
Tax payable		**15,823**	–
		488,244	208,433
Net current assets		**169,552**	134,069
Total assets less current liabilities		**304,571**	275,389
Non-current liabilities			
Promissory note payable	23	**–**	28,272
Derivative financial instruments	24	**1,643**	27,386
Convertible bonds	24	**73,548**	69,311
Deferred tax liabilities	25	**170**	–
		75,361	124,969
NET ASSETS		**229,210**	150,420

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	26	**57,624**	57,624
Reserves	27	**171,586**	92,796
TOTAL EQUITY		**229,210**	150,420

The consolidated financial statements on pages 64 to 144 were approved and authorised for issue by the Board of Directors on 26 June 2019 and signed on its behalf by

Cheung Lai Na
Director

Cheung Lai Ming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

		Reserves					
	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 27(a))	Contributed surplus HK$'000 (Note 27(b))	Exchange translation reserve HK$'000 (Note 27(c))	Accumulated losses HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 2017	57,624	128,492	9,379	88,222	(75,352)	150,741	208,365
Loss for the year	–	–	–	–	(80,077)	(80,077)	(80,077)
Other comprehensive income							
Exchange difference on translation of functional currency to presentation currency	–	–	–	22,132	–	22,132	22,132
Total comprehensive loss for the year	–	–	–	22,132	(80,077)	(57,945)	(57,945)
At 31 March 2018	57,624	128,492	9,379	110,354	(155,429)	92,796	150,420
At 1 April 2018	57,624	128,492	9,379	110,354	(155,429)	92,796	150,420
Profit for the year	–	–	–	–	100,466	100,466	100,466
Other comprehensive loss							
Reclassification adjustment of translation reserve upon disposal of a subsidiary	–	–	–	(8,084)	–	(8,084)	(8,084)
Exchange difference on translation of functional currency to presentation currency	–	–	–	(13,592)	–	(13,592)	(13,592)
Total other comprehensive loss for the year	–	–	–	(21,676)	–	(21,676)	(21,676)
Total comprehensive loss for the year	–	–	–	(21,676)	100,466	78,790	78,790
At 31 March 2019	57,624	128,492	9,379	88,678	(54,963)	171,586	229,210

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit (Loss) before taxation	**116,471**	(80,077)
Adjustments for:		
Interest income	**(1,799)**	(2,392)
Depreciation	**8,792**	12,074
Amortisation of prepaid lease payments	**300**	305
Dividend income from listed equity investments	**–**	(80)
Fair value (gain) loss on derivative financial instruments	**(25,743)**	17,136
Gain on disposal of a subsidiary	**(170,291)**	–
Loss on early redemption of promissory notes	**10,905**	–
Gain on disposal of financial assets at fair value through profit or loss, net	**–**	(310)
(Gain) Loss on disposal of property, plant and equipment, net	**(16,337)**	160
Impairment loss of property, plant and equipment	**–**	24,291
Loss on disposal of available-for-sale financial assets	**–**	3,357
Provision for impairment loss on trade receivables	**5,642**	–
Reversal of impairment loss on other receivables, deposits and prepayments	**(642)**	–
Reversal of write down of inventories	**(2,440)**	–
Write down of inventories	**2,007**	–
Write-back of trade payables	**(186)**	–
Finance costs	**14,944**	7,715
Operating cash flows before changes in working capital	**(58,377)**	(17,821)
Changes in working capital:		
Financial assets at fair value through profit or loss	**–**	1,925
Inventories	**29,145**	(2,410)
Trade and bill receivables	**(379,509)**	(54,274)
Other receivables, deposits and prepayments	**(7,027)**	2,346
Trade payables	**281,004**	40,520
Other payables and accruals	**(10,406)**	(2,768)
Cash used in operations	**(145,170)**	(32,482)
Income tax paid	**(12)**	–
Interest received	**1,799**	2,476
Net cash used in operating activities	**(143,383)**	(30,006)

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Dividend income from listed equity investments		–	80
Payment for purchase of property, plant and equipment, including deposits paid		(8,439)	(35,474)
Proceeds from disposal of a subsidiary, net of bank balances and cash disposed of and direct costs	30	197,433	–
Proceeds from disposal of property, plant and equipment		17,274	210
Proceeds from disposal of available-for-sale financial assets		–	5,924
Decrease (Increase) in pledged bank deposits		27,382	(17,477)
Net cash from (used in) investing activities		233,650	(46,737)
FINANCING ACTIVITIES			
New bank loans raised		205,744	107,676
Repayment of bank loans		(212,826)	(116,475)
Redemption of promissory notes	23	(74,045)	–
Interest paid		(9,133)	(5,348)
Proceeds from issue of convertible bonds, net of issue costs		–	77,194
Net cash (used in) from financing activities		(90,260)	63,047
Net increase (decrease) in cash and cash equivalents		7	(13,696)
Cash and cash equivalents at beginning of year		59,607	74,453
Effect of foreign exchange rate changes, net		2,927	(1,150)
Cash and cash equivalents at end of year, represented by bank balances and cash	19	62,541	59,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

1. General Information

Daisho Microline Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is located at Room Nos. 901-2, 9/F., Tai Tung Building, No. 8 Fleming Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding, manufacturing and trading of printed circuit boards, trading of petroleum and energy products and related business, and vessel chartering. The principal activities of its subsidiaries are set out in Note 14 to the consolidated financial statements.

2. Significant Accounting Policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in Note 3 to the consolidated financial statements. A summary of the significant accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for derivative financial instruments, which are measured at fair value as explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset or liability, an associate, a joint venture or others, as appropriate, from the date when control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, interests in subsidiaries are stated at cost less impairment loss. The carrying amounts of the interests are reduced to their respective recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	50 years
Vessels	25 years
Leasehold improvements	Over the lease term (i.e. 3 years to 10 years)
Machinery and equipment	10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Computers	5 years

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and accumulated impairment losses and are amortised over the period of the lease on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement – applicable from 1 April 2018

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"); (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and bills receivables, other receivables and deposits, pledged bank deposits and cash and cash equivalents.

Classification and measurement – applicable before 1 April 2018

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

The Group classified its financial assets into one of the following categories before 1 April 2018:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, interest-bearing borrowings, promissory note payable and convertible bonds. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial liabilities at FVPL include financial liabilities held for trading, financial liabilities designated upon initial recognition as at FVPL and financial liabilities that are contingent consideration of an acquirer in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss (including interest expenses) recognised in profit or loss, except for the portion of fair value changes of financial liabilities designated at FVPL that are attributable to the credit risk of the liabilities which is presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss. The amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses. Before the adoption of HKFRS 9, all the fair value gain or loss of financial liabilities at FVPL is recognised in profit or loss.

A financial liability is classified as held for trading if it is:

(i) incurred principally for the purpose of repurchasing it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Classification and measurement (continued)

Financial liabilities are designated at initial recognition as at FVPL only if:

(i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;

(ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

Impairment of financial assets

Applicable from 1 April 2018

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Applicable from 1 April 2018 (continued)

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) industry of debtors

(iv) geographical location of debtors

(v) external credit risk ratings where available

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) 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); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, 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

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Applicable from 1 April 2018 (continued)

Assessment of significant increase in credit risk

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

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due, except for the receivables for which the Group has reasonable and supportable information to demonstrate that previous non-payments were an administrative oversight, instead of resulting from financial difficulty of the borrower, or that there is no correlation between significant increases in the risk of a default occurring and financial assets on which payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Applicable from 1 April 2018 (continued)

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Bill receivables guaranteed by banks, pledged bank deposits and cash and cash equivalent are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) 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.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Applicable from 1 April 2018 (continued)

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Applicable before 1 April 2018

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative and do not contain an equity component, it is separate from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently re-measured in accordance with the accounting policies applicable to "Derivative financial instruments" set out below. The liability component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method.

If the convertible bonds are converted, the carrying amounts of the derivative and the liability components, at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

If the convertible bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts (not an asset within the scope of HKFRS 9) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts, if any.

Revenue recognition

Applicable from 1 April 2018

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

(a) Manufacturing and trading of printed circuit boards.

(b) Trading of petroleum and energy products and related business.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Revenue recognition (continued)

Applicable from 1 April 2018 (continued)

Revenue from contracts with customers within HKFRS 15 (continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) 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.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of goods is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered and title has been passed.

Vessel chartering and equipment rental income

Vessel chartering and equipment rental income is recognised on an accrual basis over the period for which vessel is chartered and the period of rental of equipment, respectively.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Revenue recognition (continued)

Applicable before 1 April 2018

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and title has been passed.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong dollars ("HK$") and majority of its subsidiaries used HK$ as their functional currency, except for the subsidiaries operated in the People's Republic of China (the "PRC") and Singapore, which have Renminbi ("RMB") and Singapore dollars ("SG$") and/or United States dollars ("US$") as their functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Foreign currency translation (continued)

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented, are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of profit or loss and other comprehensive income are translated at the average exchange rates.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, prepaid lease payments and deposits paid for acquisition of property, plant and equipment and the Company's investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment losses is recognised as an income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as expenses in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Share-based payment transactions

Equity-settled transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve in equity.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to retained profits.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arises from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on interest in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Related parties

A related party is a person or entity that is related to the Group:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Group and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management, which is the Group's chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Annual Improvements to HKFRSs	*2015–2017 Cycle* [1]
HKFRS 16	*Leases* [1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [1]
Amendments to HKAS 19	*Employee benefits* [1]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures* [1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [1]
Amendments to HKASs 1 and 8	*Definition of Material* [2]
Amendments to HKFRS 3	*Definition of a Business* [3]
HKFRS 17	*Insurance Contracts* [4]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [5]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

2. Significant Accounting Policies (continued)

Future changes in HKFRSs (continued)

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
[4] Effective for annual periods beginning on or after 1 January 2021
[5] The effective date to be determined

Except for HKFRS 16 as set out below, the management does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise right-of-use and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carry forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

The initial application of HKFRS 16 will result in recognition of right-of-use assets and lease liabilities for certain leases of the Group that are currently classified as operating leases under HKAS 17. Subsequently, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively. The total amount charged to profit or loss for each reporting period is not expected to be significantly different from the operating lease expense recognised under HKAS 17.

As set out in Note 34 to the consolidated financial statements, as at 31 March 2019, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of premises amounted to approximately HK$1,152,000 *(2018: HK$4,265,000)*. The management of the Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

3. Adoption of New/Revised HKFRSs

In the current year, the Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*

HK(IFRIC)-Int 22: *Foreign Currency Transactions and Advance Consideration*

The HK(IFRIC)-Int 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the HK(IFRIC)-Int 22 does not have any significant impact on the consolidated financial statements.

HKFRS 9: *Financial Instruments*

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 April 2018 (i.e. the date of initial application), except as described below (if applicable):

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

(i) the determination of the business model within which a financial asset is held;

(ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

(iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

3. Adoption of New/Revised HKFRSs (continued)

HKFRS 9: *Financial Instruments* *(continued)*

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

Measurement category under HKAS 39	**Carrying amount under HKAS 39**	**Measurement category under HKFRS 9**	**Carrying amount under HKFRS 9**
	HK$'000		HK$'000
Loans and receivables (Note)			
Refundable deposits included in deposits paid for acquisition of property, plant and equipment	22,770	Amortised cost	22,770
Trade and bills receivables	83,538	Amortised cost	83,538
Financial assets included in other receivables, deposits and prepayments	8,235	Amortised cost	8,235
Pledged bank deposits	154,441	Amortised cost	154,441
Cash and cash equivalents	59,607	Amortised cost	59,607
	328,591		328,591

Note: These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these investments to collect the contractual cash flows and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

In addition, the Group has remeasured the impairment allowances of financial assets at 1 April 2018 (i.e. the date of initial application) using ECL under HKFRS 9, which approximate to the impairment allowances under HKAS 39. Accordingly, no transition adjustment to the financial assets and components of equity at 1 April 2018 was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

3. Adoption of New/Revised HKFRSs (continued)

HKFRS 15: *Revenue from Contracts with Customers*

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 April 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 April 2018 in accordance with the transitional provisions therein.

The adoption of HKFRS 15 has no significant effect on the Group's accumulated losses and other components of equity at 1 April 2018.

At the date of initial application, included in the other payables and accruals amounting to HK$1,146,000 are related to deposits received from customers on sales of printed circuit boards. These balances were reclassified to contract liabilities upon application of HKFRS 15.

4. Critical Accounting Estimates and Judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

4. Critical Accounting Estimates and Judgements (continued)

Key sources of estimation uncertainty

(i) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period in accordance with the accounting policies as disclosed in Note 2 to the consolidated financial statements. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to assess whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. If any such indication exists, the recoverable amounts of the asset would be determined as the greater of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. Owing to inherent risk associated with estimations in the timing and amounts of the future cash flows and fair value less costs of disposal, the estimated recoverable amount of the asset may be different from the amount actually received and profit or loss could be affected by accuracy of the estimations.

(ii) *Deferred tax assets*

No deferred tax asset in relation to unused tax losses has been recognised in the consolidated statement of financial position. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such estimate is changed.

(iii) *Loss allowance for ECL*

The Group's management estimates the loss allowance for financial assets at amortised cost including trade and bills receivables, other receivables and deposits, pledged bank deposits and cash and cash equivalents by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of financial assets at amortised cost.

(iv) *Depreciation*

The Group depreciates property, plant and equipment on the straight-line basis over the respective estimated useful lives as set out in Note 2 to the consolidated financial statements, with the depreciation charge commencing from the date an item of the property, plant and equipment is available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

4. Critical Accounting Estimates and Judgements (continued)

Key sources of estimation uncertainty (continued)

(v) Write down of inventories

The Group reviews the inventory ageing analysis periodically to write down obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and writes down obsolete and slow-moving items through management's estimation of the net realisable value for such obsolete and slow-moving items based primarily on the latest market prices and current market conditions.

(vi) Derivative financial instruments

The management uses their judgements in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. In determining the fair value of derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

5. Revenue

	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers within HKFRS 15		
Manufacturing and trading of printed circuit boards	**136,060**	199,876
Trading of petroleum and energy products	**1,369,848**	211,983
Revenue from other sources		
Vessel chartering income	**10,915**	–
	1,516,823	411,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

5. Revenue (continued)

In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

Year ended 31 March 2019	**Manufacturing and trading of printed circuit boards HK$'000**	**Trading of petroleum and energy products HK$'000**	**Total HK$'000**
Geographical region:			
– Singapore	–	353,747	353,747
– North America	23,718	–	23,718
– Hong Kong	12,772	1,016,101	1,028,873
– Japan	15,772	–	15,772
– The PRC	81,370	–	81,370
– Europe	1,861	–	1,861
– Other countries	567	–	567
	136,060	1,369,848	1,505,908
Timing of revenue recognition:			
– at a point in time	136,060	1,369,848	1,505,908
Type of transaction price:			
– fixed price	136,060	1,369,848	1,505,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

6. Segment Information

The directors of the Company have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group's internal financial reporting, the directors of the Company consider that the operating segments of the Group comprise:

(i) Manufacturing and trading of printed circuit boards;

(ii) Trading of petroleum and energy products and related business; and

(iii) Vessel chartering.

Segment results represent the results before taxation earned by each segment without allocation of other income generated, finance costs, administrative expenses and other operating expenses incurred by the corporate office, gain on disposal of a subsidiary, fair value gain (loss) on derivative financial instruments and loss on disposal of available-for-sale financial assets.

All assets are allocated to reportable segments other than unallocated assets which are mainly pledged bank deposits, cash and cash equivalents and other corporate assets. All liabilities are allocated to reportable segments other than interest-bearing borrowings, derivative financial instruments, convertible bonds and other corporate liabilities.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location of customers; assets and capital expenditure are attributed to the segments based on the locations of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

6. Segment Information (continued)

(A) By Business Segments

Year ended 31 March 2019

	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products and related business HK$'000	Vessel chartering HK$'000	Consolidated HK$'000
Segment revenue				
Major customer C	–	663,356	–	663,356
Major customer D	–	352,713	–	352,713
Major customer E	–	180,103	–	180,103
Other customers	136,060	173,676	10,915	320,651
	136,060	1,369,848	10,915	1,516,823
Segment results	(40,623)	3,478	(7,843)	(44,988)
Unallocated other income				1,498
Unallocated administrative expenses				(14,904)
Unallocated other operating expenses				(6,225)
Gain on disposal of a subsidiary				170,291
Fair value gain on derivative financial instruments				25,743
Finance costs				(14,944)
Profit before taxation				116,471
Income tax expenses				(16,005)
Profit for the year				100,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

6. Segment Information (continued)

(A) By Business Segments (continued)

Year ended 31 March 2018

	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products and related business HK$'000	Consolidated HK$'000
Segment revenue			
Major customer A	–	186,168	186,168
Major customer B	91,280	–	91,280
Other customers	108,596	25,815	134,411
	199,876	211,983	411,859
Segment results	(40,978)	627	(40,351)
Unallocated other income			6,592
Unallocated administrative expenses			(17,927)
Unallocated other operating expenses			(183)
Loss on disposal of available-for-sale financial assets			(3,357)
Fair value loss on derivative financial instruments			(17,136)
Finance costs			(7,715)
Loss before taxation			(80,077)
Income tax expense			–
Loss for the year			(80,077)

A major customer is a customer (including a group of entities under common control) with whom revenue from transactions amounted to 10% or more of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

6. Segment Information (continued)

(A) By Business Segments (continued)

An analysis of the Group's assets and liabilities by operating segments is set out below:

As at 31 March 2019

	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products and related business HK$'000	Vessel chartering HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment assets	69,008	452,710	88,098	182,999	792,815
Segment liabilities	19,976	341,822	6,006	195,801	563,605
Other segment information:					
Amortisation	(300)	–	–	–	(300)
Depreciation	(5,660)	–	(2,270)	(862)	(8,792)
Fair value gain on derivative financial instruments	–	–	–	25,743	25,743
Gain on disposal of a subsidiary	–	–	–	170,291	170,291
Gain (Loss) on disposal of property, plant and equipment, net	17,138	–	–	(801)	16,337
Loss on early redemption on promissory notes	–	–	(10,905)	–	(10,905)
Provision for impairment loss on trade receivables	(4,181)	(1,456)	(5)	–	(5,642)
Reversal of impairment loss on other receivables, deposits and prepayments	642	–	–	–	642
Reversal of write down of inventories	2,440	–	–	–	2,440
Write down of inventories	(2,007)	–	–	–	(2,007)
Write-back of trade payables	186	–	–	–	186
Deposits paid for acquisition of property, plant and equipment	1,311	–	–	–	1,311
Additions to property, plant and equipment	5,860	–	47,674	146	53,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

6. Segment Information (continued)

(A) By Business Segments (continued)

As at 31 March 2018

	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products and related business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment assets	166,288	98,263	219,271	483,822
Segment liabilities	65,235	58,447	209,720	333,402
Other segment information:				
Amortisation	(305)	–	–	(305)
Depreciation	(11,487)	–	(587)	(12,074)
Gain on disposal of financial assets at fair value through profit or loss, net	–	–	310	310
Fair value loss on derivative financial instruments	–	–	(17,136)	(17,136)
Loss on disposal of available-for-sale financial assets	–	–	(3,357)	(3,357)
Gain (Loss) on disposal of property, plant and equipment	96	–	(256)	(160)
Reversal of impairment loss on other receivables, deposits and prepayments	996	–	–	996
Impairment loss on property, plant and equipment	(24,291)	–	–	(24,291)
Deposits paid for acquisition of property, plant and equipment	731	22,770	–	23,501
Additions to property, plant and equipment	3,843	39,642	1,776	45,261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

6. Segment Information (continued)

(B) Geographical Information

(i) Revenue form external customers

	2019	2018
	HK$'000	HK$'000
Singapore	**364,662**	186,168
North America	**23,718**	103,037
Hong Kong	**1,028,873**	40,425
Japan	**15,772**	37,834
The PRC	**81,370**	34,551
Europe	**1,861**	3,528
Other countries	**567**	6,316
	1,516,823	411,859

The revenue information is based on the locations of the customers.

(ii) Non-current assets

	2019	2018
	HK$'000	HK$'000
Hong Kong	**1,046**	2,244
Singapore	**100,147**	62,412
The PRC	**33,826**	76,664
	135,019	141,320

The non-current assets information above is based on the locations of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

7. Other Income

	2019 HK$'000	2018 HK$'000
Bank interest income	1,799	2,392
Dividend income from listed equity investments	–	80
Exchange gain, net	–	3,796
Sales of scrap materials	4,540	2,466
Gain on disposal of financial assets at FVPL	–	310
Gain on disposal of property, plant and equipment, net	16,337	–
Equipment rental income	759	–
Reversal of impairment loss on other receivables, deposits and prepayments	642	996
Write-back of trade payables	186	–
Others	1,630	1,314
	25,893	11,354

8. Profit (Loss) Before Taxation

This is stated after charging (crediting):

	2019 HK$'000	2018 HK$'000
Finance costs		
Interest on bank borrowings	4,333	2,968
Interest on convertible bonds (Note 24)	9,037	4,747
Imputed interest on promissory notes (Note 23)	1,574	–
	14,944	7,715
Staff costs (excluding directors' emoluments in Note 10)		
Salaries, allowances and benefits-in-kind	19,886	39,972
Contribution to defined contribution plans	1,620	4,231
Voluntary termination benefits	22,713	–
	44,219	44,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

8. Profit (Loss) Before Taxation (continued)

This is stated after charging (crediting):

	2019 HK$'000	2018 HK$'000
Other items		
Auditor's remuneration		
– Audit services	1,200	1,080
– Non-audit services	563	370
Amortisation of prepaid lease payments	300	305
Cost of inventories (Note (i))	1,502,939	399,461
Depreciation	8,792	12,074
Exchange loss (gain), net (included in other operating expenses)	5,816	(3,796)
(Gain) Loss on disposal of property, plant and equipment, net	(16,337)	160
Operating lease charges for premises	4,956	1,320
Relocation costs (included in other operating expenses)	8,008	–
Reversal of write down of inventories	(2,440)	–
Write down of inventories	2,007	–

Note:

(i) Cost of inventories excludes write down of inventories and related reversal but includes HK$15,727,000 *(2018: HK$37,446,000)* relating to aggregate amount of certain staff costs, depreciation and operating lease charges for premises, which are included in the respective total amounts disclosed separately above.

9. Income Tax Expenses

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong Profits Tax	212	–
Singapore corporate income tax	185	–
	397	–
Withholding tax on capital gain upon disposal of a PRC wholly-owned subsidiary	15,438	–
Deferred tax (Note 25)	170	–
Total income tax expenses for the year	16,005	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

9. Income Tax Expense (continued)

PRC Enterprise Income Tax has not been provided *(2018: Nil)* as the Group's entities in the PRC incurred a loss for taxation purposes for the year.

Hong Kong Profits Tax has not been provided for the year ended 31 March 2018 as the Group's entities in Hong Kong incurred a loss for taxation purposes.

Where there are assessable profits, Hong Kong Profits Tax is calculated at 16.5% and PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits for both years.

Singapore corporate income tax ("CIT") is calculated at 17% *(2018: 17%)* of the estimated assessable profits for the year ended 31 March 2019. Singapore incorporated companies are granted with 20% CIT rebate, capped at SG$10,000 and they can also enjoy 75% tax exemption on the first SG$10,000 of normal chargeable income and a further 50% tax exemption on the next SG$290,000 of normal chargeable income during the year ended 31 March 2018. Such tax exemption scheme lapsed during the year ended 31 March 2019.

Indirect transfer of equity interests sourced in the PRC of non-resident enterprises is subject to withholding tax at a rate of 10% *(2018: Nil)* of the capital gain for the year ended 31 March 2019.

Reconciliation of income tax expenses

	2019 HK$'000	2018 HK$'000
Profit (Loss) before taxation	**116,471**	(80,077)
Tax calculated at domestic tax rates applicable to profit (loss) in the respective tax jurisdictions	**16,655**	(17,176)
Non-deductible expenses	**8,602**	1,448
Tax exempted revenue	**(28,238)**	(120)
Unrecognised temporary differences	**(2,476)**	3,332
Unrecognised tax losses	**8,208**	12,579
Utilisation of previously unrecognised tax losses	**(2,056)**	(59)
Withholding tax on capital gain upon disposal of a PRC wholly-owned subsidiary	**15,438**	–
Others	**(128)**	(4)
Income tax expenses	**16,005**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

10. Directors' Emoluments and Emoluments of Five Highest Paid Individuals

10(a) Directors' emoluments

The emoluments paid or payable to each of the following directors were as follows:

For the year ended 31 March 2019

	Directors' fees HK$'000	Salaries, allowance and benefits-in-kind HK$'000	Contribution to defined contribution plans HK$'000	Total HK$'000
Executive directors:				
Cheung Lai Na (Note (a))	–	600	30	630
Cheung Lai Ming	–	600	30	630
Lee Man Kwong (Note (b))	–	500	25	525
Law Ping Wah (Note (c))	–	230	11	241
Non-executive director:				
Lee Man Kwong (Note (b))	40	–	–	40
Independent non-executive directors:				
Leung King Fai	240	–	–	240
Chou Yuk Yan	240	–	–	240
Law Ping Wah (Note (c))	140	–	–	140
Chan Yau Ching, Bob (Note (d))	139	–	–	139
	799	1,930	96	2,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

10. Directors' Emoluments and Emoluments of Five Highest Paid Individuals (continued)

10(a) Directors' emoluments (continued)

For the year ended 31 March 2018

	Directors' fees HK$'000	Salaries, allowance and benefits-in-kind HK$'000	Contribution to defined contribution plans HK$'000	Total HK$'000
Executive directors:				
Cheung Lai Na (Note (a))	–	600	30	630
Cheung Lai Ming	–	600	30	630
Non-executive director:				
Lee Man Kwong (Note (b))	240	–	–	240
Independent non-executive directors:				
Leung King Fai	240	–	–	240
Law Ping Wah (Note (c))	90	–	–	90
Yeung Chi Shing, Bret (Note (e))	120	–	–	120
Chou Yuk Yan	240	–	–	240
	930	1,200	60	2,190

Notes:

(a) On 3 July 2017, Ms. Cheung Lai Na was re-designated as the Chairman from Interim Chairman of the Company.

(b) On 1 June 2018, Mr. Lee Man Kwong was re-designated as an executive director from a non-executive director of the Company.

(c) On 16 November 2017, Mr. Law Ping Wah was appointed as an independent non-executive director of the Company. On 1 November 2018, Mr. Law Ping Wah was re-designated as an executive director of the Company.

(d) On 3 September 2018, Dr. Chan Yau Ching, Bob was appointed as an independent non-executive director of the Company.

(e) On 30 September 2017, Mr. Yeung Chi Shing, Bret resigned as an independent non-executive director of the Company.

For the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments in respect of the years ended 31 March 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

10. Directors' Emoluments and Emoluments of Five Highest Paid Individuals (continued)

10(b) Emoluments of five highest paid individuals

The five highest paid individuals of the Group for the year included two *(2018: two)* directors whose emoluments are reflected in the analysis presented above and three *(2018: three)* non-director individuals whose emoluments are disclosed as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits-in-kind	**2,560**	3,198
Contribution to defined contribution plans	**73**	66
	2,633	3,264

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Up to HK$1,000,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1

For the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to the highest paid individuals as a payment for loss of office or as an inducement to join or upon joining the Group.

For the years ended 31 March 2019 and 2018, no individuals waived or agreed to waive any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

11. Earnings (Loss) Per Share

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Profit (Loss):		
Profit (Loss) attributable to owners of the Company, used in basic earnings (loss) per share calculation	**100,466**	(80,077)
Adjustment of profit (loss) attributable to owners of the Company:		
– Interest saving of the convertible bonds	**9,037**	–*
– Fair value gain on derivative financial instruments	**(25,743)**	–*
Profit (Loss) attributable to owners of the Company	**83,760**	(80,077)

	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**576,243,785**	576,243,785
Effect of dilutive potential ordinary shares: Conversion of convertible bonds	**222,222,222**	–*
Weighted average number of ordinary shares for the purpose of calculating dilutive earnings (loss) per share	**798,466,007**	576,243,785

* No adjustment/effect considered due to anti-dilutive effects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

12. Property, Plant and Equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Computers HK$'000	Vessels HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 March 2018								
At the beginning of the reporting period	25,381	2,068	58,579	309	1,461	196	–	87,994
Additions	–	–	3,738	856	898	127	39,642	45,261
Disposals	–	–	(91)	–	(279)	–	–	(370)
Depreciation	(1,004)	(569)	(9,736)	(252)	(452)	(61)	–	(12,074)
Impairment loss	–	(1,538)	(22,585)	(47)	(121)	–	–	(24,291)
Exchange realignment	2,605	188	5,477	8	45	4	–	8,327
At the end of the reporting period	26,982	149	35,382	874	1,552	266	39,642	104,847
Reconciliation of carrying amount – year ended 31 March 2019								
At the beginning of the reporting period	**26,982**	**149**	**35,382**	**874**	**1,552**	**266**	**39,642**	**104,847**
Additions	**–**	**5,223**	**637**	**–**	**–**	**146**	**47,674**	**53,680**
Disposals	**–**	**(1)**	**(128)**	**(737)**	**–**	**(71)**	**–**	**(937)**
Disposal of a subsidiary (Note 30)	**(23,947)**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,947)**
Depreciation	**(742)**	**(423)**	**(5,062)**	**(111)**	**(413)**	**(127)**	**(1,914)**	**(8,792)**
Exchange realignment	**(2,293)**	**(104)**	**(3,429)**	**(6)**	**(10)**	**(7)**	**132**	**(5,717)**
At the end of the reporting period	**–**	**4,844**	**27,400**	**20**	**1,129**	**207**	**85,534**	**119,134**
At 31 March 2018								
Cost	54,321	14,720	415,497	3,885	2,304	2,552	39,642	532,921
Accumulated depreciation and impairment losses	(27,339)	(14,571)	(380,115)	(3,011)	(752)	(2,286)	–	(428,074)
Net carrying amount	26,982	149	35,382	874	1,552	266	39,642	104,847
At 31 March 2019								
Cost	**–**	**5,322**	**214,520**	**324**	**2,018**	**1,227**	**87,443**	**310,854**
Accumulated depreciation and impairment losses	**–**	**(478)**	**(187,120)**	**(304)**	**(889)**	**(1,020)**	**(1,909)**	**(191,720)**
Net carrying amount	**–**	**4,844**	**27,400**	**20**	**1,129**	**207**	**85,534**	**119,134**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

12. Property, Plant and Equipment (continued)

With the introduction of new policies and regulations of urban development and environmental protections by the local government, together with chemical pollution and noises inherent from production activities at the cash-generating unit which consisted of the Group's printed circuit board ("PCB") manufacturing facility (the "PCB Plant"), which composed of prepaid lease payments and property, plant and equipment (the "PCB CGU"), and the increasing number of complaints brought by neighbouring residents and potential sanctions enacted by the local government, the Group was exposed to the risk of production suspension. In view of this, the Group initiated a feasibility study for the relocation of the PCB Plant during the year ended 31 March 2018 and on 28 March 2018, 華鋒微綫電子(惠州)工業有限公司 (Huafeng Microline (Huizhou) Circuits Limited*) ("Huafeng"), a wholly-owned subsidiary of the Company, entered into a lease agreement with an independent third party in relation to the potential relocation of the existing PCB CGU to vacant plant spaces (the "New PCB Plant") of the independent third party which was also engaged in PCB manufacturing, in Dongjiang Industrial Zone, Huizhou.

As at 31 March 2018, as production activities of the Group would be relocated to the New PCB Plant, the management had delinked the Group's prepaid lease payments and buildings (the "Land and Buildings") from the PCB CGU. The remaining portion of the PCB CGU that would be relocated to the New PCB Plant was identified as a new cash-generating unit (the "New PCB CGU").

During the year ended 31 March 2018, the management considered that the existence of above conditions indicated that certain non-current assets (other than vessels) of the Group might be impaired. In view of this, the management estimated the recoverable amount of the Land and Buildings and the New PCB CGU based on the valuation report prepared by an independent professional valuer.

As at 31 March 2018, the recoverable amount of the Land and Buildings were determined based on a fair value less costs of disposal calculation by reference to recent sale price of comparable assets adjusted for differences that are specific to the conditions of the relevant assets. Since the recoverable amount of the Land and Buildings exceeded its carrying amount, no impairment loss was recognised.

As at 31 March 2018, the recoverable amount of the New PCB CGU were determined based on a fair value less costs of disposal calculation by reference to replacement cost adjusted for the physical conditions and the relocation plan of the relevant assets. Accordingly, impairment loss of approximately HK$24,291,000 was recognised in profit or loss during the year ended 31 March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

12. Property, Plant and Equipment (continued)

As at 31 March 2019, in light of the reduction of revenue and operating losses of the PCB business (excluding the impact of gain on disposal of a subsidiary), the management estimated the recoverable amount of the New PCB CGU based on the valuation report prepared by an independent professional valuer based on a fair value less costs of disposal calculation by reference to replacement cost adjusted for the physical conditions and utility together with obsolescence and relative disabilities of the relevant assets. No adjustment to the carrying amount of the relevant assets is considered necessary.

The significant inputs into this valuation approach are the relevant price indices and expected useful life of the relevant assets.

The fair value of the New PCB CGU was categorised into the level 3 fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*.

During the year ended 31 March 2019, the Land and Buildings was disposed of upon the completion of disposal of 大鋒華微綫科技(惠州)有限公司 (Da Feng Hua Microline Technology (Huizhou) Company Ltd.)* ("Da Feng Hua"). Details of the disposal of the subsidiary are set out in Note 30 to the consolidated financial statements.

As at 31 March 2019, the carrying amount of the Group's vessels of approximately HK$85,534,000 *(2018: Nil)* was pledged to an independent supplier to secure a revolving credit limit of US$25,000,000 granted to the Group in respect of the purchase of marine fuel oil for the trading of petroleum and energy products and related business.

* English name is for identification purpose only.

13. Prepaid Lease Payments

Prepaid lease payments represent cost paid for leasehold land with lease term of 50 years since the renewal of the lease term in 2009 in the PRC that was classified as an operating lease. The cost was amortised over the lease term.

	2019 **HK$'000**	2018 HK$'000
At the beginning of the reporting period	**13,293**	12,319
Amortisation	**(300)**	(305)
Disposal of a subsidiary (Note 30)	**(11,873)**	–
Exchange realignment	**(1,120)**	1,279
At the end of the reporting period	**–**	13,293
Current portion included in prepayments	**–**	321
Non-current portion	**–**	12,972
	–	13,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

14. Subsidiaries

Details of principal subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Class of shares held	Place of incorporation and business	Attributable equity interest indirectly held by the Company	Issued/registered and fully paid-up capital	Principal activities	Legal form of corporate existence
Daisho Microline Limited	Ordinary	Hong Kong	100% *(2018: 100%)*	HK$2	Trading of printed circuit boards and petroleum and energy products	Private limited liability company
Pacific Dragon Energy Limited	Ordinary	Hong Kong	100% *(2018: 100%)*	HK$100,000	Trading of petroleum and energy products	Private limited liability company
Pacific Dragon (Hong Kong) Energy Limited	Ordinary	Hong Kong	100% *(2018: N/A)*	HK$1	Trading of petroleum and energy products	Private limited liability company
Pacific Dragon Trading Pte. Limited	Ordinary	Singapore	100% *(2018: 100%)*	US$6,000,000	Trading of petroleum and energy products	Private limited liability company
PE28 Pte. Limited	Ordinary	Singapore	100% *(2018: 100%)*	US$50,001	Provision of vessel chartering	Private limited liability company
PE138 Pte. Limited	Ordinary	Singapore	100% *(2018: 100%)*	US$50,001	Provision of vessel chartering	Private limited liability company
Da Feng Hua	Registered	The PRC	N/A *(2018: 100%)*	US$4,800,000 (Note)	Property holding	Wholly foreign – owned enterprise
Huafeng	Registered	The PRC	100% *(2018: 100%)*	US$37,200,000 (Note)	Manufacture of printed circuit boards	Wholly foreign – owned enterprise

Note: Pursuant to a resolution passed by shareholders of Huafeng in January 2018 and following completion of a spin-off restructuring, the registered capital of Huafeng has been reduced from US$62,000,000 to US$57,200,000 for setting up a new company, Da Feng Hua, with registered capital of US$4,800,000 under common shareholders. On 6 March 2019, the registered capital of Huafeng was further reduced to US$37,200,000 following the approval of relevant authorities in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

15. Inventories

	2019 HK$'000	2018 HK$'000
Raw materials	**731**	11,260
Work in progress	**–**	15,592
Finished goods	**–**	4,652
	731	31,504

16. Trade and Bill Receivables

	Note	2019 HK$'000	2018 HK$'000
Trade receivables			
– from related parties		**1,835**	–
– from third parties		**458,825**	83,757
	16(a)	**460,660**	83,757
Loss allowance	32	**(5,642)**	(219)
	16(a)	**455,018**	83,538
Bill receivables	16(b)	**1,392**	–
		456,410	83,538

16(a) Trade receivables

The trade receivables from related parties are unsecured, interest-free and repayable on demand. The Group's business with its trade debtors is mainly on credit basis and the credit period is ranging from 7 to 120 days *(2018: 7 to 120 days)*. At the end of the reporting period, the ageing analysis of trade receivables (before loss allowance) by invoice date is as follows:

	2019 HK$'000	2018 HK$'000
Less than 1 month	**313,450**	50,129
1 to 2 months	**75,704**	20,467
2 to 3 months	**1,529**	5,994
Over 3 months	**69,977**	7,167
	460,660	83,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

16. Trade and Bill Receivables (continued)

16(a) Trade receivables (continued)

At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance) by due date is as follows:

	2019	2018
	HK$'000	HK$'000
Not past due	**378,059**	69,104
Less than 1 month past due	**8,752**	11,704
1 to 2 months past due	**46,771**	2,419
2 to 3 months past due	**509**	33
Over 3 months past due	**20,927**	278
	455,018	83,538

As at 31 March 2018, the trade receivables that are past due but not impaired related to a number of independent customers that have a good track record with the Group. The Group has not recognised impairment on these balances as there has not been a significant change in credit quality and the directors of the Company believe that the amounts are recoverable.

Receivables that were neither past due nor impaired as at 31 March 2018 relate to a wide range of customers for whom there was no recent history of default.

Information about the Group's exposure to credit risks and loss allowance for trade receivables is included in Note 32 to the consolidated financial statements.

16(b) Bill receivables

As at 31 March 2019, all bill receivables are interest-free and guaranteed by banks in the PRC and have maturities of less than six months.

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Year ended 31 March 2019

17. Other Receivables, Deposits and Prepayments

	Note	2019 HK$'000	2018 HK$'000
Deposits and other receivables		**14,368**	20,352
Less: loss allowance	17(a)	**(11,607)**	(13,003)
		2,761	7,349
Prepayments		**3,776**	4,128
Bank interest receivables on time deposits		**–**	886
Value-added tax recoverable		**429**	1,049
Goods and services tax recoverable		**13,424**	–
		17,629	6,063
		20,390	13,412

17(a) Loss allowance

The movements on the loss allowance of the other receivables, deposits and prepayments during the year is summarised below. The comparative amounts represent the loss allowance for impairment losses recognised under HKAS 39.

	2019 HK$'000	2018 HK$'000
At the beginning of the reporting period	**13,003**	12,725
Amount recovered	**(642)**	(996)
Exchange realignment	**(754)**	1,274
At the end of the reporting period	**11,607**	13,003

Information about the Group's exposure to credit risks and loss allowance for deposits and other receivables is included in Note 32 to the consolidated financial statements.

18. Pledged Bank Deposits

The aggregate bank deposits of approximately HK$117,724,000 *(2018: HK$154,441,000)* were placed with banks in the PRC and Singapore to secure short-term bank loans of the Group. Therefore, those pledged bank deposits were classified as current assets. The pledged bank deposits earn interests at prevailing short-term deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. Cash and Cash Equivalents

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**62,541**	59,607

Bank balances in total of approximately HK$62,462,000 *(2018: HK$59,536,000)* carry interest at floating rates based on daily bank deposit rates.

As at 31 March 2019, bank balances that were placed with banks in the PRC amounted to approximately HK$11,729,000 *(2018: HK$5,803,000)*. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

20. Trade Payables

	2019 HK$'000	2018 HK$'000
Trade payables to third parties	**355,611**	77,044

The trade payables are non-interest bearing and the Group is normally granted with a credit term ranging from 7 to 90 days *(2018: 7 to 90 days)*.

The ageing analysis of trade payables, at the end of the reporting period based on the invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
Less than 1 month	**140,574**	39,676
1 to 2 months	**206,141**	9,465
2 to 3 months	**4,171**	14,128
Over 3 months	**4,725**	13,775
	355,611	77,044

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21. Other Payables and Accruals

	Note	2019 HK$'000	2018 HK$'000
Salaries and welfare payables		**472**	2,568
Deposits received from customers		**–**	1,146
Contract liabilities	21(a)	**705**	–
Payables for purchase of property, plant and equipment		**838**	5,169
Accrual for management services in respect of vessels		**5,885**	–
Accrual for utilities expenses		**4**	1,970
Others		**10,445**	14,993
		18,349	25,846

21(a) Contract liabilities

As at 31 March 2019, contract liabilities comprised of HK$705,000 of deposits received from customers on sale of printed circuit boards. Included in the contract liabilities as at 1 April 2018 of HK$1,146,000 was recognised as revenue during the year ended 31 March 2019.

The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue within one year or less.

22. Interest-Bearing Borrowings

At the end of the reporting period, the details of the secured bank loans of the Group are as follows:

2019 Effective interest rate (%)	2019 HK$'000	2018 Effective interest rate (%)	2018 HK$'000
HIBOR + 1.2% to LIBOR + 3.924%	**87,761**	HIBOR + 1.2% to LIBOR + 3.924%	105,543
4.28%	**10,700**	N/A	–
	98,461		105,543

As at 31 March 2019, all bank loans of HK$98,461,000 *(2018: HK$105,543,000)* are secured by the Group's pledged bank deposits amounting to HK$117,724,000 *(2018: HK$154,441,000)* (Note 18).

All bank loans are repayable within one year as at 31 March 2019 and 2018.

Certain banking facilities are subject to the fulfilment of covenants relating to the relevant borrowing entities' financial ratios based on their statements of financial position, as are commonly found in lending arrangements with financial institutions. If the relevant borrowing entities were to breach the covenants, the drawn down facilities would become repayable on demand. As at 31 March 2019, none of the covenants relating to drawn down facilities had been breached.

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23. Promissory Note Payable

	2019 HK$'000	2018 HK$'000
At the beginning of the reporting period	28,272	–
Issued during the year	33,294	28,272
Early redemption of promissory notes	(63,140)	–
Imputed interest expense	1,574	–
Carrying value at the end of the reporting period	–	28,272
Face value, at the end of the reporting period	–	33,310

Notes:

(i) On 27 March 2018, a promissory note in the principal amount of HK$33,310,000 (the "PN 1") was issued by the Company to Inter-Pacific Group Pte. Limited (the "Vendor"), a company incorporated in Singapore with limited liability which is principally engaged in trading of petrochemical products and owned as to 50% by Ms. Cheung Lai Na, the Chairman and an executive director of the Company, and 50% by independent third parties as part of consideration amounting to HK$44,680,000 for acquisition of one of four vessels, named Pacific Energy 28, upon fulfillment of the conditions set out in the sale and purchase agreement (the "Agreement") entered with the Vendor on 29 September 2017.

The PN 1 may be redeemed by the Company at any time by giving the Vendor prior notice. HK$6,702,000 was paid to the Vendor by cash as deposit of acquisition of Pacific Energy 28 at the date of the Agreement and the remaining consideration of HK$4,668,000 was settled by payment of cash on 18 May 2018.

The fair value of the PN 1 at issue date was approximately HK$28,272,000, based on the valuation performed by an independent professional valuer. The PN 1 is interest free and will mature in 2 years from the issue date. The effective interest rate of the PN 1 is determined to be approximately 8.54% per annum.

On 23 May 2018, the Company has exercised its right to early redeem part of the PN 1 in the principal amount of approximately HK$14,950,000. On 19 February 2019, the Company has further redeemed all of the remaining principal amount of the PN 1 of approximately HK$18,360,000. The carrying value of the PN 1 on redemption dates was approximately HK$12,849,000 and HK$16,775,000 respectively. Settlement loss of approximately HK$3,686,000 was charged to profit or loss during the year ended 31 March 2019.

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Year ended 31 March 2019

23. Promissory Note Payable (continued)

Notes: (Continued)

(ii) On 31 January 2019, a promissory note in the principal amount of HK$40,735,000 (the "PN 2") was issued by the Company to the Vendor as part of consideration of HK$54,640,000 for acquisition of one of four vessels, named Pacific Energy 138, upon fulfillment of conditions set out in the Agreement entered with the Vendor on 29 September 2017.

The PN 2 may be redeemed by the Company at any time before maturity by giving the Vendor prior notice. HK$8,196,000 was paid to the Vendor by cash as deposit of acquisition of Pacific Energy 138 at the date of the Agreement and the remaining consideration of HK$5,709,000 was settled by payment of cash on 18 February 2019.

The fair value of the PN 2 at issue date was approximately HK$33,294,000, based on the valuation performed by an independent professional valuer. The PN 2 is interest free and will mature in 2 years from the issue date. The effective interest rate of the PN 2 are determined to be approximately 10.61% per annum.

On 25 February 2019, the Company exercised its right to early redeem all of the PN 2 of HK$40,735,000. The carrying value of the PN 2 on redemption date was approximately HK$33,516,000. Settlement loss of approximately HK$7,219,000 was charged to profit or loss during the year ended 31 March 2019.

(iii) Refundable deposits of HK$14,574,000 in relation to acquisition of the remaining two vessels, namely, Pacific Energy 8 and Pacific Energy 168, which were paid on 29 September 2017 by the Company in accordance with the Agreement were recognised as deposits paid for acquisition of property, plant and equipment. Details of the acquisition of the four vessels have been disclosed in the Company's circular dated 27 December 2017.

On 1 March 2019, the Group and the Vendor have entered into a supplemental agreement to further extend the Long-Stop Date (as defined in the Company's circular dated 27 December 2017) with retrospective effect from 30 September 2018 to 30 September 2019. Up to the date of approval of these consolidated financial statements, the acquisition of the remaining two vessels has yet to be completed.

24. Convertible Bonds

On 26 May 2017, the Company has entered into the supplemental placing agreement with the placing agent (the "Supplemental Placing Agreement") to amend certain terms of the conditional placing agreement dated 28 November 2016 entered into between the Company and the placing agent in relation to the placing of the convertible bonds of the Company in the principal amount of up to HK$130,000,000 on a best effort basis (the "2016 Placing Agreement").

Pursuant to the Supplemental Placing Agreement, the maximum principal amount of the convertible bonds to be placed, on a best effort basis, by the placing agent pursuant to the 2016 Placing Agreement has been revised from HK$130,000,000 to HK$80,000,000, the conversion price of the convertible bonds has been revised from HK$0.65 per share (subject to adjustment) to HK$0.36 per share (subject to adjustment), the interest rate attached to the convertible bonds has been revised from 8% per annum to 6% per annum on the principal amount of the convertible bonds outstanding from time to time, and the default interest rate has been revised from 5% per annum to 6% per annum.

Convertible bonds with coupon interest rate of 6% per annum payable quarterly in arrears in the principal of HK$80,000,000 will mature on the third anniversary of the issue date.

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Year ended 31 March 2019

24. Convertible Bonds (continued)

Details of the placing of the convertible bonds, including the placing agreement, Supplemental Placing Agreement, conditions precedent, revised use of proceeds, change in shareholdings structure of the Company and effect of full conversion of the convertible bonds have been disclosed in the Company's announcements dated 24 January 2017 and 26 May 2017.

On 22 September 2017, convertible bonds with an aggregated principal amount of HK$80,000,000 have been successfully placed. The net proceeds were approximately HK$77,194,000.

Upon issuance, the holder of the convertible bonds at any time up till 21 September 2020, could convert the convertible bonds into the Company's shares at HK$0.36 per share, subject to adjustments (i.e., the conversion option). The Company has the right to redeem the convertible bonds in whole or in part at any time before the maturity date at its face value (i.e., the call option). Both the conversion option and call option are classified as derivative financial instruments and stated at fair value. The excess of proceeds over the derivative financial instruments is recognised as the liability component. The fair values of the derivative financial instruments were determined with reference to a valuation conducted by an independent professional valuer.

The fair values of the derivative financial instruments were valued using the Binomial Option Pricing Model, with the following key inputs:

	2019	2018
Stock price	**HK$0.240**	HK$0.465
Exercise price	**HK$0.360**	HK$0.360
Volatility	**76.80%**	91.34%
Option life	**17 months**	29 months
Risk-free interest rate	**1.42%**	1.47%
Discount rate	**11.22%**	8.56%

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Year ended 31 March 2019

24. Convertible Bonds (continued)

The movement of the convertible bonds is as follows:

Derivative components, classified as net financial liabilities at FVPL

	Conversion option HK$'000	Call option HK$'000	Total HK$'000
At the issue date	54,442	(44,192)	10,250
Fair value changes	10,336	6,800	17,136
At 31 March 2018 and at 1 April 2018	**64,778**	**(37,392)**	**27,386**
Fair value changes	**(50,083)**	**24,340**	**(25,743)**
At 31 March 2019	**14,695**	**(13,052)**	**1,643**

Liability component, classified as financial liability at amortised costs

	HK$'000
Nominal value of the convertible bonds issued	80,000
Derivative components	(10,250)
Transaction costs allocated	(2,806)
At the issue date	66,944
Effective interest expenses	4,747
Interest paid	(2,380)
At 31 March 2018 and at 1 April 2018	**69,311**
Effective interest expenses	**9,037**
Interest paid	**(4,800)**
At 31 March 2019	**73,548**

The effective interest rate of the liability component on initial recognition is 12.62% per annum.

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25. Deferred Taxation

The followings are the deferred tax liabilities recognised and movements thereon during the year:

	Depreciation allowance HK$'000
At 1 April 2017, 31 March 2018 and 1 April 2018	–
Charge to profit or loss (Note 9)	170
At 31 March 2019	**170**

Unrecognised deferred tax assets arising from

	2019 HK$'000	2018 HK$'000
Deductible temporary differences	–	50,139
Tax losses arising in Hong Kong	177,691	164,616
Tax losses arising in the PRC	119,594	94,525
	297,285	309,280

Neither the tax losses arising in Hong Kong nor the deductible temporary differences expire under current tax legislation, while the tax losses arising in the PRC will expire in one to five years. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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26. Share Capital

	2019		2018	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Ordinary share of HK$0.1 each				
Authorised:				
At the beginning of the reporting period and at the end of the reporting period	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At the beginning of the reporting period and at the end of the reporting period	**576,243,785**	**57,624**	576,243,785	57,624

27. Reserves

(a) Share premium

The application of share premium is governed by section 40 of the Bermuda Companies Act 1981. Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to the share premium account.

(b) Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of the Company's shares issued pursuant to the Group's reorganisation in 1989 and the nominal value of the shares and the share premium account of the subsidiaries acquired.

(c) Exchange translation reserve

Exchange translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation as set out in Note 2 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. Share-Based Payments

Pursuant to the Company's special general meeting on 22 November 2016 (the "Date of Adoption"), an ordinary resolution was passed to approve and adopt the new share option scheme of the Company (the "Scheme") which was further subject to approval by the Listing Committee of the Stock Exchange (the "Listing Committee") granting the approval for the listing of, and permission to deal in, any ordinary share of the Company which may fall to be issued pursuant to the exercise of the options (the "Listing Approval"). On 23 June 2017, the Listing Approval was confirmed by the Listing Committee.

The purpose of the Scheme is to provide incentives or rewards to the eligible persons for their contribution to, and continuing efforts to promote interests of, the Company and to enable the Group to recruit and retain high-calibre employees. Eligible persons of the Scheme include (i) any director (whether executive or non-executive, including independent non-executive director) or employee (whether full time or part time) of the Company or any of its subsidiaries or associated companies; (ii) consultant, adviser, supplier or customer of the Company or any of its subsidiaries or associated companies; and (iii) any other group of classes of participants which the Board of Directors may, from time to time in its absolute discretion, consider appropriate on basis of such participants' contribution or potential contribution to the development, growth or benefit of the Company or any of its subsidiaries or associated companies. The Scheme will remain in force for 10 years from the Date of Adoption, unless otherwise terminated or altered.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not exceed 10% of the total number of shares in issue as at the Date of Adoption of the Scheme (the "10% Limit") or the date of any shareholders' meeting in refreshing the 10% Limit, if applicable. The maximum number of shares issued and issuable to each eligible person under the Scheme in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue as at proposed grant date. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to an independent non-executive director or a substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the total number of shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000 within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board of Directors and commences from the date on which the offer of share options is duly accepted by the grantee in accordance with the Scheme.

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28. Share-Based Payments (continued)

The exercise price of share options is determinable by the Board of Directors, and shall be at least the highest of (i) the closing price of the the Company's shares as stated in the Stock Exchange's daily quotation on the date of the offer of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the share options; and (iii) the nominal value of the Company's shares.

No share options had been granted, exercised or lapsed during the years ended 31 March 2019 and 2018 and there were no outstanding share options as at 31 March 2019 and 2018.

29. Other Cash Flow Information

(a) Major non-cash transaction

During the year ended 31 March 2019, a promissory note in the principal amount of HK$40,735,000 (*2018: HK$33,310,000*) was issued by the Company as part of consideration for the acquisition of a vessel (Note 23).

(b) Reconciliation of liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

For the year ended 31 March 2019

	Interest-bearing borrowings HK$'000	Promissory note payable HK$'000	Derivative financial instruments HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 April 2018	105,543	28,272	27,386	69,311	230,512
Fair value gain on derivative financial instruments	–	–	(25,743)	–	(25,743)
Finance costs	4,333	1,574	–	9,037	14,944
Payment for purchase of property, plant and equipment	–	33,294	–	–	33,294
Loss on early redemption on promissory notes	–	10,905	–	–	10,905
Cash inflow (outflow) in financing activities:					
New bank loans raised	205,744	–	–	–	205,744
Repayment of bank loans	(212,826)	–	–	–	(212,826)
Redemption on Promissory note	–	(74,045)	–	–	(74,045)
Interest paid	(4,333)	–	–	(4,800)	(9,133)
At 31 March 2019	98,461	–	1,643	73,548	173,652

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Year ended 31 March 2019

29. Other Cash Flow Information (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

For the year ended 31 March 2018

	Interest-bearing borrowings HK$'000	Promissory note payable HK$'000	Derivative financial instruments HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 April 2017	114,342	–	–	–	114,342
Fair value loss on derivative financial instruments	–	–	17,136	–	17,136
Finance costs	2,968	–	–	4,747	7,715
Payment for purchase of property, plant and equipment	–	28,272	–	–	28,272
Cash inflow (outflow) in financing activities:					
New bank loans raised	107,676	–	–	–	107,676
Repayment of bank loans	(116,475)	–	–	–	(116,475)
Proceeds from issue of convertible bonds, net of issue costs	–	–	10,250	66,944	77,194
Interest paid	(2,968)	–	–	(2,380)	(5,348)
At 31 March 2018	105,543	28,272	27,386	69,311	230,512

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30. Disposal of a Subsidary

On 21 August 2018, Daisho Microline Limited and Juko Industrial Limited (collectively the "Sellers", both are wholly-owned subsidiaries of the Company) and an independent third party (the "Purchaser") entered into a conditional sales and purchases agreement (the "Sales and Purchases Agreement") pursuant to which the Sellers agreed to sell and the Purchaser agreed to purchase the entire issued shares in Da Feng Hua, a wholly-owned subsidiary of the Company, which owns the Land and Buildings of the Group (the "Disposal").

The consideration for the Disposal is HK$200,000,000, in which deposit of HK$20,000,000 in relation to the Disposal was received in May 2018 in accordance with the Sales and Purchases Agreement. Details of the Disposal have been disclosed in the Company's circular dated 21 September 2018. The Disposal was completed on 25 December 2018. The aggregate amounts of assets and liabilities attributable to Da Feng Hua at the date of disposal were as follows:

	HK$'000
Net assets disposed of	
Property, plant and equipment (Note 12)	23,947
Prepaid lease payments (Note 13)	11,873
Bank balances and cash	598
Other payables and accruals	(594)
Net assets upon disposal	35,824
Transaction costs and professional fees	1,969
Release of exchange translation reserve	(8,084)
Gain on disposal of a subsidiary	170,291
Consideration	200,000
Net cash inflow on disposal	
Cash consideration received	200,000
Less: bank balances and cash disposed of and direct costs	(2,567)
	197,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

31. Significant Related Party Transactions

In addition to the transactions information disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

	2019 HK$'000	2018 HK$'000
(a) Related party transactions		
Vessel chartering income (Note)	**10,915**	–
Consultancy fee paid to a former independent non-executive director	**–**	300

Note: Vessel chartering income represents leasing of Pacific Energy 28 and Pacific Energy 138 to Pacific Energy 28 Pte. Limited and Pacific Energy 138 Pte. Limited, respectively, the wholly-owned subsidiaries of the Vendor. These related party transactions constitute continuing connected transaction as defined in Chapter 14 of the Listing Rules. Further disclosures about these transactions have been disclosed in the Report of the Directors of the annual report of the Company.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, representing amounts paid to the Company's directors and certain of the highest paid employees as disclosed in Note 10 to the consolidated financial statements, is as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits-in-kind	**4,711**	5,145
Contribution to defined contribution plans	**106**	116
	4,817	5,261

The remuneration was based on the terms mutually agreed between the Group and the related parties.

In the opinion of the Company's directors, these related party transactions were conducted in the ordinary course of business of the Group.

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Year ended 31 March 2019

32. Financial Risk Management

The Group's principal financial instruments comprise pledged bank deposits, cash and cash equivalents, interest-bearing borrowings, promissory note payable, derivative financial instruments, convertible bonds, other receivables, deposits and prepayments and other payables and accruals. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bill receivables and trade payables, which arise directly from its operations.

The accounting policies for financial instruments have been applied to the line items below:

	Financial assets at amortised cost HK$'000
As at 31 March 2019	
Assets as per consolidated statement of financial position	
Refundable deposits included in deposits paid for acquisition of property, plant and equipment	14,564
Trade and bill receivables	456,410
Financial assets included in other receivables, deposits and prepayments	2,761
Pledged bank deposits	117,724
Cash and cash equivalents	62,541
Total	654,000

	Financial liabilities at FVPL HK$'000	Financial liabilities at amortised costs HK$'000	Total HK$'000
Liabilities as per consolidated statement of financial position			
Trade payables	–	355,611	355,611
Financial liabilities included in other payables and accruals	–	14,553	14,553
Interest-bearing borrowings	–	98,461	98,461
Derivative financial instruments	1,643	–	1,643
Convertible bonds	–	73,548	73,548
Total	1,643	542,173	543,816

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32. Financial Risk Management (continued)

	Loans and receivables HK$'000
As at 31 March 2018	
Assets as per consolidated statement of financial position	
Refundable deposits included in deposits paid for acquisition of property, plant and equipment	22,770
Trade receivables	83,538
Financial assets included in other receivables, deposits and prepayments	8,235
Pledged bank deposits	154,441
Cash and cash equivalents	59,607
Total	328,591

	Financial liabilities at FVPL HK$'000	Financial liabilities at amortised costs HK$'000	Total HK$'000
Liabilities as per consolidated statement of financial position			
Trade payables	–	77,044	77,044
Financial liabilities included in other payables and accruals	–	24,700	24,700
Interest-bearing borrowings	–	105,543	105,543
Promissory note payable	–	28,272	28,272
Derivative financial instruments	27,386	–	27,386
Convertible bonds	–	69,311	69,311
Total	27,386	304,870	332,256

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

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Year ended 31 March 2019

32. Financial Risk Management (continued)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in Note 22 to the consolidated financial statements.

The Group's policy is to minimise the interest rate risk for interest-bearing borrowings with an original tenor of more than one year by fixing the interest rate at the commencement of the tenor. The Group may make use of interest rate swaps transactions in order to effect fixed interest rates for such borrowings if required.

At the end of the reporting period, if interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by HK$985,000 *(2018: loss before tax would increase/decrease by HK$1,055,000)*.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2018.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group operates in Hong Kong, the PRC and Singapore with most of the transactions denominated and settled in either US$, HK$ or RMB. As HK$ is pegged to US$, the management considers the risk of movements in exchange rates between HK$ and US$ to be insignificant. The Group is mainly exposed to the foreign currency risk of RMB.

The Group may enter into forward currency contracts with reference to the estimated cash flows in foreign currencies in order to manage the foreign currency exposures as and when appropriate. The Group has not entered into hedging activities to hedge against the exposure to foreign exchange risk of RMB.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of the Group's profit (loss) before tax and the Group's equity, in respect of the monetary assets and liabilities based on their carrying amounts at the end of the reporting period.

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32. Financial Risk Management (continued)
Foreign currency risk (continued)

	Increase (Decrease) in exchange rates %	**Increase (Decrease) in profit before tax HK$'000**	**Increase (Decrease) in equity* HK$'000**
As at 31 March 2019			
If HK$ weakens against RMB	**1.0**	**(478)**	**–**
If HK$ strengthens against RMB	**(5.0)**	**2,388**	**–**

	Increase (Decrease) in exchange rates %	Increase (Decrease) in loss before tax HK$'000	Increase (Decrease) in equity* HK$'000
As at 31 March 2018			
If HK$ weakens against RMB	10.0	4,093	–
If HK$ strengthens against RMB	(1.0)	(409)	–

* *Excluding accumulated losses*

The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Credit risk
The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

Trade receivables

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtor balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

32. Financial Risk Management (continued)

Credit risk (continued)

Trade receivables (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group had a concentration of credit risk as 57% *(2018: 23%)* and 94% *(2018: 70%)* of the Group's trade receivables was due from the Group's largest customer and the five largest customers, respectively. The Group manages the concentration of credit risk by continuously broadening the customer base of the Group.

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

There was no change in the estimation techniques or significant assumptions made during the year ended 31 March 2019.

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix as at 31 March 2019 is summarised below.

As at 31 March 2019

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired
Not past due	0.34	379,355	1,296	No
Less than 1 month past due	0.34	8,782	30	No
1 to 2 months past due	0.34	46,932	161	No
2 to 3 months past due	0.34	511	2	No
More than 3 months past due	16.56	25,080	4,153	No
		460,660	5,642	

The Group does not hold any collateral over trade receivables as at 31 March 2019 and 2018.

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Year ended 31 March 2019

32. Financial Risk Management (continued)

Credit risk (continued)

Trade receivables (continued)

At the end of the reporting period, the Group recognised loss allowance of HK$5,642,000 (*2018: HK$219,000*) on the trade receivables. The movement in the loss allowance for trade receivables during the year is summarised below. The comparative amounts represent the loss allowance for impairment losses recognised under HKAS 39.

	2019 **HK$'000**	2018 HK$'000
At the beginning of the reporting period	**219**	199
Increase in allowance	**5,642**	–
Amount written off	**(205)**	–
Exchange realignment	**(14)**	20
At the end of the reporting period	**5,642**	219

The significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during the year:

(i) origination of new trade receivables; and

(ii) change in past due trade receivables.

Other receivables and deposits

Save as impairment allowance of individual debtors provided at 1 April 2018 using ECL under HKFRS 9, which approximate to the impairment loss under HKAS 9, the management of the Group considers that the remaining other receivables and deposits have low credit risk based on its strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Impairment on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures. In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years and the financial position of the counterparties, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of other receivables and deposits to be insignificant after taking into account the financial position and credit quality of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

32. Financial Risk Management (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade debtors) and projected cash flows from operations.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents as well as adequate banking facilities and generates funds from public fund raisings to meet its operation needs at any time.

The maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below:

	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
As at 31 March 2019			
Trade payables	**355,611**	**–**	**355,611**
Financial liabilities included in other payables and accruals	**14,553**	**–**	**14,553**
Interest-bearing borrowings	**98,636**	**–**	**98,636**
Convertible bonds	**4,787**	**82,400**	**87,187**
	473,587	**82,400**	**555,987**

	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
As at 31 March 2018			
Trade payables	77,044	–	77,044
Financial liabilities included in other payables and accruals	24,700	–	24,700
Interest-bearing borrowings	105,591	–	105,591
Promissory note payable	–	33,310	33,310
Convertible bonds	4,800	87,187	91,987
	212,135	120,497	332,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

32. Financial Risk Management (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement.

The Group monitors capital using a gearing ratio, which is the interest-bearing bank borrowings, promissory note payable and liability component of convertible bonds divided by total capital. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting period were as follows:

	2019	2018
	HK$'000	HK$'000
Interest-bearing borrowings	**98,461**	105,543
Liability component of convertible bonds	**73,548**	69,311
Promissory note payable	**–**	28,272
	172,009	203,126
Equity attributable to owners of the Company	**229,210**	150,420
Gearing ratio	**75%**	135%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

33. Fair Value Measurements

The following table presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis as at 31 March 2019 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 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;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

– Level 3 (lowest level): unobservable inputs for the asset or liability.

Financial liabilities measured at fair value

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Liabilities measured at fair value				
Derivative financial instruments	**–**	**–**	**1,643**	**1,643**

	2018			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities measured at fair value				
Derivative financial instruments	–	–	27,386	27,386

During the years ended 31 March 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

In the opinion of the directors of the Company, no financial assets and liabilities of the Group are carried at amount materially different from their fair values as at 31 March 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

33. Fair Value Measurements (continued)

Financial liabilities measured at fair value (continued)

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy are as follows:

	Derivative financial instruments HK$'000
At the issue date	10,250
Changes in fair value recognised in profit or loss during the year	17,136
At 31 March 2018 and 1 April 2018	27,386
Changes in fair value recognised in profit or loss during the year	(25,743)
At 31 March 2019	**1,643**
Changes in unrealised gain for the year included in profit or loss for the net liability held as at 31 March 2019	**25,743**

The description of sensitivity of changes in unobservable input for recurring Level 3 fair value measurement is as follows:

Liability	Fair value hierarchy	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Derivative financial instruments	Level 3	Binomial Option Pricing Model	Expected volatility	The higher the expected volatility, the higher the fair value

The description of the valuation techniques and inputs used in fair value measurement for derivative financial instruments are set out in Note 24 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

34. Commitments

(a) Capital commitments

At the end of the reporting period, capital commitments not provided for in the consolidated financial statements were as follows:

	2019 **HK$'000**	2018 HK$'000
Contracted but not provided for, net of deposits paid in respect of – property, plant and equipment (Note)	**83,824**	129,134

Note: The amount included the remaining capital commitments for acquisition of vessels of HK$82,586,000 (*2018: HK$129,030,000*).

(b) Operating leases commitments

As Lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases for premises, which are payable as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**1,089**	3,852
In the second to fifth years inclusive	**63**	413
	1,152	4,265

Operating lease payments represent rentals payable by the Group for its factory and office. Leases are negotiated for terms ranging from 1 year to 6 years (*2018: 3 years*).

On 23 April 2019, the Group has signed a tenancy agreement with an independent third party for a period of 3 years. The total future minimum lease payments under this non-cancellable operating lease are approximately HK$3,535,000.

As Lessor

At the end of the reporting period, the Group had total future aggregate minimum rental receivables under non-cancellable operating leases for vessels and certain equipment are as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**21,388**	–
In the second to fifth years inclusive	**11,112**	–
	32,500	–

The Group leases out all of its vessels and certain equipment under operating leases with lease terms ranging from twenty four months and twenty six months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

35. Litigation

In January 2017, Mr. Harry Chan, a former executive director, Chief Executive Officer and Chairman of the Company who was removed from his duties effective from 23 December 2016, filed a claim for a total sum of approximately HK$4,300,000 in respect of wages in lieu of notice, annual leave pay, rest day pay and long service payment (the "Claims") in the Labour Tribunal against the Company which was then transferred to the Court of First Instance as High Court Action No. HCA 1082/2017 (the "1st Action").

The directors of the Company consider that the claim from Mr. Harry Chan is without merit and have been advised by the Group's lawyers that it is not likely that the High Court would find the Company liable for the 1st Action. The directors of the Company are of the opinion that it is not probable that an outflow of economic benefits will be required and therefore no provision for the Claims is considered necessary.

On 24 May 2017, the Company and Huafeng as first and second plaintiffs filed a statement of claim to the High Court in High Court Action No. 818/2018 against Mr. Harry Chan for his breaches (i) under the terms of his service agreement; and/or (ii) of his fiduciary and statutory duties to both the Company and Huafeng as an executive director (the "2nd Action"). The ultimate liability or amount is to be assessed. Pursuant to the order made by the High Court on 20 June 2017, the 1st Action was consolidated with the 2nd Action. The directors of the Company are of the opinion, with reference to the opinion of the Group's lawyer, any damages (or part thereof) may set off against any amounts which may be awarded in Mr. Harry Chan's favour (if any) in the 1st Action.

Up to the date of approval of these consolidated financial statements, there is no further update from the High Court for the above cases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2019

36. Statement of Financial Position of the Company

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Interest in subsidiaries		–	–
Current assets			
Amount due from subsidiaries		211,233	255,146
Refundable deposits		14,574	22,770
Prepayments		690	2,248
Cash and cash equivalents		399	88
		226,896	280,252
Current liabilities			
Other payables and accruals		841	5,477
Net current assets		226,055	274,775
Total assets less current liabilities		226,055	274,775
Non-current liabilities			
Promissory note payable		–	28,272
Derivative financial instruments		1,643	27,386
Convertible bonds		73,548	69,311
		75,191	124,969
NET ASSETS		150,864	149,806
Capital and reserves			
Share capital	26	57,624	57,624
Reserves	36(a)	93,240	92,182
TOTAL EQUITY		150,864	149,806

This statement of financial position was approved and authorised for issue by the Board of Directors on 26 June 2019 and signed on its behalf by

Cheung Lai Na	**Cheung Lai Ming**
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

36. Statement of Financial Position of the Company (continued)

36(a) Movement of the reserves

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	128,492	38,295	(16,156)	150,631
Loss and total comprehensive loss for the year	–	–	(58,449)	(58,449)
At 31 March 2018	128,492	38,295	(74,605)	92,182
At 1 April 2018	128,492	38,295	(74,605)	92,182
Profit and total comprehensive profit for the year	–	–	1,058	1,058
At 31 March 2019	**128,492**	**38,295**	**(73,547)**	**93,240**

The Company's contributed surplus is derived from the difference between the combined net assets of the subsidiaries acquired and the nominal value of the Company's shares issued pursuant to the same reorganisation described in Note 27(b) to the consolidated financial statements. Under the Bermuda Companies Act 1981, a company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

The directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2019 (*2018: Nil*).

37. Events After the Reporting Period

In addition to the events disclosed elsewhere in these consolidated financial statements, there are no other subsequent events.