

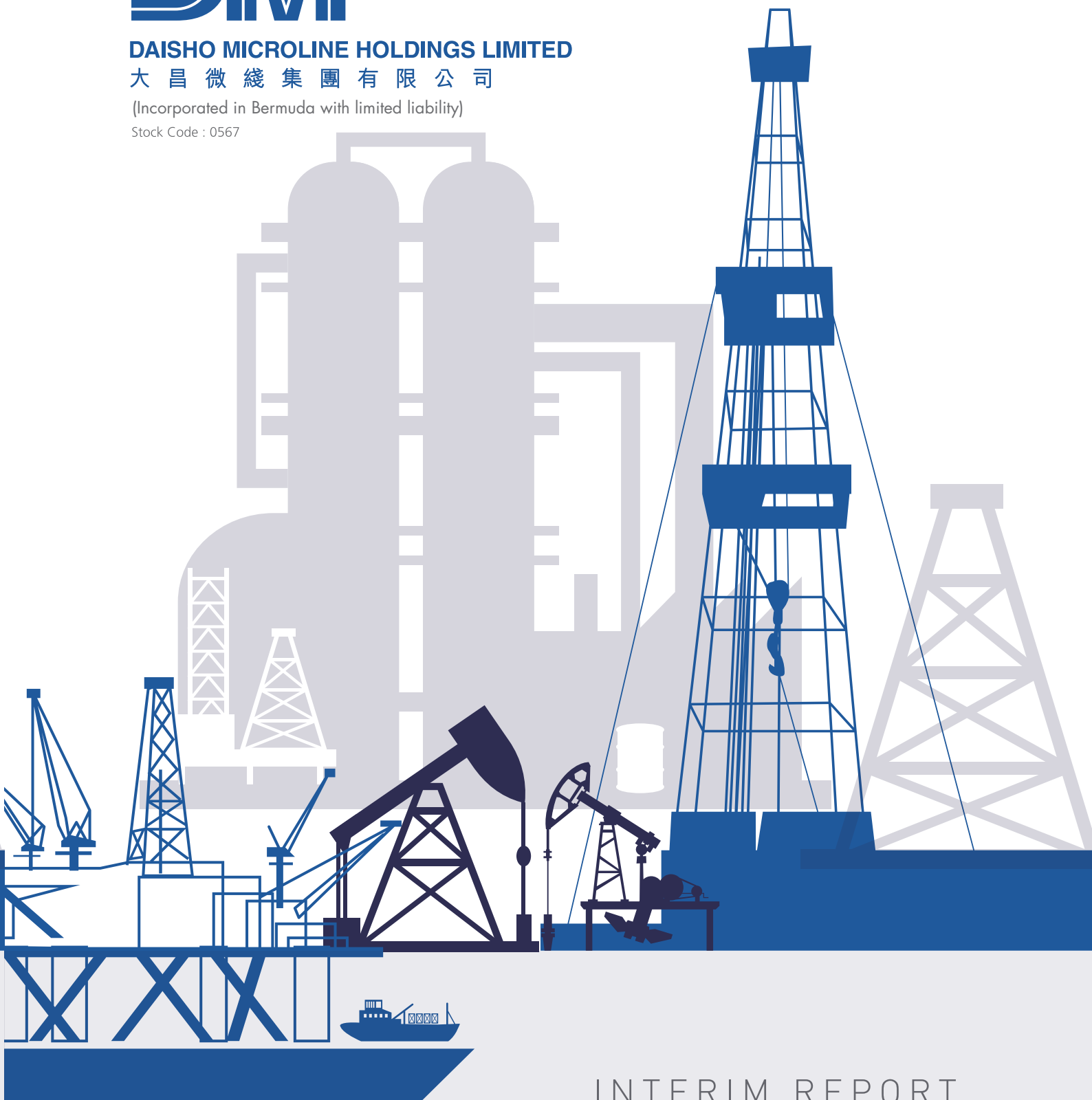


DAISHO MICROLINE HOLDINGS LIMITED

大昌微綫集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 0567



INTERIM REPORT
2019 · 2020

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Daisho Microline Holdings Limited (the “Company”) presents the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2019 together with the comparative figures for the corresponding period in 2018 as follows. The interim results have not been audited by the external auditors but they have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	(Unaudited)	
		Six months ended 30 September	
		2019	2018
		HK\$'000	HK\$'000
Revenue	3	1,185,545	347,560
Cost of sales		<u>(1,163,332)</u>	<u>(345,556)</u>
Gross profit		22,213	2,004
Other income	4	4,252	26,483
Selling and distribution expenses		(3,645)	(3,431)
Administrative expenses		(28,396)	(23,371)
Other operating expenses		(352)	(8,253)
Loss on early redemption of promissory note		–	(2,100)
Fair value gain on derivative financial instruments	16	1,372	25,073
Provision for impairment loss on trade receivables		(27,852)	–
Provision for impairment loss on other receivables		(3,938)	–
Provision for impairment loss on deposits paid for acquisition of property, plant and equipment	15	(14,574)	–
Equity-settled share-based payment expenses	19	(1,577)	–
Staff compensation		–	(25,242)
Finance costs	5	<u>(12,970)</u>	<u>(7,894)</u>
Loss before taxation	5	(65,467)	(16,731)
Income tax expenses	6	<u>(83)</u>	<u>(184)</u>
Loss for the period		<u>(65,550)</u>	<u>(16,915)</u>
Loss per share			
Basic and diluted	8	<u>HK(11.38) cents</u>	<u>HK(2.94) cents</u>



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Loss for the period	<u>(65,550)</u>	<u>(16,915)</u>
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of functional currency to presentation currency	<u>(4,741)</u>	<u>(17,299)</u>
Other comprehensive loss for the period	<u>(4,741)</u>	<u>(17,299)</u>
Total comprehensive loss for the period	<u><u>(70,291)</u></u>	<u><u>(34,214)</u></u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	9	115,653	119,134
Deposits paid for acquisition of property, plant and equipment	15(iii)	–	15,885
		<u>115,653</u>	<u>135,019</u>
CURRENT ASSETS			
Inventories		82	731
Trade and bill receivables	11	124,955	456,410
Other receivables, deposits and prepayments	12	22,503	20,390
Pledged bank deposits		42,991	117,724
Cash and cash equivalents		43,808	62,541
		<u>234,339</u>	<u>657,796</u>
CURRENT LIABILITIES			
Trade payables	13	32,215	355,611
Other payables and accruals		14,556	18,349
Interest-bearing borrowings	14	47,252	98,461
Derivative financial instruments	16	271	–
Convertible bonds	16	75,712	–
Current portion of lease liabilities	10	1,448	–
Tax payable		15,823	15,823
		<u>187,277</u>	<u>488,244</u>
NET CURRENT ASSETS		<u>47,062</u>	<u>169,552</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>162,715</u>	<u>304,571</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
	Note		
NON-CURRENT LIABILITIES			
Derivative financial instruments	16	–	1,643
Convertible bonds	16	–	73,548
Non-current portion of lease liabilities	10	2,168	–
Deferred tax liabilities		51	170
		<u>2,219</u>	<u>75,361</u>
NET ASSETS		<u><u>160,496</u></u>	<u><u>229,210</u></u>
CAPITAL AND RESERVES			
Share capital		57,624	57,624
Reserves		102,872	171,586
TOTAL EQUITY		<u><u>160,496</u></u>	<u><u>229,210</u></u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019 (Unaudited)

	Reserves							Sub-total HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000			
At 1 April 2019	57,624	128,492	9,379	88,678	-	(54,963)	171,586	229,210	
Loss for the period	-	-	-	-	-	(65,550)	(65,550)	(65,550)	
Other comprehensive loss									
<i>Exchange difference on translation of functional currency to presentation currency</i>	-	-	-	(4,741)	-	-	(4,741)	(4,741)	
Total comprehensive loss for the period	-	-	-	(4,741)	-	(65,550)	(70,291)	(70,291)	
Transactions with owners									
<i>Contributions and distributions</i>									
Recognition of equity-settled share-based payment expenses	-	-	-	-	1,577	-	1,577	1,577	
Total transactions with owners	-	-	-	-	1,577	-	1,577	1,577	
At 30 September 2019	<u>57,624</u>	<u>128,492</u>	<u>9,379</u>	<u>83,937</u>	<u>1,577</u>	<u>(120,513)</u>	<u>102,872</u>	<u>160,496</u>	
At 1 April 2018	57,624	128,492	9,379	110,354	-	(155,429)	92,796	150,420	
Loss for the period	-	-	-	-	-	(16,915)	(16,915)	(16,915)	
Other comprehensive loss									
<i>Exchange difference on translation of functional currency to presentation currency</i>	-	-	-	(17,299)	-	-	(17,299)	(17,299)	
Total comprehensive loss for the period	-	-	-	(17,299)	-	(16,915)	(34,214)	(34,214)	
At 30 September 2018	<u>57,624</u>	<u>128,492</u>	<u>9,379</u>	<u>93,055</u>	<u>-</u>	<u>(172,344)</u>	<u>58,582</u>	<u>116,206</u>	



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(65,467)	(16,731)
Adjustments for:		
Interest income	(756)	(626)
Depreciation	5,581	4,632
Amortisation of prepaid lease payments	–	152
Equity-settled share-based payment expenses	1,577	–
Fair value gain on derivative financial instruments	(1,372)	(25,073)
Loss (Gain) on disposal of property, plant and equipment	16	(21,468)
Loss on early redemption of promissory note	–	2,100
Provision for impairment loss on trade receivables	27,852	–
Provision for impairment loss on other receivables	3,938	–
Provision for impairment loss on deposits paid for acquisition of property, plant and equipment	14,574	–
Reversal of write down of inventories	(2,157)	(2,590)
Finance costs	12,970	7,894
Operating cash flows before changes in working capital	(3,244)	(51,710)
Changes in working capital:		
Inventories	2,660	28,589
Trade and bill receivables	302,379	(96,637)
Other receivables, deposits and prepayments	(6,155)	(2,698)
Trade payables	(322,680)	11,523
Other payables and accruals	(2,661)	17,896
Cash used in operations	(29,701)	(93,037)
Income tax paid	(83)	–
Interest received	756	1,062
Net cash used in operating activities	(29,028)	(91,975)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 September 2019

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment, including deposits paid	(913)	(6,122)
Proceeds from disposal of property, plant and equipment	48	22,839
Decrease (Increase) in pledged bank deposits	69,275	(13,442)
Net cash from investing activities	68,410	3,275
FINANCING ACTIVITIES		
New bank and other loans raised	332,791	136,342
Repayment of bank loans	(384,000)	(25,228)
Repayment of principal of promissory note	–	(14,950)
Repayment of lease liabilities	(558)	–
Interest paid	(10,725)	(4,906)
Net cash (used in) from financing activities	(62,492)	91,258
Net (decrease) increase in cash and cash equivalents	(23,110)	2,558
Cash and cash equivalents at beginning of period	62,541	59,607
Effect of foreign exchange rate changes, net	4,377	5,325
Cash and cash equivalents at end of period	43,808	67,490
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	43,808	67,490
Less: included in the assets classified as held for sale	–	(4)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows and condensed consolidated statement of financial position	43,808	67,486



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The preparation of these unaudited condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2019, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by HKICPA. They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2019 (the “Annual Report”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value.

The accounting policies and methods of computation applied in the preparation of these unaudited condensed consolidated financial statements are the same as those adopted in preparing the Annual Report except for the adoption of the new/revised HKFRSs, which are relevant to the Group as detailed in note 2 below which are effective for current interim period.

2. Adoption of New/Revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new/revised HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s unaudited condensed consolidated financial statements:

HKFRS 16	<i>Leases</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Employee Benefits</i>
Amendments to HKAS 28	<i>Investments in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>2015-2017 Cycle</i>

Except for HKFRS 16 as set out below, the adoption of those new/revised HKFRSs does not have any significant impact on the Group’s unaudited condensed consolidated financial statements for current and prior periods.



2. Adoption of New/Revised HKFRSs (continued)

HKFRS 16 Leases

The Group has adopted HKFRS 16, which replaced HKAS 17, and the related consequential amendments to other HKFRSs for the current period which resulted in changes in accounting policies. In accordance with the transition provisions of HKFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 April 2019.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

Upon the initial adoption of HKFRS 16, the Group recognised the lease liabilities in relation to leases which had previously been classified as operating leases except for those are otherwise exempted. The Group did not reassess if a contract was or contained a lease at adoption. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to profit or loss to the period in which it is incurred on the basis that produces a constant periodic rate of interest on the remaining lease liability balance.

At the inception of a contract that contains a lease component, as a lessee, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone-price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before the date of initial application. The right-of-use assets were recognised in the condensed consolidated statement of financial position and included in "property, plant and equipment".

Depreciation was charged to profit or loss on a straight-line basis over the shorter of the assets useful lives or over the unexpired term of lease.



2. Adoption of New/Revised HKFRSs (continued)

HKFRS 16 Leases (continued)

The following table reconciles the adjustments made to the carrying amounts recognised in relation to the lease commitment in the condensed consolidated statement of financial position at the date of initial application of HKFRS 16 on 1 April 2019:

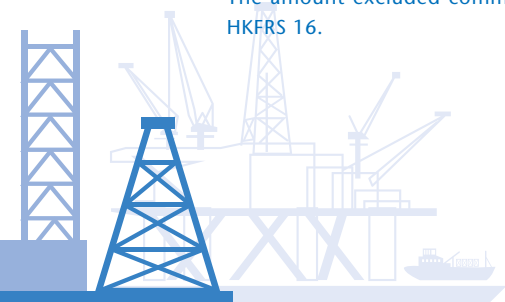
	Carrying amounts on 31 March 2019 under HKAS 17 HK\$'000	Adjustments HK\$'000	Carrying amounts on 1 April 2019 under HKFRS 16 HK\$'000
Non-current assets			
Right-of-use assets, presented in property, plant and equipment	–	198	198
Current liabilities			
Lease liabilities	–	130	130
Non-current liabilities			
Lease liabilities	–	68	68

When measuring lease liabilities for leases previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average discount rate applied is 5%.

	At 1 April 2019 HK\$'000
Operating lease commitment at 31 March 2019 (Note)	200
Lease liabilities recognised at 1 March 2019 discounted using the incremental borrowing rate	198
Analysed as:	
Current	130
Non-current	68
	198

Note:

The amount excluded commitments on short-term leases which are exempted from recognising assets and liabilities under HKFRS 16.



3. Revenue and Segment Information

The principal activities of the Group are investment holding, manufacturing and trading of printed circuit boards, trading of petroleum and energy products and related business and vessel chartering.

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Revenue from contracts with customers within HKFRS 15		
Manufacturing and trading of printed circuit boards	26,014	102,321
Trading of petroleum and energy products	1,148,398	240,552
Revenue from other sources		
Vessel chartering income	11,133	4,687
	1,185,545	347,560

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 certain other income generated, selling and distribution expenses, administrative expenses, equity-settled share-based payment expenses, other operating expenses and finance costs incurred by the corporate office and fair value gain on derivative financial instruments.

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.



3. Revenue and Segment Information (continued)

(A) By Business Segments

Six months ended 30 September 2019 (unaudited)

	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 A	–	615,556	–	615,556
Major customer B	–	285,681	–	285,681
Major customer C	–	149,383	–	149,383
Other customers	26,014	97,778	11,133	134,925
	<u>26,014</u>	<u>1,148,398</u>	<u>11,133</u>	<u>1,185,545</u>
Segment results				
	<u>(3,155)</u>	<u>(49,059)</u>	<u>6,819</u>	<u>(45,395)</u>
Unallocated other income				–
Unallocated selling and distribution expenses				(15)
Unallocated administrative expenses				(4,880)
Unallocated other operating expenses				(2,002)
Equity-settled share-based payment expenses				(1,577)
Fair value gain on derivative financial instruments				1,372
Finance costs				<u>(12,970)</u>
Loss before taxation				(65,467)
Income tax expense				<u>(83)</u>
Loss for the period				<u>(65,550)</u>



3. Revenue and Segment Information (continued)**(A) By Business Segments** (continued)

Six months ended 30 September 2018 (unaudited)

	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 D	–	161,949	–	161,949
Major customer E	–	51,303	–	51,303
Major customer F	45,364	–	–	45,364
Other customers	56,957	27,300	4,687	88,944
	<u>102,321</u>	<u>240,552</u>	<u>4,687</u>	<u>347,560</u>
Segment results	<u>(18,812)</u>	<u>(2,385)</u>	<u>1,347</u>	(19,850)
Unallocated other income				626
Unallocated selling and distribution expenses				(1,070)
Unallocated administrative expenses				(6,189)
Unallocated other operating expenses				(8,253)
Fair value gain on derivative financial instruments				25,073
Finance costs				<u>(7,068)</u>
Loss before taxation				(16,731)
Income tax expense				<u>(184)</u>
Loss for the period				<u><u>(16,915)</u></u>

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.



3. Revenue and 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 30 September 2019 (unaudited)

	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	61,770	113,728	83,425	91,069	349,992
Segment liabilities	17,434	41,254	2,917	127,891	189,496

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



3. Revenue and Segment Information (continued)**(B) Geographical Information**

(i) Revenue from external customers

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong	616,148	198,305
The People's Republic of China (the "PRC")	13,576	56,976
Singapore	543,975	55,990
North America	8,772	19,562
Japan	1,848	13,817
Europe	1,919	851
Other countries	35	2,059
	1,185,545	347,560

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

(ii) Non-current assets

	(Unaudited)	(Audited)
	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
Hong Kong	5,530	1,046
Singapore	81,179	100,147
The PRC	28,944	33,826
	115,653	135,019

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



4. Other Income

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Bank interest income	756	626
Gain on disposal of property, plant and equipment	–	21,468
Gain on disposal of scrap materials	1,681	3,738
Equipment rental income	744	–
Others	1,071	651
	<u>4,252</u>	<u>26,483</u>

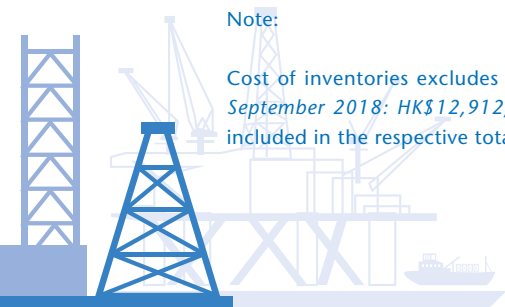
5. Loss Before Taxation

Loss before taxation is arrived at after charging (crediting):

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Finance costs		
Interest on bank borrowings	8,306	2,101
Interest on convertible bonds	4,583	4,582
Interest on other loans	–	385
Finance charges on lease liabilities	81	–
Imputed interest on promissory notes	–	826
	<u>12,970</u>	<u>7,894</u>
Other items		
Amortisation of prepaid lease payments	–	152
Cost of inventories (Note)	1,165,489	348,146
Depreciation	5,581	4,632
Exchange loss, net	282	7,952
Loss (Gain) on disposal of property, plant and equipment, net	16	(21,468)
Operating lease charges	922	1,857
Staff costs (including directors' emoluments)	6,895	43,627
Reversal of write down of inventories, included in cost of sales	(2,157)	(2,590)
	<u>(2,157)</u>	<u>(2,590)</u>

Note:

Cost of inventories excludes write down of inventories and related reversal but includes HK\$2,482,000 (six months ended 30 September 2018: HK\$12,912,000) relating to staff costs, depreciation and operating lease charges for premises, which are included in the respective total amounts disclosed separately above.



6. Income Tax Expenses

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	–	–
Singapore corporate income tax	<u>83</u>	<u>184</u>
Total income tax expenses for the period	<u><u>83</u></u>	<u><u>184</u></u>

PRC Enterprise Income Tax has not been provided as the Group's entities in the PRC incurred a loss for taxation purposes during both periods.

Hong Kong Profits Tax has not been provided as the Group's entities in Hong Kong incurred a loss for taxation purposes during both periods.

Singapore corporate income tax ("CIT") is calculated at 17% (*six months ended 30 September 2018: 17%*) of the estimated assessable profits without corporate income tax rebate (*six months ended 30 September 2018: 20%, capped at Singapore Dollars ("SG\$") 10,000*). Singapore incorporated companies 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\$190,000 of normal chargeable income during the six months ended 30 September 2019 (*six months ended 30 September 2018: 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*).

7. Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2019 to the shareholders (*six months ended 30 September 2018: Nil*).



8. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the period as follows:

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
Loss attributable to owners of the Company (HK\$'000)	<u>(65,550)</u>	<u>(16,915)</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>576,243,785</u>	<u>576,243,785</u>
Basic loss per share (HK cents)	<u>(11.38)</u>	<u>(2.94)</u>

(b) Diluted loss per share

As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation for the six months ended 30 September 2019 and 2018, the conversion of the potential dilutive ordinary shares is not assumed in the computation of the diluted loss per share for the six months ended 30 September 2019 and 2018. On 6 August 2019, the Company granted 38,400,000 share options to certain eligible participants (the "Grantees") resulting in potential dilutive ordinary shares. There were no potential dilutive ordinary shares in issue during the six months ended 30 September 2018. The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2019 and 2018.

9. Property, Plant and Equipment

During the six months ended 30 September 2019, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK\$1,386,000 (*six months ended 30 September 2018: approximately HK\$132,546,000*). The Group has written off and disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$64,000 (*six months ended 30 September 2018: approximately HK\$1,371,000*) during the six months ended 30 September 2019.



10. Leases

	(Unaudited) 30 September 2019 HK\$'000
<hr/>	
Right-of-use assets	
Leased properties and office equipments	<u>3,493</u>

	(Unaudited) 30 September 2019 HK\$'000
<hr/>	
Lease liabilities	
Current	1,448
Non-current	<u>2,168</u>
	<u>3,616</u>

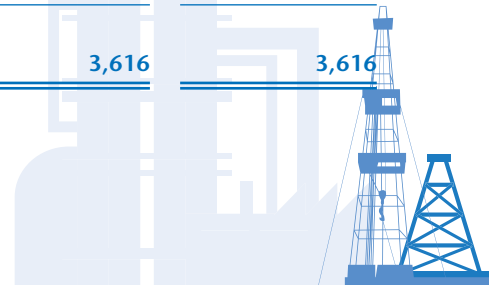
The depreciation of the leased properties and office equipments charged to profit or loss during the six months ended 30 September 2019 amounted to approximately HK\$600,000.

The operating lease expenses on short-term leases and leases of low-value assets recognised in profit or loss during the six months ended 30 September 2019 amounted to approximately HK\$922,000.

The total cash outflow for leases for the six months ended 30 September 2019 was approximately HK\$558,000.

Commitments and present value of lease liabilities:

	(Unaudited)	
	Lease payments at	Present value of lease payments at
	30 September	30 September
	2019	2019
	HK\$'000	HK\$'000
<hr/>		
Amounts payable:		
Within one year	1,596	1,448
In the second to fifth years inclusive	<u>2,259</u>	<u>2,168</u>
	3,855	3,616
Less: future finance charges	<u>(239)</u>	-
Total lease liabilities	<u>3,616</u>	<u>3,616</u>



11. Trade and Bill Receivables

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Trade receivables		
– from related parties	–	1,835
– from third parties	158,421	458,825
	158,421	460,660
Loss allowance	(33,494)	(5,642)
	124,927	455,018
Bill receivables	28	1,392
	124,955	456,410

The Group's business with its trade debtors is mainly on credit basis and the credit period is ranging from 7 to 120 days (31 March 2019: 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:

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Less than 1 month	2,020	313,450
1 to 2 months	2,063	75,704
2 to 3 months	2,599	1,529
Over 3 months	151,739	69,977
	158,421	460,660



11. Trade and Bill Receivables (continued)

At the end of the reporting period, the ageing analysis of trade receivables (net of allowance for doubtful debts) which are past due but not impaired is as follows:

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Not past due	4,334	378,059
Less than 1 month past due	6,931	8,752
1 to 2 months past due	113,318	46,771
2 to 3 months past due	299	509
Over 3 months past due	45	20,927
	<u>124,927</u>	<u>455,018</u>

As at 30 September 2019, trade receivables with credit-impaired amounted to HK\$9,544,000 are assessed individually and trade receivables which are not credit-impaired amounted to HK\$148,877,000 are assessed under a provision matrix based on internal credit rating.

The movement of the loss allowance on trade and bill receivables, by measurement basis of expected credit losses ("ECL"), is as follows:

For the six months ended 30 September 2019

	Lifetime ECL			Total HK\$'000
	12-month ECL HK\$'000	Not credit- impaired HK\$'000	Credit- impaired HK\$'000	
At 1 April 2019 (audited)	–	5,642	–	5,642
Changes in allowance	–	18,308	9,544	27,852
At 30 September 2019 (unaudited)	<u>–</u>	<u>23,950</u>	<u>9,544</u>	<u>33,494</u>

The following significant changes in the gross carrying amounts of the assets contributed to the increase in the loss allowance during the six months ended 30 September 2019:

- (i) Full provision of the trade receivables amounting HK\$9,544,000 from a customer who was known to have financial difficulties by the management of the Group; and
- (ii) Increase in long outstanding debtors from trading of petroleum and energy products and related business.



12. Other Receivables, Deposits and Prepayments

		(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Deposits and other receivables		17,924	14,368
Less: loss allowance	(i)	<u>(14,957)</u>	<u>(11,607)</u>
		2,967	2,761
Prepayments		4,839	3,776
Value-added tax recoverable		192	429
Goods and services tax recoverable		<u>14,505</u>	<u>13,424</u>
		<u>19,536</u>	<u>17,629</u>
		<u><u>22,503</u></u>	<u><u>20,390</u></u>

Note:

- (i) Increase in the loss allowance of other receivables during the six months ended 30 September 2019 mainly contributed from the full provision of deposit amounting HK\$3,938,000 paid to a customer who was known to have financial difficulties for purchase of goods in respect of trading of petroleum and energy products (Note 11(i)). The customer has been both customer and supplier in respect of trading of petroleum and energy products since the year ended 31 March 2018.

The movements on the loss allowance of the other receivables, deposits and prepayments during the six months ended 30 September 2019 is summarised below.

	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Audited) Year ended 31 March 2019 HK\$'000
At the beginning of the reporting period	11,607	13,003
Changes in allowance	3,938	(642)
Exchange realignment	<u>(588)</u>	<u>(754)</u>
At the end of the reporting period	<u><u>14,957</u></u>	<u><u>11,607</u></u>



13. Trade Payables

The trade payables are non-interest-bearing and the Group is normally granted with credit terms in range of 7 to 90 days (*31 March 2019: 7 to 90 days*).

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

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Less than 1 month	1,545	140,574
1 to 2 months	5,607	206,141
2 to 3 months	17,536	4,171
Over 3 months	7,527	4,725
	<u>32,215</u>	<u>355,611</u>

14. Interest-Bearing Borrowings

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Secured bank loans repayable within one year	<u>47,252</u>	<u>98,461</u>

At 30 September 2019 and 31 March 2019, all bank loans were subjected to floating interest rates.

At the end of the reporting period, except for certain bank loans denominated in United States dollars equivalent to HK\$39,252,000 (*31 March 2019: HK\$65,461,000*), all other bank loans were denominated in Hong Kong dollars.

At the end of the reporting period, all bank loans are secured by the Group's pledged bank deposits amounting to HK\$42,991,000 (*31 March 2019: HK\$117,724,000*).



15. Promissory Notes Payable

		(Unaudited) Six Months ended 30 September 2019	(Audited) Year ended 31 March 2019
	Note	HK\$'000	HK\$'000
At the beginning of the reporting period		–	28,272
Issued during the period/year	(i), (ii)	–	33,294
Early redemption of promissory notes	(i)	–	(63,140)
Imputed interest expense		–	1,574
Carrying value at the end of the reporting period		–	–
Face value, at the end of the reporting period		–	–

Note:

- (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 (“Ms Cheung”), a former Chairman and executive director of the Company, and 50% by independent third parties as part of consideration amounting 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.

On 23 May 2018, the Company has exercised its right to early redeem part of the PN 1 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.

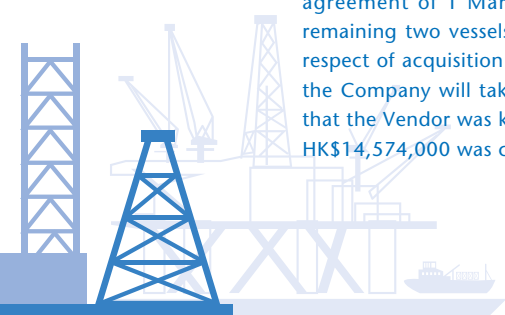
- (ii) On 31 January 2019, a promissory note in the principal amount of HK\$40,735,000 (the “PN 2”) was issued by the Company to the Vendor as part of consideration of HK\$54,640,000 for acquisition of one of four vessels, named Pacific Energy 138, upon fulfillment of conditions set out in the Agreement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

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. 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.

On 30 September 2019, being the extended Long-Stop Date as stipulated in the above-mentioned supplemental agreement of 1 March 2019, the conditions precedent of the Agreement with respect to the acquisition of the remaining two vessels had not been satisfied. Accordingly, the Agreement was terminated and the promissory note in respect of acquisition of the remaining two vessels would not be issued. In the event that such termination materialises, the Company will take such action as may be necessary to procure the return of the deposits paid. In view of the fact that the Vendor was known to have financial difficulties, an impairment loss on the refundable deposits of approximately HK\$14,574,000 was charged to profit or loss during the six months ended 30 September 2019.



16. Convertible Bonds

The carrying amounts of the convertible bonds recognised are calculated as follows:

Derivative components, classified as net financial liabilities at fair value through profit or loss

	Conversion option HK\$'000	Call option HK\$'000	Total HK\$'000
At 1 April 2018	64,778	(37,392)	27,386
Fair value changes	<u>(50,083)</u>	<u>24,340</u>	<u>(25,743)</u>
At 31 March 2019 (audited)	14,695	(13,052)	1,643
Fair value changes	<u>(11,892)</u>	<u>10,520</u>	<u>(1,372)</u>
At 30 September 2019 (unaudited)	<u>2,803</u>	<u>(2,532)</u>	<u>271</u>

Liability component, classified as financial liability at amortised costs

	HK\$'000
At 31 March 2018 and at 1 April 2018 (audited)	69,311
Effective interest expenses	9,037
Interest paid	<u>(4,800)</u>
At 31 March 2019 (audited)	73,548
Effective interest expenses	4,583
Interest paid	<u>(2,419)</u>
At 30 September 2019 (unaudited)	<u>75,712</u>

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

The fair values of the derivative financial instruments were determined with reference to a professional valuation conducted by an independent professional valuer for the respective dates.



17. Fair Value Measurement

The following table presents the liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis as at 30 September 2018 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;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

Financial liabilities measured at fair value

	30 September 2019			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Liabilities				
Derivative financial instruments	–	–	271	271
	=	=	=	=
	31 March 2019			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Liabilities				
Derivative financial instruments	–	–	1,643	1,643
	=	=	=	=

During the six months ended 30 September 2019, 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 liabilities of the Group are carried at amount materially different from their fair values as at 30 September 2019 and 31 March 2019.



17. Fair Value Measurement (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	
	(Unaudited) Six months ended 30 September 2019 HK\$'000	(Audited) Year ended 31 March 2019 HK\$'000
At the beginning of the reporting period	1,643	27,386
Changes in fair value recognised in profit or loss during the period/year	(1,372)	(25,073)
At the end of the reporting period	271	1,643
Changes in unrealised gain for the period/year included in profit or loss for the net liability held as at 30 September 2019/ 31 March 2019	1,372	25,073

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 16.



18. Related Party Transactions

The Group had the following transactions with a related party during the period:

	(Unaudited)	
	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Vessel chartering income	<u>7,747</u>	<u>4,687</u>

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 and will be terminated with effect from 30 November 2019.

19. Commitments

(a) Capital commitments

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

	(Unaudited)	(Audited)
	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
Contracted but not provided for net of deposits paid in respect of – property, plant and equipment	<u>–</u>	<u>83,824</u>

(b) Operating lease 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:

	(Unaudited)	(Audited)
	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
Within one year paid in respect of	<u>643</u>	<u>1,089</u>

At 30 September 2019, the balance only represented commitment for short-term leases and leases of low-value assets. The total future minimum lease payments for the non-cancellable operating leases after initial application of HKFRS 16 on 1 April 2019 is set out in Note 10. In accordance with the transition provisions of HKFRS 16, comparative information is not restated.



19. Commitments (continued)**(b) Operating lease commitments** (continued)

As Lessor

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

	(Unaudited) 30 September 2019 HK\$'000	(Audited) 31 March 2019 HK\$'000
Within one year paid in respect of	5,569	21,388
In the second to fifth years inclusive	397	11,112
	<u>5,966</u>	<u>32,500</u>

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.

20. Share-Based Payments

Movements on the number of share options outstanding during the period are as follows:

	Number of share options
At 1 April 2019 (audited)	–
Granted during the period (Note i)	<u>38,400,000</u>
At 30 September 2019 (unaudited)	<u><u>38,400,000</u></u>

Note:

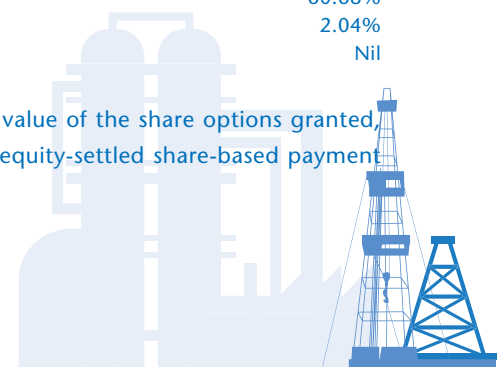
- (i) On 6 August 2019 (the “Date of Grant”), the Company offered to grant a total of 38,400,000 share options at an exercise price of HK\$0.222 per share of the Company to certain eligible participants (the “Grantees”) pursuant to the Share Option Scheme of the Company. The Grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe a total of 38,400,000 ordinary shares in the share capital of the Company.

The validity period of the share options is from 7 August 2019 to 1 August 2020.

The fair values of share options granted on 6 August 2019 ranges from approximately HK\$0.040 to HK\$0.042 per option, which are calculated using a Binomial Option Pricing Model by an independent valuer, Roma Appraisal Limited, with the following key inputs:

Share price at the date of grant	HK\$0.204
Exercise price	HK\$0.222
Expected volatility	60.68%
Risk-free interest rate	2.04%
Expected dividends	Nil

During the six months ended 30 September 2019, with reference to the fair value of the share options granted, the Group recognised approximately HK\$1,577,000 (31 March 2019: Nil) as equity-settled share-based payment expenses.



21. Litigation

(a) Litigation with Mr. Harry Chan

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 the Group 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 this report, there is no further update from the High Court for the above cases.

(b) Litigation with Societe Generale

On 17 September 2019, the Group received an amended writ of summons (the "Writ") issued by Societe Generale, Singapore Branch (the "Plaintiff") in which, among others, Pacific Dragon (Hong Kong) Energy Limited ("Pacific Dragon") and Daisho Microline Limited ("DML"), two wholly-owned subsidiaries of the Company, have been joined as additional defendants to the proceedings of the High Court of Hong Kong (case number HCA 1617/2019) (the "Proceedings") which were originally issued against, among others, (1) Ms. Cheung, an ex-director of the Company who resigned on 4 September 2019 and an ex-shareholder of the Company holding approximately 20.84% interest in the Company on trust for her family until she ceased to hold any of the interest on trust for her family on 14 August 2019, and (2) Inter-Pacific Petroleum Pte Ltd ("Inter-Pacific Petroleum"), a wholly owned subsidiary of the Vendor. Pursuant to the Writ, the Plaintiff claims, among other things, against Inter-Pacific Petroleum for payment for breach of certain trade finance facilities granted to Inter-Pacific Petroleum in the outstanding sum as at 28 August 2019 of approximately US\$89,849,000.

In connection with the Writ, the Plaintiff obtained an injunction order against, among others, Pacific Dragon and DML, pursuant to which (1) Pacific Dragon is restricted from disposing of or dealing with the sum of approximately US\$24,963,000 paid into its bank account during the period from 1 June 2019 to 31 August 2019 and any of its assets whether within or outside Hong Kong up to the same value; and (2) DML is restricted from disposing of or dealing with the sum of approximately US\$6,653,000 paid into its bank account during the period from 1 June 2019 to 31 August 2019 and any of its assets whether within or outside Hong Kong up to the same value. The injunction order was continued on the return hearing held on 20 September 2019. The hearing has been adjourned to be heard on 5 February 2020. The above details have been disclosed in the Company's announcements dated 4 September 2019, 18 September 2019 and 29 October 2019 respectively.

As at 30 September 2019, the bank balances of DML and Pacific Dragon subject to above litigation amounted to approximately HK\$10,283,000.



21. Litigation (continued)

(c) Litigation with the Vendor

In November 2019, the Company instructed its lawyer to issue a legal letter to the Vendor, demanding the Vendor to return the deposit of HK\$14,574,000 to the Company which had paid the Vendor for the acquisition of the two of the four vessels pursuant to the Sale and Purchase Agreement dated 29 September 2017. Pursuant to the Sales and Purchase Agreement, the third consideration would be satisfied by the Company in the following manner: (i) on the date this Agreement, a cash payment of HK\$14,574,000 (the "Third Deposit"); (ii) at third completion, a cash payment of HK\$10,151,000 and the balance of the remaining third consideration, equivalent to HK\$72,435,000, will be settled by the Company issuing to the Vendor (or its designated nominee) the promissory note in the principal amount of HK\$72,435,000. In the event that the conditions specified in the Agreement are not fulfilled or waived on or before 30 September 2019, the Third Deposit shall be returned by the Vendor to the Company (or such persons as it may direct), without interest, in immediately available funds within five business days from the 30 September 2019. As the conditions precedent of the Agreement with respect to the acquisition of Pacific Energy 8 and Pacific Energy 168 have not been fulfilled, in particular, mortgage 8 and mortgage 168 have not been discharged in full by the 30 September 2019 and the Agreement had been terminated accordingly. The Vendor had to fulfill its obligation to return the Third Deposit to the Company by the prescribed deadline. Therefore, the Company issued a legal letter to demand the Vendor to make an immediately repayment of the Third Deposit in the sum of HK\$14,574,000 to the Company.

22. Events After the Reporting Period

Save as disclosed elsewhere in these unaudited condensed consolidated financial statements, there are no other subsequent events.



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the period ended 30 September 2019, the Group's total revenue was approximately HK\$1,185.6 million, representing an increase of 241% as compared with approximately HK\$347.6 million for the corresponding period in 2018. During the period, the sales of petroleum products and vessel chartering income had increased to an aggregate of approximately HK\$1,148.4 million, representing an increase of 377% as compared with the sales of approximately HK\$240.6 million in the same period of last year. The Group had recorded the considerable growth in the revenue of petroleum products since it commenced the petroleum trading business in June 2017 to improve its income stream and overall performance.

The Group recorded lower than the expected revenue of its oil trading business after the banking facilities provided to it for its trading of petroleum and energy products and related business were temporarily suspended by Societe Generale, Singapore Branch in August 2019. In September 2019, the Company received an injunction obtained by the bank, restricting the Company's two subsidiaries from disposing of or dealing with the claimed sums pursuant to the injunction order. As such, the two subsidiaries of the Company would not be able to place purchase orders to suppliers or take new orders from customers, causing the Company to lose substantial business during this period.

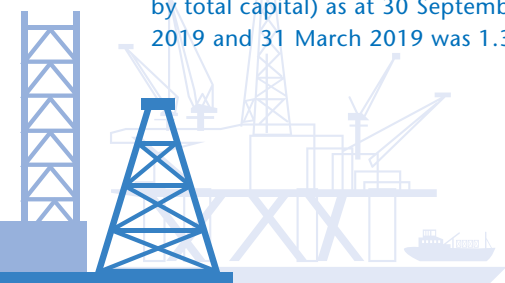
During the period, the Group recorded the revenue of approximately HK\$26.0 million for its printed circuit board ("PCB") business, representing a decrease of 75% as compared with the revenue of approximately HK\$102.3 million in the same corresponding period of last year. The substantial decrease in revenue was mainly due to the global economic slowdown caused by the protracted trade dispute between the U.S. and China which in turn have made the overseas customers either reduce their purchase orders placed with the Group or hold back on placing orders more cautiously amid various business risks and uncertainties. The Group's PCB business in the mainland domestic market had been hard hit as China's economic growth in the three months ending in September sank to 26-year low amid the escalating trade war.

During the period, the Group recorded the revenue of approximately HK\$11.1 million for its vessel chartering business, representing an increase of 138% as compared with the revenue of approximately HK\$4.7 million in the same corresponding period of last year. The Group recorded the increase in revenue due to the fact that it leased two vessels for the six months ended 30 September 2019 but leased only one vessel during the last corresponding period.

During the period, the Group's petroleum trading business recorded a segment loss of approximately HK\$49.1 million as compared to the loss of approximately HK\$2.4 million for the same period last year. The Group's PCB business recorded a segment loss of approximately HK\$3.2 million as compared with the segment loss of approximately HK\$18.8 million for the same period last year. The Group's total net loss for the period had increased from approximately HK\$16.9 million in the same corresponding period last year to approximately HK\$65.6 million after taking into account of the following: (1) provision for impairment loss on the deposit of HK\$14,574,000 paid for the acquisition of the two of the four vessels pursuant to the Sale and Purchase Agreement dated 29 September 2017 which was terminated subsequently by the deadline and the Vendor had yet to fulfill its obligation to return the Third Deposit to the Company by the prescribed deadline (the details of which had been disclosed in the Company's announcement dated 4 September 2019); and (2) provisions for impairment loss of approximately HK\$27.9 million and HK\$3.9 million on the outstanding amounts due from the Group's trade receivables and other receivables respectively; and (3) the decrease in the fair value gain on derivative financial instruments from HK\$25.1 million for last corresponding period to HK\$1.4 million for the current period under review.

The equity attributable to owners of the Company amounted to HK\$160.5 million as at 30 September 2019 as compared to HK\$229.2 million as at 31 March 2019. The decrease in the equity was mainly due to (1) the reported loss for the period; and (2) the decrease in exchange translation reserve of HK\$4.7 million as a result of the depreciation of Renminbi for the period under review.

The Group's gearing ratio (defined as interest-bearing borrowings, and liability component of convertible bonds divided by total capital) as at 30 September 2019 was 77% (31 March 2019: 75%). The Group's current ratio as at 30 September 2019 and 31 March 2019 was 1.3 times and 1.3 times respectively.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Capital Structure

The capital structure of the Group during the six months ended 30 September 2019 is summarised as follows:

Interest-bearing borrowings

The Group's interest-bearing borrowings as at 30 September 2019 are detailed in note 14 to the unaudited condensed financial statements.

Convertible bonds

As at 30 September 2019, the Company had 6% interest-bearing convertible bonds issued. Summary of the outstanding convertible bonds is as follows, further details are set in note 16 to the unaudited condensed financial statements.

Date of issue	Principal Amount (HK\$)	Maturity date	Conversion price per share (HK\$)	Amount convert into shares during the period (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

Foreign Exchange Exposure

The Group's transaction and monetary assets are principally denominated in Renminbi, Hong Kong 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 six months ended 30 September 2019. The Group did not enter any foreign exchange derivative contract to manage the currency translation risk of Renminbi against United States dollars during the six months ended 30 September 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.

Contingent Liabilities

The Group did not have any material contingent liability as at 30 September 2019 (31 March 2019: Nil).

Litigations

Same as disclosed outstanding litigations set out in note 21 to the unaudited condensed financial statements.

Employee Benefits

As at 30 September 2019, the Group had 43 (31 March 2019: 84) employees, including directors, working mainly in Hong Kong, Mainland China and Singapore. For the six months ended 30 September 2019, the Group's total staff costs including directors' emoluments were approximately HK\$7 million (six months ended 30 September 2018: approximately HK\$44 million).



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Outlook

Printed Circuit Board Segment

The Group has been facing a very tough environment even though it continues pursuing its low-cost strategy to expand the domestic market for its PCB business on the mainland at a time when China's economic growth has slumped to its lowest level in nearly three decades. Trade protectionism continues to intensify and has caused a slump in the demand for the PCB related goods, which in turn would take a heavy toll on the Group's overseas business in the coming year. The Group will continue to expand the domestic and overseas markets by offering its high-quality PCB products to its customers at competitive prices in order to achieve sustainable growth in revenue while it will further streamline the production process and greatly improved the efficiency of the production to help improve the gross margin during this difficult time.

Trading of Petroleum and Energy Products and Related Business Segment

The legal proceedings against the Company initiated by Societe Generale, Singapore Branch ("SG Bank") in August 2019 have greatly hindered the pace of the development and expansion of the Group's trading of petroleum and energy products and related business. Since SG Bank is the one and only bank providing the banking facilities for the Company's oil trading business and therefore the temporary suspension of the banking facilities granted to the Group by SG Bank together with the injunction order issued against the Company have caused it to lose substantial business. As such, the Company will vigorously defend the plaintiff's claims and discharge the injunction order so that its trading business can be back to normal as soon as practicable. In the meantime, in order to mitigate the adverse impact of the legal proceedings on the Company's business, it will take the actions such as negotiating with other banks to provide the Company with new banking facilities for its petroleum and energy product trading business and discussing with its suppliers to give the Company some trading lines with credit periods of between one to two months. The Board has confidence that the injunction order will be discharged very soon and the Group can continue developing and expanding its petroleum trading business to improve its revenue in the near future.

Vessel Chartering Business Segment

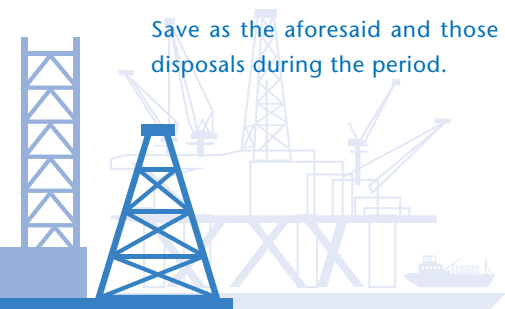
The leasing income from these vessels will provide the Group with another stable income stream and at a reasonable rate of return based on the prevailing market leasing rates in the coming days.

Major Transactions and Connected Transaction

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.

The acquisition of Pacific Energy 8 and Pacific Energy 168 had not been fulfilled, in particular, Mortgage 8 and Mortgage 168 had not been discharged in full and the Sale and Purchase Agreement had been terminated accordingly. The third deposit in the sum of HK\$14,574,000 paid shall be returned by the Vendor to the Company without interest in immediately available funds within five business days from the Long-stop Date pursuant to the terms of the Sale and Purchase Agreement. As of the date of this report, the Vendor has not returned the third deposit of HK\$14,574,000 to the Company.

Save as the aforesaid and those disclosed in this report, the Group did not make any other material acquisitions nor disposals during the period.



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”).

Details of share options to subscribe for shares in the Company granted to participants under the Share Option Scheme during the six months ended 30 September 2019 were as follows:

Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options				Outstanding as at 30 September 2019
				Outstanding as at 1 April 2019	Lapsed during the period	Granted during the period	Transferred during the period (Note v)	
Directors								
6 August 2019	7 August 2019 to 1 August 2020	0.222	(i)	-	-	19,200,000	(4,800,000)	14,400,000
Employees and other grantees								
6 August 2019	7 August 2019 to 1 August 2020	0.222		-	-	19,200,000	4,800,000	24,000,000
						<u>38,400,000</u>	<u>4,800,000</u>	<u>38,400,000</u>

Notes:

- (i) Details of the options granted to the directors are set out in the section headed “Directors’ interests in securities” below.
- (ii) The closing price of the share immediately before the date of grant of options on 6 August 2019 was HK\$0.204 per share.
- (iii) No option was exercised or cancelled during the period.
- (iv) The fair values of share options granted on 6 August 2019 ranges from approximately HK\$0.040 to HK\$0.042 per option, which are calculated using a Binomial Option Pricing Model by an independent valuer, Roma Appraisal Limited, the details of the key inputs are set out in the section headed “Share-based payments” above.
- (v) 4,800,000 share options have been transferred from directors to employees and other grantees upon the resignation of Ms. Cheung Lai Na as director of the Group on 4 September 2019.



Corporate Governance

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2019, except for the following deviation:

Chairman and Chief Executive Officer

The Group has not appointed any Chief Executive Officer. The daily operations of the Group are delegated to the executive directors and the senior management. The Board is of the view that the current management structure can effectively facilitate the Company's operations and business developments.

Changes in Directors' Biographical Details

Changes in directors' biographical details which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules are set out below:

Ms. Cheung Lai Na has resigned as (i) an executive director of the Company; (ii) the Chairman of the Company; (iii) the Chairman of the Nomination Committee and (iv) a member of the Remuneration Committee of the Company; (v) an authorised representative of the Company ("Authorised Representative") under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"); and (vi) the agent for the service of process and notices on behalf of the Company in Hong Kong (the "Process Agent") under Rule 19.05(2) of the Listing Rules due to her other personal commitments which require more of her dedications, all with effect from 4 September 2019.

Ms. Cheung Lai Ming has been appointed as (i) the Chairman of the Company; (ii) the Chairman of the Nomination Committee; (iii) a member of the Remuneration Committee of the Company; (iv) an Authorised Representative; and (v) the Process Agent in replacement of Ms. Cheung Lai Na, all with effect from 4 September 2019.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 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:

The Company

- (a) Long position in the ordinary shares of HK\$0.10 each

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

Note: Prior to the Change of Trusteeship on 14 August 2019, Ms. Cheung Lai Na held 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 Ms. Cheung Lai Na and Ms. Cheung Lai Ming, executive directors of the Company. Immediately after the completion of the Change of Trusteeship on 14 August 2019, Ms. Cheung Lai Na ceased to hold any of the Shares and Ms. Cheung Lai Ming would hold the Shares in trust for Mr. Cheung Ling Mun instead. As of 30 September 2019, Cheung Lai Ming held 120,068,000 shares of the Company in trust for Mr. Cheung Ling Mun.



Directors' Interests and Short Positions in Shares and Underlying Shares (continued)**The Company** (continued)

(b) Long positions in the underlying shares – options under share option scheme

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options		
				Outstanding as at 1 April 2019	Granted during the period (Notes (4) & (5))	Outstanding as at 30 September 2019
CHEUNG Lai Na (Note (3))	6 August 2019	7 August 2019 to 1 August 2020	0.222	–	4,800,000	4,800,000
CHEUNG Lai Ming	6 August 2019	7 August 2019 to 1 August 2020	0.222	–	4,800,000	4,800,000
LEE Man Kwong	6 August 2019	7 August 2019 to 1 August 2020	0.222	–	4,800,000	4,800,000
LAW Ping Wah	6 August 2019	7 August 2019 to 1 August 2020	0.222	–	4,800,000	4,800,000

- (1) The closing price of the share immediately before the date of grant of options on 6 August 2019 was HK\$0.204.
- (2) The fair values of share options granted on 6 August 2019 ranges from approximately HK\$0.040 to HK\$0.042 per option, which are calculated using a Binomial Option Pricing Model by an independent valuer, Roma Appraisal Limited, the details of the key inputs are set out in the section headed "Share-based payments" above.
- (3) Ms. CHEUNG Lai Na resigned as executive director of the Company with effect from 4 September 2019. On 14 August 2019, Ms. CHEUNG Lai Na ceased to hold the Company's shares in trust for Mr. CHEUNG Ling Mun, a senior management of the Group and father of Ms. CHEUNG Lai Na and Ms. CHEUNG Lai Ming.
- (4) No option was exercised, cancelled or lapsed during the period.
- (5) The options were held by the directors of the Company in the capacity of beneficial owners.

Save as disclosed above, as at 30 September 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.



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

As at 30 September 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 30 September 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.

Purchase, Sale or Redemption of the Company's Listed Securities

During the current period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2019.

By Order of the Board
Cheung Lai Ming
Chairman

Hong Kong, 28 November 2019

As at the date of this report, the Board comprises the following members:

Executive directors:

Ms. CHEUNG Lai Ming (Chairman)
Mr. LEE Man Kwong
Mr. LAW Ping Wah

Independent non-executive directors:

Mr. CHOU Yuk Yan
Mr. LEUNG King Fai
Dr. CHAN Yau Ching, Bob

