DAISHO MICROLINE HOLDINGS LIMITED
大昌微綫集團有限公司
(Incorporated in Bermuda with limited liability)
Stock Code : 0567

2019/2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION AND FINANCIAL CALENDAR

Board of Directors

Executive directors

Ms. Cheung Lai Na *(Resigned as executive director and chairman on 4 September 2019)*
Ms. Cheung Lai Ming *(Appointed as chairman on 4 September 2019)*
Mr. Lee Man Kwong
Mr. Law Ping Wah *(Resigned as executive director and chief financial officer on 19 June 2020)*

Independent non-executive directors

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

Company Secretary

Ms. Chan Suet Lam *(Resigned on 30 September 2019)*
Mr. Ng Yu Ho *(Appointed on 30 September 2019)*

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

Unit A, 10/F
Fook Hing Industrial Building
33 Lee Chung Street
Chai Wan, 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 2019

Annual Results:
26 June 2020

Annual General Meeting

28 August 2020

Dividends

Interim dividend:	Nil
Proposed final dividend:	Nil

MESSAGE FROM THE CHAIRMAN

During the year, the Group continued to pursue its strategy to normalize its printed circuit board ("PCB") business following the relocation of its factory premises, to continue to grow the trading of petroleum products business, to optimize its vessel chartering business, and, to look out for investment opportunities. Unfortunately, both the PCB business and the trading of petroleum products business have been affected adversely by factors and/or events beyond the Group's control like trade wars between the USA and China, and, the court cases.

Looking ahead, as the world economy is facing with the greatest health and economic crisis has not been seen in many decades affecting all business sectors and markets. Going forward, we will continue to do our best to defend the court case and to grow our businesses. Recent development has been positive, the court has held that the injunction be discharged against setting aside a much smaller sum than claimed, for details please refer to Note 31 to the consolidated financial statements on page 140 of this report. We hope we will be able to resume our Trading of Petroleum Products business as soon as possible. We will re-focus both PCB and the trading of petroleum products business on China, as she appears to be one of the first few countries globally to try to return to 'normal' following the COVID-19 pandemic.

Despite facing with challenges in these difficult times, the Board continues to look for investment and growth opportunities. We have come across the investment opportunity of acquiring a printing business. Full details can be found in Page 10 under the section of "Material Acquisition and Disposals of Subsidiaries and Associated Companies". The Group plans to combine the printing business with intellectual property marketing to achieve a total marketing solution model to provide creative solution to our clients.

Taking this opportunity, on behalf of the Board I would like to express my sincere appreciation to all staff members, shareholders, business partners, customers for their continuous support.

Cheung Lai Ming
Chairman

Hong Kong
23 July 2020

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Cheung Lai Ming, aged 37, has been an executive director and a member of the Nomination Committee of the Company since 7 November 2016. Ms. Cheung has been appointed as the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee since 4 September 2019. 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 was an executive director of the Company and has resigned with effect from 4 September 2019.

Lee Man Kwong, aged 65, 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 2008.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Leung King Fai, aged 48, 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 21 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 75, 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 57, 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").

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

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.

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.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Wong Siu Hung, Patrick, aged 64, is the chief operating officer of the Group. He is in charge of the overall development of business of the group and in particular the Trading of Petroleum Products business and Vessel Chartering business. Mr. Wong has 40 years of working experience in banking, finance, commodity trading and project development.

He is currently a non-executive director and authorized representative of Huscoke Holdings Limited (stock code: 704). He was an executive director of Huscoke Holdings Limited between October 2016 and April 2018. Mr. Wong was an executive director of Winto Group (Holdings) Limited, its shares are listed on the GEM of the Stock Exchange (stock code: 8238) between 15 April 2019 and 6 November 2019. Mr. Wong was an executive director of Titan Petrochemicals Holdings Limited (stock code: 1192) between 2008 and 2015.

Mr. Wong was the senior vice president of Commodity and Trade Finance at Societe Generale Singapore and the chief executive officer in the China Division of Louis Dreyfus Group, a global commodity trading firm.

Mr. Wong is an associate member of Chartered Institute of Bankers, United Kingdom, fellow member of the Hong Kong Institute of Directors since 1 April 2017 and member of The Institute of Management Consultants Hong Kong since 1 August of the same year and qualified as Certified Management Consultant. Mr. Wong holds a Master’s degree in Applied Finance from Macquarie University, Australia and completed the Executive Diploma in Management Consulting from The Hong Kong Polytechnic University on 12 October 2017.

Hu Lei, aged 42, 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 19 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$1,205.8 million, representing a decrease of 20.5% as compared with approximately HK$1,516.8 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 decreased to HK$1,148.4 million, representing a decrease of 16.2% as compared with the revenue of approximately HK$1,369.8 million in the preceding year. The Group had recorded lower than expected growth in the revenue of trading of petroleum and energy products and related business segment in the current financial year as the trading activities came to a standstill in September 2019 due to two of its subsidiaries received an interim injunction issued by Societe Generale Singapore Branch ("SG Bank"), restricting the Company's two subsidiaries from disposing of or dealing with the claimed sums pursuant to the injunction order. In addition, the recent fluctuation in oil price caused the petroleum and energy product trading business to be uncertain and challenging. 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 trading of petroleum and energy products business for the second half of the year. During the year, the Group recorded the revenue of approximately HK$37.0 million for its printed circuit boards ("PCB") segment, representing a decrease of 72.8% as compared with the revenue of HK$136.1 million in the preceding year. The decrease in revenue of PCB segment was mainly due to (i) 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; and (ii) the dampened business environments in domestic and overseas markets, especially those in Europe and Japan, deteriorated sharply as the COVID-19 epidemic had reduced people and cargo flows and caused disruption to a wide range of economic activities. During the year, the Group recorded the revenue of approximately HK$20.4 million for its vessel chartering business, representing an increase of 87.2% as compared with the revenue of approximately HK$10.9 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 whole current year but leased only one vessel for the first 10 months of the last corresponding year and started leasing the two vessels for the remaining 2 months of the last corresponding year.

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$5.2 million, as compared to the profit of HK$3.5 million for the preceding year. The Group's PCB segment recorded a segment loss of approximately HK$39.8 million, representing a decrease of 2.0% as compared with the segment loss of HK$40.6 million for the preceding year. The decrease in the PCB segment loss was mainly due to the cost-conscious measures taken by the Group for its leased factory in Huizhou.

The Group recorded a net loss of approximately HK$87.2 million for the year ended 31 March 2020 as compared to a net profit approximately HK$100.5 million for the preceding year after taking into account the following: (1) impairment loss on the deposit of approximately HK$14.6 million 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 was known to have financial difficulties and 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); (2) impairment loss of approximately HK$22.5 million on the outstanding trade receivables of the Group; (3) the decrease in the fair value gain on derivative financial instruments from HK$25.7 million for last corresponding period to HK$1.5 million for the current year under review; (4) impairment loss on property, plant and equipment of approximately HK$2.4 million; (5) legal and professional fee of approximately HK$15.6 million (2019: HK$1.7 million) incurred for professional advice on settlement of withholding tax on capital gain and various outstanding litigations; and (6) the absence of the preceding year's gain of approximately HK$170.3 million on the disposal of the subsidiary in the current financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review (continued)

The Group's gearing ratio (defined as interest-bearing borrowings, lease liabilities and liability component of convertible bonds divided by total capital) as at 31 March 2020 was 62% (2019: 75%). The Group's current ratio as at 31 March 2020 and 2019 was 1.08 times and 1.35 times respectively.

As at 31 March 2020, the Group's total cash and bank balances (including pledged bank deposits) were approximately HK$30.6 million (2019: HK$180.3 million) and the Group did not have any interest-bearing bank borrowings (2019: HK$98.5 million). Therefore, the Group had a net cash balance of approximately HK$30.6 million (2019: HK$81.8 million). Besides, there were no credit facilities available to the Group (2019: HK$610 million) as at 31 March 2020. Subsequent to 31 March 2020, the Group was granted with a loan facility of HK$50 million.

Capital Structure

The capital structure of the Group for the year ended 31 March 2020 is summarised as be below:

Convertible Bonds

As at 31 March 2020, 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 20 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

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 2020. 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 2020, 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 litigations set out in note 31 to the consolidated financial statements in this report, the Group is not a party to any other significant legal proceedings.

Contingent Liabilities

As at 31 March 2020, the Group did not have any material contingent liability (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Benefits

As at 31 March 2020, the Group had 44 (2019: 84) employees, including directors, working mainly in Hong Kong, Mainland China and Singapore. For the year ended 31 March 2020, the Group's total staff costs including directors' emoluments were approximately HK$14.6 million (2019: approximately HK$47.0 million).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

Material Acquisition and Disposals of Subsidiaries and Associated Companies

On 23 March 2020, Perfect Design Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), Sky Will Printing & Packing (Holdings) Limited (the "Vendor"), a company owned by Mr. Ng Man Chan (the "Guarantor") and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire shares of Sky Will Printing & Packaging Limited (the "Target Company") at a consideration of HK$35 million and the Guarantor agreed to guarantee the performance of the obligations of the Vendor under the Sale and Purchase Agreement (the "Acquisition").

The consideration for the Acquisition was HK$35 million, which shall be settled in the following manners:

(i) HK$12 million will be payable to the Vendor (or its nominee) in cash as refundable deposit (the "Deposit") within three (3) Business Days after the date of the Sale and Purchase Agreement; and

(ii) Subject to Completion, HK$23 million will be payable to the Vendor in cash and/or issue of a promissory note (the "Promissory Note") or a combination of both.

The Target Company and its subsidiaries (the "Target Group") is principally engaged in the manufacture and trading of printing and packaging products businesses. The Target Group produces and sells various printed products, including paper packaging products (i.e. gift packages and container boxes with logo, brands and graphics), paper gift items (i.e. jewelry boxes, carrier bags, letter sets and other stationery and gift accessories), paper promotional materials (i.e. leaflet, manuals, catalogues and other promotional materials) and various paper printed products.

Subsequently, the Company made announcements on 8 May, 27 May and 15 June 2020 in relation to the delay on despatch of circular. On 24 June 2020, the Company made an announcement in relation to further delay in despatch of the circular to a date on or before 16 July 2020.

On 24 June 2020, the Purchaser, the Vendor and the Guarantor entered into a second supplemental agreement to the Sale and Purchase Agreement, pursuant to which, the parties mutually agreed to amend the terms of the Sale and Purchase Agreement as follows:

(i) The consideration of HK$35 million is lowered to HK$30 million; and

(ii) The 2021 guaranteed profit shall exclude the net profits deriving from the non-principal business activities of the Target Group for the year ending 31 March 2021.

On 16 July 2020, the Purchaser, the Vendor and the Guarantor entered into a third supplemental agreement to the Sale and Purchase Agreement, pursuant to which, the parties agreed to extend the long stop date to 14 August 2020. Furthermore, the Company made an announcement on 16 July 2020 in relation to the extension of the long stop date and further delay in despatch of the circular to a date on or before 14 August 2020.

On 21 July 2020, the circular was despatched to the Company's shareholders.

At the date of this report, the Acquisition is not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

Printed Circuit Boards Segment

During the year ended 31 March 2020, the Group's PCB business had been hit hard by the year-long trade war between China and the U.S. and the COVID-19 outbreak in early 2020. In March 2020, the PRC government reported its weakened export sentiment with all the relevant sub-indexes at all-time low amid the deteriorating business environments in the European countries and the US, meaning that the Group's export business would be subject to even greater pressure in the near term, and the exact impact will be hinging on the duration and severity of the pandemic around the world. As such, the Group will continue pursuing its low-cost strategy by reducing the operating costs and improving the production efficiency 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 recent economic fallout. 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 resume its business development and expansion in the coming days.But at the same time, we should be prepared for the worst as the global economy may go into recession since the outbreak.

Trading of Petroleum and Energy Products and Related Business Segment

The legal proceedings against the Company initiated by SG Bank in August 2019 had 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 had vigorously defended the plaintiff's claims and discharge the injunction order and would continue to do so in order that its trading business could be back to normal as soon as practicable. On 10 July 2020, the Hong Kong High Court handed down its decision that the injunction to be continued but only on a proprietary basis, and only in the sums of totalling HK$10,229,000 and discharge of the injunction would be permitted if the same amount injected is paid into the Court. Oil prices fell to a new all-time low in 21 years as countries around the world are implementing lockdown measures and travel restrictions to contain and slow the spread of the novel coronavirus. Until the outbreaks of the the coronavirus pandemic have been brought under control, lockdowns would continue to sap demand for transportation fuel in the coming days. The Board believes that the Company's petroleum and energy product trading business will be extremely dim in the foreseeable future as the timing and degree of economic recovery remain highly uncertain. It is quite worried that the Company's oil trading business will continue to go through an extremely difficult period and may even be forced out of business if there is no improvement in the operating environments.

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.

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 2020.

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 2020 are set out in the consolidated statement of profit or loss on page 63 of this report.

The Board do not recommend the payment of any dividend in respect of the year (2019: 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 11 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 38 of this annual report.

The principal risks and uncertainties of the Group are shown in note 28 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 2020.

For more details, please refer to the Environmental, Social and Governance Report on pages 23 to 38 of this 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				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**1,205,810**	1,516,823	411,859	170,245	206,940
(LOSS) PROFIT BEFORE TAXATION	**(98,036)**	116,471	(80,077)	(51,009)	(60,901)
Income tax credit (expenses)	**10,788**	(16,005)	–	–	–
(LOSS) PROFIT FOR THE YEAR	**(87,248)**	100,466	(80,077)	(51,009)	(60,901)
Attributable to:					
Owners of the Company	**(87,248)**	100,466	(80,077)	(51,009)	(60,901)

Assets and Liabilities

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**257,616**	792,815	483,822	381,147	529,752
TOTAL LIABILITIES	**(124,530)**	(563,605)	(333,402)	(172,782)	(299,468)
	133,086	229,210	150,420	208,365	230,284

REPORT OF THE DIRECTORS

Donations

During the year, the Group made no charitable and other donation (2019: 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.

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.

REPORT OF THE DIRECTORS

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.

38,400,000 share options were granted but no share options had been exercised, cancelled or lapsed during the year ended 31 March 2020. There were 38,400,000 outstanding share options as at 31 March 2020. The number of shares available for issue under the Scheme is 9,624,000 shares, representing 1.67% of the issued shares as at the date of this report.

REPORT OF THE DIRECTORS

The following table summarises movements of the Company's share options during the year ended 31 March 2020:

Category of the Grantee	Exercise price per share option HK$	Date of grant	Exercisable period	Number of share options at 1 April 2019	Number of share options granted during the year(Notes (3) and (4))	Number of share options reclassified during the year	Number of share options at 31 March 2020
DIRECTORS							
Ms. Cheung Lai Ming	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	4,800,000	–	4,800,000
Ms. Cheung Lai Na(Note 1)	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	4,800,000	(4,800,000)	–
Mr. Lee Man Kwong	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	4,800,000	–	4,800,000
Mr. Law Ping Wah(Note 2)	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	4,800,000	–	4,800,000
Sub-total				–	19,200,000	(4,800,000)	14,400,000
Other Grantees(Note 1)	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	19,200,000	4,800,000	24,000,000
Total				–	38,400,000	–	38,400,000

Notes:

(1) 4,800,000 share options have been transferred from category of directors to other grantees upon the resignation of Ms. Cheung Lai Na as director of the Company on 4 September 2019.

(2) Mr Law Ping Wah resigned as the executive director and chief financial officer of the Company on 19 June 2020.

(3) No option was exercised, cancelled or lapsed during the year.

(4) The options were held by the directors in the capacity of beneficial owners.

(5) The closing price of the share immediately before the date of grant of options on 6 August 2019 was HK$0.204.

(6) 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 Binominal 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.

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 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 32 to the consolidated financial statements and in the consolidated statement of changes in equity on page 66 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	44%
– Five largest suppliers	86%

b. Percentage of sales attributable to the:

– Largest customer	51%
– Five largest customers	94%

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	*(Resigned as executive director and chairman on 4 September 2019)*
Ms. Cheung Lai Ming	*(Appointed as chairman on 4 September 2019)*
Mr. Lee Man Kwong	
Mr. Law Ping Wah	*(Resigned as executive director and chief financial officer on 19 June 2020)*

Independent non-executive directors:

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

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 Ming 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, Mr. Lee Man Kwong and Mr. Leung King Fai shall retire at the forthcoming annual general meeting ("AGM"). Mr. Lee Man Kwong and Mr. Leung King Fai, 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 litigations set out in note 31 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 former 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 2020 at an aggregate chartering income of approximately HK$7,670,000.

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 2019 to 31 August 2019	SG$135,000	SG$675,000 (equivalent to approximately HK$3,835,000)
2. Pacific Energy 138 Pte. Limited	Chartering income for vessel named Pacific Energy 138	1 April 2019 to 31 August 2019	SG$135,000	SG$675,000 (equivalent to approximately HK$3,835,000)

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 2020, 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	Nature of interests	Number of issued ordinary shares held (Long position)	Number of underlying shares held	Total	Percentage of the Company's issued share capital (Note 4)
Cheung Lai Ming (Note 1)	Beneficial owner	–	4,800,000	124,868,000	21.67
	Trustee	120,068,000	–		
Cheung Lai Na (Note 2)	Beneficial owner	–	4,800,000	4,800,000	0.83
Lee Man Kwong	Beneficial owner	–	4,800,000	4,800,000	0.83
Law Ping Wah (Note 3)	Beneficial owner	–	4,800,000	4,800,000	0.83

Notes:

(1) Ms. Cheung Lai Ming holds 120,068,000 shares in trust for Mr. Cheung Ling Mun who is a substantial shareholder of the Company and the father of Ms. Cheung Lai Na and Ms. Cheung Lai Ming.

(2) Ms. Cheung Lai Na resigned as executive director of the Company with effect from 4 September 2019.

(3) Mr. Law Ping Wah resigned as the executive director of the Company with effect from 19 June 2020.

(4) The approximate percentages were calculated based on 576,243,785 shares in issue as at 31 March 2020.

Save as disclosed above, as at 31 March 2020, 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.

REPORT OF THE DIRECTORS

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.

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

As at 31 March 2020, 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%
Ample Cheer Limited (Note 3)	Interest in controlled corporation	120,068,000	20.84%
Best Forth Limited (Note 3)	Interest in controlled corporation	120,068,000	20.84%
Chu Yuet Wah (Note 3)	Interest in controlled corporation	120,068,000	20.84%
Kingston Finance Limited (Note 3)	Person having a security interest in shares	120,068,000	20.84%

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.

(3) Kingston Finance Limited ("KFL") is wholly-owned by Ample Cheer Limited ("ACL"). Best Forth Limited ("BFL") and Insight Glory Limited ("IGL") is holding 80% and 20% of the shares of ACL respectively. BFL and IGL are wholly-owned by Chu Yuet Wah. Ample Cheer Limited and Chu Yuet Wah are deemed to be interested in all the shares in KFL is interested under Part XV of the SFO.

Save as disclosed above, as at 31 March 2020, 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.

REPORT OF THE DIRECTORS

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.

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 39 to 55 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 2020 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 2020 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 38 of this report.

On behalf of the Board

Cheung Lai Ming
Chairman

Hong Kong
23 July 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope and Reporting Period

This is the fourth Environmental, Social and Governance ("ESG") report by the Daisho Microline Holdings Limited and its subsidiaries (the "Group"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 to the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's environmental and social performances of its major business operation in Huizhou, Guangdong Province, the People's Republic of China (the "PRC") from 1 April 2019 to 31 March 2020 (the "Reporting Period"), unless otherwise stated. The reporting scope of this ESG report remains unchanged compared with the last Reporting Period.

The Group's Sustainability Vision and Commitment

The Group is strongly committed to corporate social responsibility ("CSR"), recognising that long-term business success is dependent on our relationship with all stakeholders – both inside and outside the Group – and that adopting responsible management practices is essential. At our Group, CSR is about achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment. The Group strives to embed socially responsible values throughout our organisation, impacting our day-to-day operations.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee (the "CSR Committee"), comprising members of management of the Group, is responsible for setting the CSR strategy and directing the CSR activities. The CSR Committee also reviews, approves, supervises and monitors the implementation of all CSR initiatives.

The Group's CSR policy is subject to review and approval by the CSR Committee. This policy sets out the principles that are applicable to the whole group, aiming at making progress towards the Group's sustainability vision.

Approach and Principles

All CSR strategy and activities are in line with the Group's mission, values, guiding principles, as well as the corporate governance framework. Sustainable approach and principles are also considered and adopted in the Group. The Group will continue to promote sustainable practices and maintain close communication with its stakeholders, creating value for all stakeholders in the long run.

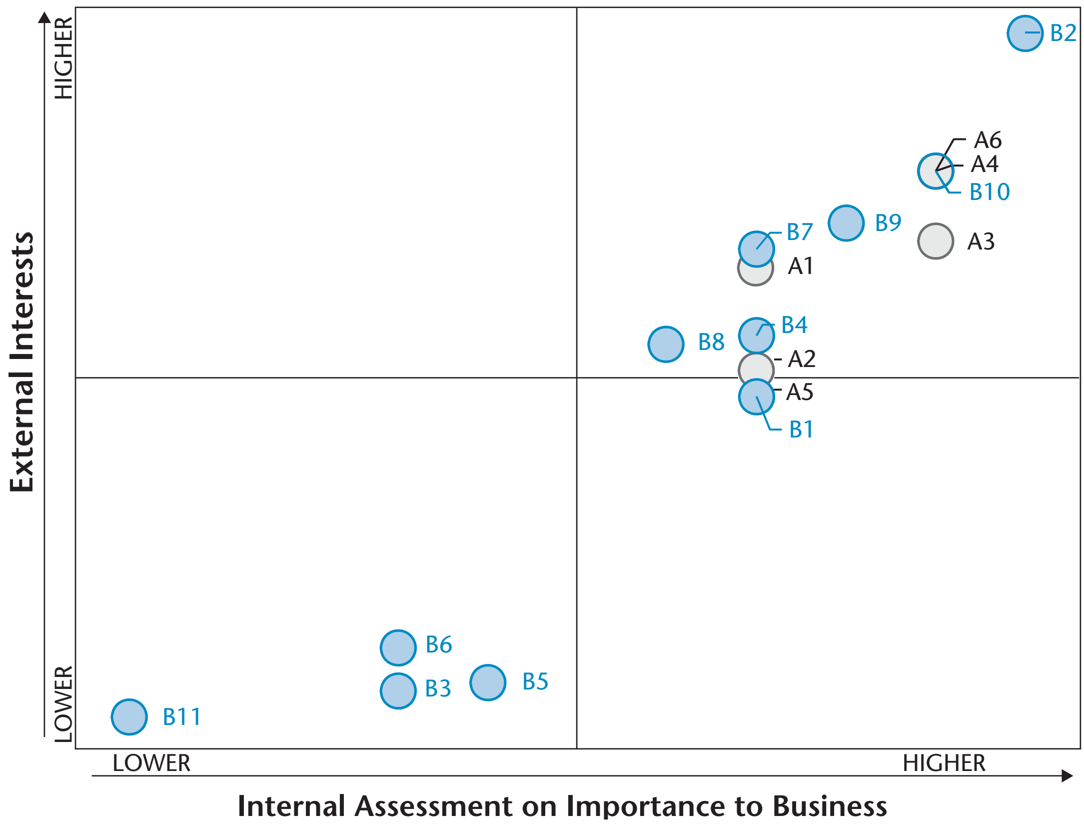
Stakeholder Engagement and Materiality

The Group values feedback of its stakeholders as they bring invaluable directions for continuous development to the Group. Internal and external stakeholders have been involved in regular engagement activities to share views regarding the Group's operation and performances. During the Reporting Period, the Group has specifically engaged members of the board of directors, senior management, frontline staff, and suppliers to gain further insights on ESG material aspects and challenges. The materiality matrix below presents the result of the materiality assessment process:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement and Materiality (continued)

Materiality of Different Topics from Stakeholder Engagement



Environmental		Social	
A1	Energy	B1	Employment
A2	Water	B2	Occupational Health and Safety
A3	Air Emission	B3	Development and Training
A4	Waste and Effluent	B4	Labor Standards
A5	Other Raw Materials Consumption	B5	Supplier Management
A6	Environmental Protection Measures	B6	Intellectual Property
		B7	Data Protection
		B8	Customer Service
		B9	Product/Service Quality
		B10	Anti-corruption
		B11	Community Investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement and Materiality (continued)

Among the environmental and social aspects, the following were the top materials issues identified:

- Occupational Health and Safety
- Environmental Protection Measures
- Waste and Effluent
- Anti-corruption
- Air Emission
- Product/Service Quality

The above aspects were strictly managed through strict compliance with relevant laws and regulations, and the Group's policies and guidelines. Management of these aspects has been described in separate sections below. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to exchange ideas for advancing the Group's ESG management.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give suggestions or share your views with the Group via email at dminfo@daisho-microline.com.hk.

A. Environmental

The Group complies with all applicable national and local laws and regulations regarding environmental and resources management, including but not limited to the Environmental Protection Law of the PRC, the Atmospheric Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Law of the PRC on the Prevention, Control of Environmental Pollution Caused by Solid Wastes, and Regulation on Urban Drainage and Sewage Treatment. The Group has also formulated policies to meet regulatory compliance. The Group strictly follows the ISO 14001 Environmental Management System standard to manage the environmental impact of its manufacturing operation and its preventive measures, including measures on waste treatment and use of other natural resources, and a green office policy. During the Reporting Period, there was no material non-compliance issues relating to the environment.

A1. Emissions

A1.1. Air Pollutant Emissions

During the Reporting Period, the Group's operation did not involve consumption of gaseous fuel, nor vehicles use. Air emissions were not measured and thus emission data are not available. However, the Government conducts inspections regularly and the emission concentrations were recorded within emission limits during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental (continued)

A1. Emissions (continued)

A1.2. Greenhouse Gas ("GHG") Emissions

During the Reporting Period, the Group's business operation contributed to the GHG emission of 3,260.44 tonnes of carbon dioxide equivalent. The overall intensity of the GHG emissions for the Group was 0.14 $tCO_{2eq.}/m^2$ in terms of total floor area.

The reported GHG emissions were attributed to the following activities:

- Direct (Scope 1) emissions: combustion of diesel and refrigerant emission;
- Energy indirect (Scope 2) emissions: purchased electricity; and
- Other indirect (Scope 3) emissions: municipal freshwater and sewage processing, paper waste disposal at landfills, and business air travel.

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tonnes of carbon dioxide equivalent "tCO_{2eq}")	Total Emission (in percentage)
Scope 1 Direct Emission			
Combustion of fuel for stationary source	Diesel	121.42	7%
Release of refrigerants	R-22	123.08	
Scope 2 Energy Indirect Emission			
Purchased electricity		2,993.66	92%
Scope 3 Other Indirect Emission			
Electricity used for freshwater processing		12.40	1%
Electricity used for sewage processing		5.87	
Paper waste disposed at landfill		3.48	
Business air travel		0.53	
Total		**3,260.44**	**100%**

Note 1: Emission factors were referred to Appendix 27 to the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Combined margin emission factor of 0.54 tCO_2/MWh was used for purchased electricity in Guangdong Province of the PRC.

Note 3: Emissions from air travel were calculated using the online tool provided by the International Civil Aviation Organisation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental (continued)

A1. Emissions (continued)

A1.3. Hazardous Waste

Hazardous wastes generated were stored in designated area and collected by licensed collectors. A total of 89.04 tonnes of hazardous wastes, resulting in an intensity of 0.0037 tonnes/m^2, was generated during the Reporting Period.

Hazardous Wastes	Wastes Generated in 2019/20	Unit
Waste oil	0.0001	Tonnes
Waste oil paint	9.30	Tonnes
Copper containing sludge	59.86	Tonnes
Copper containing waste liquids	18.75	Tonnes
Waste PCB and edge trim	1.13	Tonnes
Total	89.04	Tonnes
Intensity	0.0037	Tonnes/m^2

A1.4. Non-hazardous Waste

A total of 19.24 tonnes of non-hazardous wastes was generated by the Group, resulting in an intensity of 0.80 kg/m^2, during the Reporting Period. Non-hazardous waste mainly consisted of plastic and paper packing materials.

Non-hazardous Wastes	Wastes Generated in 2019/20	Unit
Plastic Waste	0.68	Tonnes
Paper Box	18.56	Tonnes
Total	19.24	Tonnes
Intensity	0.80	kg/m^2

A1.5. Measures to Mitigate Emissions

The Group measures and monitors the concentration of volatile organic compounds ("VOCs"), benzene, toluene and xylene to ensure the emissions are within the emission standards set by the government. Filter bags, scrubber and biotrickling filter are used to filter dusts, neutralise gas and deodorise air before air is emitted into the atmosphere to prevent air pollution.

To promote reduction of carbon footprint, employees are encouraged to take public transports when commuting to/from work. Virtual conference is considered and encouraged for meetings with colleagues, business partners and clients to reduce travelling. When meeting in-person is inevitable, the Group chooses the most energy-efficient method. Flights would only be taken when necessary. Economic class, which has a lower emission, is always preferred. The Group keeps tracks of and monitors employees' business air travel.

When selecting suppliers, the Group gives priority to local suppliers to reduce greenhouse gas emissions from transportation. During the Reporting Period, 95% of its suppliers are from the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental (continued)

A1. Emissions (continued)

A1.6. Waste Handling and Reduction Initiatives

The Group complies with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, Administrative Measures for Hazardous Waste Transfer Manifests and other applicable laws and regulations.

When collecting, storing, transporting and handling solid wastes, the Group avoids diffusion and leakage, and does not allow any unpermitted disposal of wastes. The Group has developed and implemented hazardous waste handling procedures. Hazardous wastes generated from the factory are classified with reference to the National Hazardous Waste List. All waste generated by the Group is stored in specified areas with strict monitoring. All kinds of waste are collected and proceeded by licensed collectors.

To reduce waste at source, the Group has established and implemented a green office policy to encourage a wise use of resources while promoting waste reduction at the source. The waste reduction measures are as follows:

- Promote 3R – Reduce, reuse and recycle;
- Promote a paperless office by replacing paper documents with digital documents;
- Print on both sides of paper;
- Reuse single-side used paper; and
- Recycle printer ink cartridges in office.

A2. Use of Resources

The Group recognises that its operation consumes a huge amount of energy and water resources. To reduce resources utilisation, the Group has formulated management policies regarding energy and resources use, which monitor and manage the consumption of fuel, electricity, water, raw materials, packaging materials, office paper and other office necessities.

A2.1. Energy Consumption

The energy consumption involved in the Group's operation includes the use of electricity and diesel. The Group consumed a total of 5,986 MWh energy, resulting in total energy intensity of 0.25 MWh/m^2, in the Reporting Period.

Energy Consumption Sources	Consumption	Unit
Electricity	5,522	MWh
Diesel	464	MWh
Total	5,986	MWh
Intensity	0.25	MWh/m^2

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental (continued)

A2. Use of Resources (continued)

A2.2. Water Consumption

A total of 30,707 m^3 of water, representing a water intensity of 1.28 m^3/m^2, was consumed by the Group, supplied by the municipal water suppliers. There was no significant issue in sourcing water during the Reporting Period.

Wastewater Treatment

A total of 29,931 m^3 of wastewater, with a wastewater intensity of 1.25 m^3/m^2, was generated during the Reporting Period. The Group ensures that wastewater is treated properly and has met the standard of the PRC before discharge. Wastewater treatment processes, including sedimentation, aerobic and anaerobic digestion, and pH adjustment, are applied onsite. The Group monitors the wastewater parameters, such as chemical oxygen demand, total suspended solid, pH, nitrogen content, heavy metal content, etc., and ensures that the effluent meets all permitted effluent limits. Some of the parameters are illustrated in the table below.

Parameters	Discharge Limits	Average Detected Valued
Chemical Oxygen Demand	80 mg/L	39 mg/L
Total Suspended Solid	30 mg/L	11 mg/L
Ammonia Nitrogen	15 mg/L	7.03 mg/L
Total Nitrogen	20 mg/L	11.9 mg/L
pH	6-9	7.37
Phosphorus	1 mg/L	0.62 mg/L
Nickel	0.5 mg/L	0.05 mg/L
Cadmium	0.01 mg/L	0.005 mg/L

A2.3. Energy Use Efficiency Initiatives

The Group continues to implement initiatives for promoting efficient energy consumption. The initiatives include:

- Develop electricity consumption systems to calculate and analyse the total electricity consumption to ensure rational and effective energy use;
- Choose energy-saving air-conditioning and other electronic appliances;
- Adopt LED lightings whenever possible;
- Select energy efficient equipment for production;
- Educate employees to reduce unnecessary electricity use and enhance their awareness;
- Promote electricity conservation behaviours among employees; and
- Post energy saving reminders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental (continued)

A2. Use of Resources (continued)

A2.4. Water Use Efficiency Initiatives

The Group keeps track of its monthly water consumption and controls consumption by the following initiatives:

- Deploy water efficient treatment facilities and technologies;
- Reuse greywater whenever possible;
- Post waster saving labels as reminders; and
- Install automatic water taps.

A2.5. Packaging Materials

The Group prevents the use of excessive packaging and reduces packaging whenever possible. Recyclable materials are used as wrapping materials. A total of 7.47 tonnes of carton boxes were used as packing material during the Reporting Period.

A3. The Environment and Natural Resources

A3.1. Significant Impacts of Activities on the Environment

The Group's production generates exhaust gas, dust and smoke, hazardous waste, wastewater and noise nuisance. The Group has therefore taken the following actions to minimise significant impact on the environment and natural resources:

- Treat wastewater before discharge;
- Filter gases before emitting into the atmosphere;
- Reduce production noise level and vibration by sound insulation wall;
- Reduce waste production and consumption of energy and natural resources;
- Employ only licenced collectors to collect and treat hazardous waste;
- Promote green office policy and initiatives;
- Promote recycling;
- Use eco-friendly materials;
- Prevent pollution and reduce carbon footprint; and
- Promote environmentally responsible practices among employees, customers, suppliers, contractors and business partners.

Moreover, the Group opts for environmentally friendly materials for operation and packaging. Forest Stewardship Council (FSC) certified paper is used in office and when printing business cards and promotional materials. The packing materials are not only free of harmful substance, but they are also recyclable. Customers can easily recycle the packaging materials after use. The Group will continue to minimise its adverse impact on the environment through regular monitoring, assessment and evaluation of performances.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social

1. Employment and Labour Practices

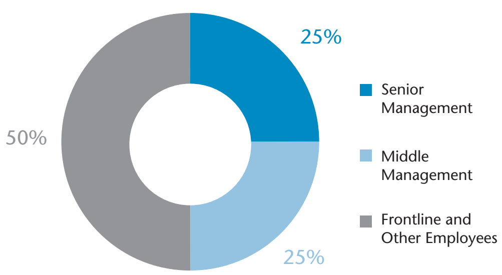
B1. Employment

The Group complies with national and local laws and regulations regarding employment, including but not limited to the Labour Law of the PRC and the Labour Contract Law of the PRC. The Group did not note any cases of material non-compliance with laws and regulations regarding its benefits and welfare, compensation and dismissal, equal opportunity, diversity and anti-discrimination and other labour practice during the Reporting Period.

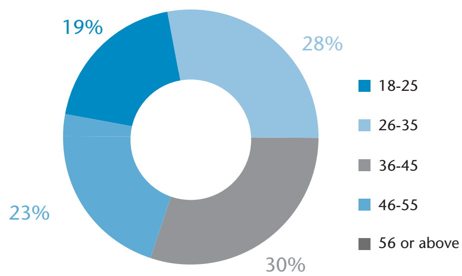
Total Employees

As of 31 March 2020, the Group had 44 employees, all of whom were full-time employees. The figures below illustrate the distribution of workforce:

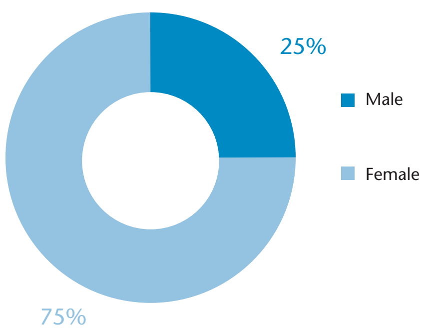
Workforce by Category



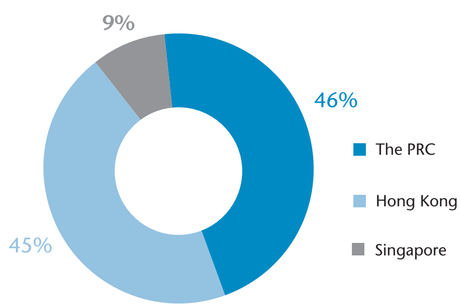
Workforce by Age



Workforce by Gender



Workforce by Geographical Region



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social (continued)

1. Employment and Labour Practices (continued)

B1. Employment (continued)

Turnover

During the Reporting Period, 107 employees left the Group. The high turnover rate was due to the organisational restructuring, resulting in job cut.

Employee Benefits and Welfare

The Group believes that employees are important assets. It provides competitive remuneration packages and fringe benefits, including basic salary, different types of leave (annual, sick, maternity, funeral, injury and breast-feeding), insurance, housing provident fund, allowance, subsidy and bonus to its employees.

Compensation and Dismissal

The Group has adopted a 40-hour work week, with 8 hours a day for 5 days a week, excluding rest periods. Employees working overtime are entitled to compensation leave. Departments planning to work outside working hours shall inform and seek approval from the human resources department.

When either party, the Group or the employee, wants to terminate the employment contract, a prior notice in writing of no less than 30 days should be provided to the other party. The Group helps employees eligible for retirement complete retirement procedures in accordance with the national laws for the entitlement to pension benefits.

Equal Opportunity

The Group respects diversity in the workplace. The Group provides equal opportunities for all employees in respect of recruitment, job advancement, compensation and benefits, and training and development. Employees are not discriminated against or deprived of such opportunities based on gender, ethnic background, religion, colour, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group does not tolerate any form of discrimination.

Communication with Employees

The Group strives to create a motivating work environment by enhancing communication. It encourages open communication and provides channels for employees to express their concerns. Birthday party is held every month to celebrate and reward employees. This also enhances employees' engagement, enhancing work motivation and dedication.

B2. Employee Health and Safety

Occupational Health and Safety

Providing a healthy and safe work environment is of paramount importance to the Group. The Group complies with the Work Safety Law of the PRC and the Law of the PRC on the prevention and Control of Occupational Diseases. Safety Policies have been outlined in the Employee Handbook. To pursue occupational health and production safety, the Group has established policies on different aspects, including safe production, occupational health and safety, personal protective equipment usage, fire safety and emergency response. Employees shall strictly observe all safety operation rules, pay attention to the working procedures, and use personal protection equipment and fire extinguishing facilities correctly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social (continued)

1. Employment and Labour Practices (continued)

B2. Employee Health and Safety (continued)

Occupational Health and Safety (continued)

During the Reporting Period, there was no material non-compliance with the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. No occupational injury was recorded.

Occupational Health and Safety Data in 2019/20

Work related fatality	0
Work injury cases >3 days	0
Work injury cases <=3 days	0
Lost days due to work injury	0

Managing Safety Risk

The Group has established a safety management system to manage safety elements in the workplace. Manufacturing is conducted in strict compliance with safety requirements of the process. The Group provides safety trainings for employees, identifies safety hazards, conducts regular safety inspections and monitors working procedures. The Group provides employees with personal protective equipment, such as gloves and safety goggle, and trainings relating to safety measures of risky works, such as hot working and lifting operations. The Group ensures good ventilation in the work environment for maintaining suitable and comfortable temperature and humidity. For departments that are at higher risk of exposure to occupational hazards, regular medical examinations are provided.

Promoting Safety Measures

The Group aims to turn systems and procedures into reality by promoting behavioural change. In the factory, smoking and setting off firecrackers are strictly prohibited. Every department shall arrange employees to switch off electricity supply, close doors and windows and check fire equipment before leaving the factory. Employees shall pay attention to safety when handling heavy objects and seek for assistance if possible. If any machine, instrument or switch malfunctions, or if any attendant feels uncomfortable, gets injured or infected, employees shall report to supervisors immediately.

Safety Precaution and Response

Fire safety and chemical safety are the major risks in the Group's operations. Fire drills and chemical spill drills were carefully planned, conducted and recorded every year, ensuring employees to be familiar with the emergency plan and able to evacuate and response quickly and safely. There are clear exit channels, emergency lights, firefighting equipment and other safety equipment in the workplace. The emergency exits are cleaned and inspected regularly and shall always be kept clear from obstruction. Spill kits and first aid kits are available at all production sites. They are replaced after use and inspected regularly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

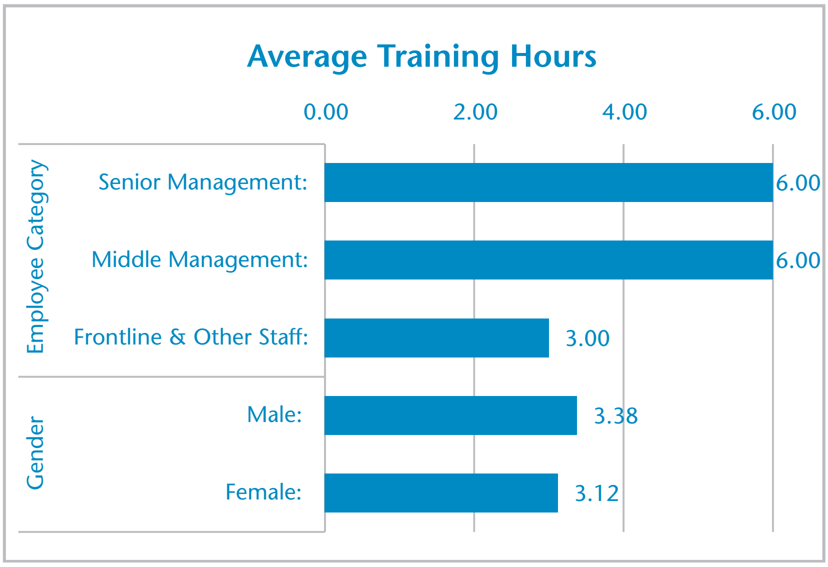
B. Social (continued)

1. Employment and Labour Practices (continued)

B3. Development and Training

The Group believes that development and training are crucial for employees to discharge their duties more effectively and efficiently. It strives to nurture talents and support continuous development of employees. Orientation and internal training are provided according to the employees' respective positions and training needs, such that employees can familiarise themselves with the Group's vision and operation, and with professional knowledge.

During the Reporting Period, the Group provided a total of 399 hours of training to its employees, or 3.2 hours per person. 100% of its employees received training. Training topics includes operation skills, safety measures, and professional knowledge, such as ISO standard and electrical engineering knowledge.



B4. Labour Standards

In pursuance of the Labour Law and the Labour Contract Law of the PRC, there were no child labour nor forced labour in the Group. No teenagers under the statutory minimum working age will be employed. All employees have signed the employment contract and agreed on the stipulated employment terms and conditions. The human resources department checks new employees' identification documents, such as identity card and academic certificates, to ensure that they are legally entitled to work for the Group to prevent any child labour or forced labour.

The Group prohibits any form of forced, bonded or compulsory labour, human trafficking and other kinds of slavery and servitude. Any form of discrimination, harassment or bullying is not tolerated. The Group does not force its employees to work overtime in daily operations. Regulation on overtime working hours has been set and compensation leave is provided to employees.

There was no material non-compliance with applicable laws and regulations in relation to the prevention of child and forced labour during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social (continued)

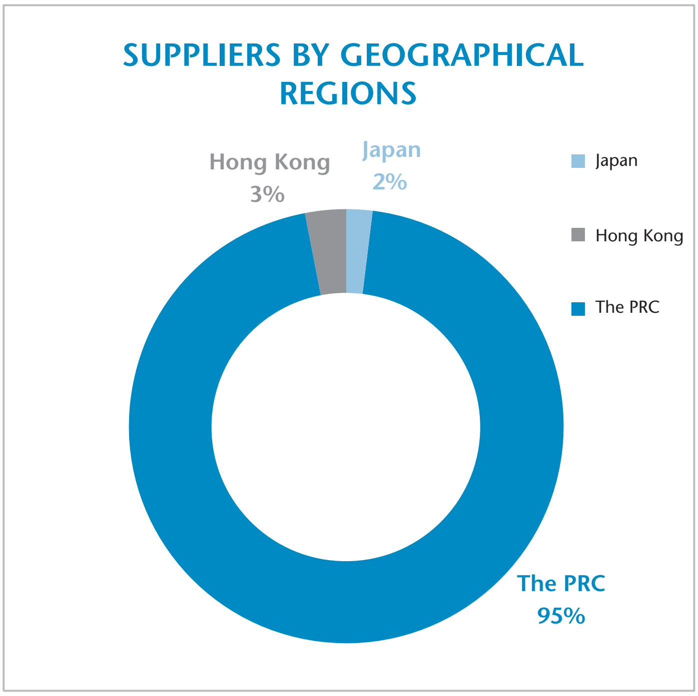
2. Operating Practices

B5. Supply Chain Management

The Group believes that proper management of its supply chain could bring positive impact to the Group, the natural environment and the society. Policies and procedures have been established for the management of the performance of its supply chain.

The Group has established a supplier review and selection system to assess the qualifications of new suppliers and the performance of existing suppliers. The Group reviews the manufacturing process reports, materials details and test reports of the potential suppliers. The Group also considers their environmental and social performance. Suppliers shall not violate regulations such as Restriction of Hazardous Substances (RoHS) Directive, Waste Electrical and Electronic Equipment (WEEE) Directive, and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). The Group also arranges on-site audits. Only companies who pass all audits are qualified to be the Group's suppliers. For existing suppliers, regular performance evaluations are conducted. According to the Group's assessment system, suppliers are assessed and scored with respect to their quality management, product price, service and punctuality. The Group only selects qualified suppliers that have passed the supplier assessments. Priorities are also given to suppliers awarded with environmental management system certificates. Besides, suppliers are required to sign agreements such as the Letter of Commitment to Restricted Substances and the DML Green Procurement Standards to show their commitments to product quality and environmental performance.

During the Reporting Period, the Group had 61 qualified suppliers. The Group gives priority to local supplier to reduce carbon emission from transportation. 95% of its suppliers are local suppliers. The geographical distribution of the Group's suppliers in the Reporting Period is presented below:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social (continued)

2. Operating Practices (continued)

B6. Product Responsibility

The Group is committed to providing products and services with high standard of quality, safety and security, and protecting intellectual property right and personal data. To provide qualified products and services to customers, the Group has established a product safety and risk management system.

There was no material non-compliance relating to health and safety, advertising, labelling and privacy matters regarding products and services provided during the Reporting Period.

Product Quality Assurance

The Group guarantees high product quality and after-sales service. It has established a quality management system in accordance with ISO 9000 Quality Management System, which provides clear processes for various levels of inspections and states the responsibility of different departments. It has also established survey and interview system to collect feedbacks from customers. Queries and feedbacks are answered, rectified, and recorded in a systematic manner.

Different departments of the Group are taking the lead in providing its customers the best possible experience. Responsibilities of each department are presented below.

Departments	Responsibilities
Engineering and Technology Department	• Conduct risk analysis and risk management • Provide technical support
Production Department	• Ensure safety production • Perform risk management
Quality Management Department	• Conduct product safety inspection • Review suppliers' management capabilities regarding product safety
Administrative Department	• Provide training on product safety responsibilities for employees

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

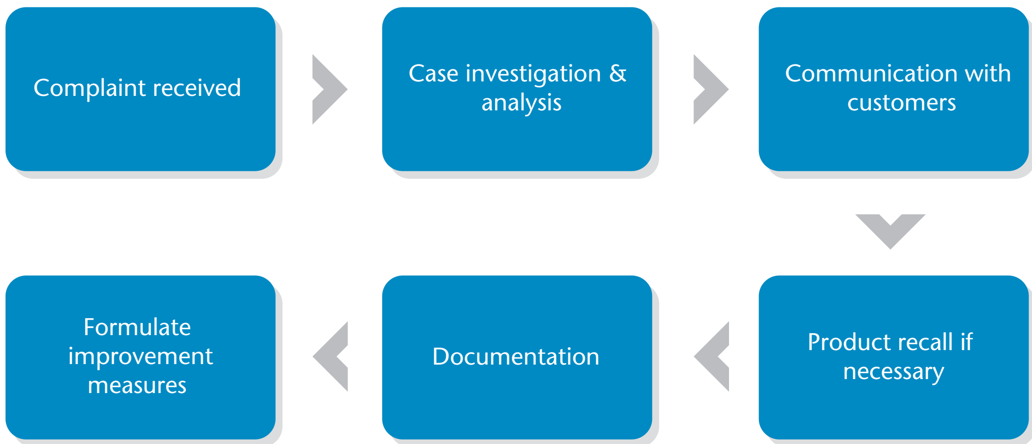
B. Social (continued)

2. Operating Practices (continued)

B6. Product Responsibility (continued)

Complaint

The Group actively communicates with customers and immediately takes measures to resolve any complaint. When a complaint is received, the quality management department will conduct an internal investigation and analysis. The Group communicates with customers and responds to the complaint within a specified period. If necessary, the market department will arrange the product return process. The Group will document the case and formulate measures for improvement. The figure below outlines the procedures for handling customer complaints.



During the reporting period, the Group received 2 complaints from customers about the appearance of products, which are resolved through communication. No material non-compliance with laws and regulations in relation to product health and safety was recorded and no product was recalled due to health and safety reasons during the Reporting Period.

Customer Data Protection

To safeguard customers' personal data, the Group controls authorities and accessibilities. Customer data is managed by designated department. Unauthorised access or abuse of confidential information could result in disciplinary action, including dismissal.

No substantiated complaints regarding the breach of client privacy, identified leak, theft, or loss of customer information was received during the Reporting Period.

Data Confidentiality

All employees shall observe the employee confidentiality agreement, which states clearly that they are obligation to safeguard confidential information. Disclosure of business information, business secrets, technical information and other company secrets is strictly prohibited. Employees can be subject to a civil suit for the breach of confidentiality. The Group has also installed and updated firewalls to prevent data leakage. Pirated and counterfeit software are also prohibited in the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social (continued)

2. Operating Practices (continued)

B6. Product Responsibility (continued)

Intellectual Property Rights

The Group endeavours to protect intellectual property rights. Intellectual properties and technical specifications of the Group and customers are protected and managed by a designated department. Employees shall not copy or disclose any information, including but not limited to designs, techniques and trade information, to third parties without the Group's consent.

B7. Anti-corruption

The Group believes that honesty, integrity and fairness are fundamental elements in the Group. All employees are expected to discharge their duties in an honest and ethical manner as outlined in the employee handbook. The Group has also stipulated the code of conduct. Any bribery, theft, fraud and misappropriation are prohibited. All directors and employees shall avoid conflicts of personal interest and their professional duties, and shall not obtain benefits from or provide benefits to customers, suppliers, business partners or other related parties. Employees shall declare all conflicts of interests and all gifts received. Improper benefits including banquets, entertainment, cash, stocks, equities, securities, valuables and properties, etc. shall not be accepted.

All employees are encouraged to assist in tackling fraud, corruption and other malpractice, and report any suspected cases to the management. When there is any suspected case in the violation of laws, regulations or the Group's policy, the Group will investigate and impose disciplinary actions, which could result in dismissal.

During the Reporting Period, there was no material non-compliance with applicable laws and regulations relating to anti-corruption that could have a significant impact on the Group.

B8. Community Investment

The Group is committed to operating as a responsible corporate, supporting the economic and social development of local communities. It continuously works with partners to support community programmes that bring positive social impacts and encourages employees to participate in volunteering service and charitable activities.

Though the Group does not have policy on community investment, it actively supports elderly and the underprivileged groups. During the Reporting Period, 20 employees visited an elderly centre, chatted with the residents, and handed out gift packs, sharing joy and happiness. The Group will continue exploring volunteer opportunities in the future.

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 2020, the Company has complied with the code provisions as set out in the CG Code except for code provision A.2.1, 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") (the "Board") and each of them has confirmed his/her compliance with the Code of Conduct throughout the year ended 31 March 2020.

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 five members, consisting of two executive directors and three independent non-executive directors.

Executive Directors:

Ms. Cheung Lai Na *(Resigned as executive director and chairman on 4 September 2019)*
Ms. Cheung Lai Ming *(Designated as the chairman of the Company on 4 September 2019)*
Mr. Lee Man Kwong
Mr. Law Ping Wah *(Resigned as executive director and chief financial officer on 19 June 2020)*

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 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 Ming 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 2020, 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 Ming 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 2020:

Name of Directors	Type of Training
Executive directors	
Ms. Cheung Lai Na *(Resigned as executive director and chairman of the Company on 4 September 2019)*	B
Ms. Cheung Lai Ming	A
Mr. Lee Man Kwong	A
Mr. Law Ping Wah *(Resigned as executive director and chief financial officer on 19 June 2020)*	A & B
Independent non-executive directors	
Mr. Leung King Fai	A & B
Mr. Chou Yuk Yan	B
Dr. Chan Yau Ching, Bob	B

Notes:

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 40 of this 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

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 three 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 Ming *(appointed as a member on 4 September 2019)*
Dr. Chan Yau Ching, Bob
Ms. Cheung Lai Na *(ceased to be a member on 4 September 2019)*

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 2020 are set out below:

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

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 2020.

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 one executive directors and three independent non-executive directors. The composition of the Nomination Committee is as follows:

Ms. Cheung Lai Ming *(appointed as a member on 4 September 2019)*
Mr. Leung King Fai
Mr. Chou Yuk Yan
Dr. Chan Yau Ching, Bob
Ms. Cheung Lai Na *(ceased to be a chairman on 4 September 2019)*

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 re-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 2020 is set out in the table below:

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

Notes:

1. Ms. Cheung Lai Na was resigned as an executive director and chairman of the Company, and ceased to be a chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 4 September 2019.

2. Ms. Cheung Lai Ming was appointed as the chairman of the Company, the chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 4 September 2019.

3. Mr. Law Ping Wah was resigned as an executive director and chief financial officer of the Company with effect from 19 June 2020.

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 2019 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 an external independent internal control consultant (the "Internal Control Consultant") 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 Control Consultant 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 (through interviews with designated responsible personnel and examined relevant documents) of certain business processes to identify potential internal controls design gaps, and to recommend practical actions to be taken. The Internal Control Consultant adopts a risk-based approach in developing the annual internal audit work plan and reports Internal Control Review observations to the Audit Committee on an annual 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 2020.

The Board, as supported by the Audit Committee as well as the management report and the Internal Control Review findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2020, 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 2020.

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 56 to 61.

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 2020 was as follows:

	2020 **HK$'000**	2019 HK$'000
Audit services	**1,200**	1,200
Non-audit services (Note)	**410**	563
	1,610	1,763

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 2019 and professional services in relation to the acquisition of subsidiaries which constituted a major acquisition 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 4 September 2018 to 30 September 2019, the Company had engaged Tricor Service Limited as external service provider and Ms. Chan Suet Lam had been appointed as the company secretary of the Company. With effect from 30 September 2019, Mr. Ng Yu Ho had been appointed as company secretary of the Company to fill the vacancy arising from the resignation of Ms. Chan Suet Lam. Details of the above change of company secretary can be referred to in the Company's announcement dated 30 September 2019.

Mr. Ng's primary contact person at the Company is Mr. Lee Man Kwong, executive director of the Company.

Mr. Ng 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. Mr. Ng has attended not less than 15 hours training as per the requirement under Rule 3.29 of the Listing Rules.

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:	Unit A, 10/F, Fook Hing Industrial Building, 33 Lee Chung Street, Chai Wan, 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
中 审 众 环

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 (collectively referred to as the "Group") set out on pages 62 to 144, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 right-of-use assets)	
As at 31 March 2020, the Group has property, plant and equipment (other than right-of-use assets and vessels) of approximately HK$25,800,000 (the "PCB CGU") and the vessels of approximately HK$84,371,000. For the purpose of assessing impairment of these property, plant and equipment (other than right-of-use assets), the Group engaged independent professional valuers to provide assistance in assessing the recoverable amounts of these property, plant and equipment. The recoverable amounts of the PCB CGU and the vessels were determined by management based on the fair value less costs of disposal and the value in use calculation, respectively. We have identified the impairment assessment of these property, plant and equipment 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 the fair value less costs of disposal calculation for the PCB CGU and the value in use for the vessels in estimating the recoverable amounts of these property, plant and equipment; b) Evaluating the competence, capabilities and objectivity of the independent professional valuers; c) Assessing the appropriateness of the methodologies used by the independent professional valuers; 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 valuers.

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 2020, the gross amount of trade receivables and its related allowance for ECL amounted to approximately HK$120,720,000 and HK$27,712,000 respectively. At each reporting date, the management of the Group estimates the amount of ECL on 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), 15 and 28 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

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2019-2020 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.

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.

INDEPENDENT AUDITOR'S REPORT

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

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 of the Company.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors of the Company 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.

INDEPENDENT AUDITOR'S REPORT

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

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, 23 July 2020

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 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	**1,205,810**	1,516,823
Cost of sales		**(1,179,676)**	(1,502,506)
Gross profit		**26,134**	14,317
Other income	7	**7,162**	25,893
Selling and distribution expenses		**(5,301)**	(5,544)
Administrative expenses		**(51,261)**	(68,213)
Other operating expenses		**(17,416)**	(14,525)
Gain on disposal of a subsidiary		**–**	170,291
Loss on early redemption of promissory notes		**–**	(10,905)
Fair value gain on derivative financial instruments	20	**1,542**	25,743
Impairment loss on property, plant and equipment	12	**(2,377)**	–
Impairment loss on trade receivables, net	28	**(22,504)**	(5,642)
Impairment loss on deposits paid for acquisition of property, plant and equipment	31(c)	**(14,574)**	–
Equity-settled share-based payment expenses	25	**(1,577)**	–
Finance costs	8	**(17,864)**	(14,944)
(Loss) Profit before taxation	8	**(98,036)**	116,471
Income tax credit (expenses)	9	**10,788**	(16,005)
(Loss) Profit for the year		**(87,248)**	100,466
(Loss) Earnings per share	11		
Basic (Hong Kong cents)		**(15.14)**	17.43
Diluted (Hong Kong cents)		**(15.14)**	10.49

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
(Loss) Profit for the year	**(87,248)**	100,466
Other comprehensive loss:		
Item that has been reclassified to profit or loss:		
Reclassification adjustment of exchange 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	**(10,453)**	(13,592)
Other comprehensive loss for the year	**(10,453)**	(21,676)
Total comprehensive (loss) income for the year	**(97,701)**	78,790

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	12	113,672	119,134
Refundable deposit paid for acquisition of subsidiaries	30(a)	12,000	–
Deposits paid for acquisition of property, plant and equipment		–	15,885
		125,672	135,019
Current assets			
Inventories	14	79	731
Trade and bill receivables	15	93,008	456,410
Other receivables, deposits and prepayments	16	8,208	20,390
Pledged bank deposits		–	117,724
Cash and cash equivalents	17	30,649	62,541
		131,944	657,796
Current liabilities			
Trade payables	18	5,873	355,611
Other payables and accruals	19	35,915	18,349
Interest-bearing borrowings		–	98,461
Derivative financial instruments	20	101	–
Convertible bonds	20	78,360	–
Lease liabilities	21	1,751	–
Tax payable		532	15,823
		122,532	488,244
Net current assets		9,412	169,552
Total assets less current liabilities		135,084	304,571
Non-current liabilities			
Derivative financial instruments	20	–	1,643
Convertible bonds	20	–	73,548
Lease liabilities	21	1,751	–
Deferred tax liabilities	22	247	170
		1,998	75,361
NET ASSETS		133,086	229,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	23	**57,624**	57,624
Reserves	24	**75,462**	171,586
TOTAL EQUITY		**133,086**	229,210

The consolidated financial statements on pages 62 to 144 were approved and authorised for issue by the Board of Directors on 23 July 2020 and signed on its behalf by

Cheung Lai Ming *Director*	**Lee Man Kwong** *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

	Share capital HK$'000 (Note 23)	Reserves: Share premium HK$'000 (Note 24(a))	Contributed surplus HK$'000 (Note 24(b))	Exchange translation reserve HK$'000 (Note 24(c))	Share option reserve HK$'000 (Note 25)	Accumulated losses HK$'000	Sub-total HK$'000	Total HK$'000
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 exchange 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 income 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
At 1 April 2019	**57,624**	**128,492**	**9,379**	**88,678**	**–**	**(54,963)**	**171,586**	**229,210**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(87,248)**	**(87,248)**	**(87,248)**
Other comprehensive loss								
Exchange difference on translation of functional currency to presentation currency	**–**	**–**	**–**	**(10,453)**	**–**	**–**	**(10,453)**	**(10,453)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(10,453)**	**–**	**(87,248)**	**(97,701)**	**(97,701)**
Transaction with owners								
Contributions and distributions								
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 31 March 2020	**57,624**	**128,492**	**9,379**	**78,225**	**1,577**	**(142,211)**	**75,462**	**133,086**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
(Loss) Profit before taxation	**(98,036)**	116,471
Adjustments for:		
Interest income	**(860)**	(1,799)
Depreciation	**13,139**	8,792
Amortisation of prepaid lease payments	**–**	300
Equity-settled share-based payment expenses	**1,577**	–
Fair value gain on derivative financial instruments	**(1,542)**	(25,743)
Gain on disposal of a subsidiary	**–**	(170,291)
Loss on early redemption of promissory notes	**–**	10,905
Loss (Gain) on disposal of property, plant and equipment, net	**14**	(16,337)
Impairment loss on property, plant and equipment	**2,377**	–
Impairment loss on trade receivables	**22,504**	5,642
Impairment loss on deposits paid for acquisition of property, plant and equipment	**14,574**	–
Reversal of impairment loss on other receivables, deposits and prepayments	**–**	(642)
Reversal of write down of inventories	**(2,157)**	(2,440)
Write down of inventories	**–**	2,007
Write-back of trade payables	**(1,129)**	(186)
Finance costs	**17,864**	14,944
Operating cash flows before changes in working capital	**(31,675)**	(58,377)
Changes in working capital:		
Inventories	**2,614**	29,145
Trade and bill receivables	**329,623**	(379,509)
Other receivables, deposits and prepayments	**8,105**	(7,027)
Trade payables	**(334,169)**	281,004
Other payables and accruals	**6,738**	(10,406)
Cash used in operations	**(18,764)**	(145,170)
Income tax paid	**(4,411)**	(12)
Interest received	**860**	1,799
Net cash used in operating activities	**(22,315)**	(143,383)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment, including deposits paid		**(1,732)**	(8,439)
Proceeds from disposal of a subsidiary, net of bank balances and cash disposed of and direct costs		**–**	197,433
Proceeds from disposal of property, plant and equipment		**1,424**	17,274
Decrease in pledged bank deposits		**113,415**	27,382
Refundable deposit paid for acquisition of subsidiaries	30(a)	**(12,000)**	–
Net cash from investing activities		**101,107**	233,650
FINANCING ACTIVITIES	26(b)		
New bank loans raised		**327,811**	205,744
Repayment of bank loans		**(426,078)**	(212,826)
Repayment for lease liabilities		**(1,283)**	–
Redemption of promissory notes		**–**	(74,045)
Interest paid		**(13,052)**	(9,133)
Net cash used in financing activities		**(112,602)**	(90,260)
Net (decrease) increase in cash and cash equivalents		**(33,810)**	7
Cash and cash equivalents at beginning of year		**62,541**	59,607
Effect of foreign exchange rate changes, net		**1,918**	2,927
Cash and cash equivalents at end of year, represented by bank balances and cash	17	**30,649**	62,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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, HM 10, Bermuda and its principal place of business has been changed from Room Nos. 901-2, 9/F., Tai Tung Building, No. 8 Fleming Road, Wanchai, Hong Kong to Unit A, 10/F, Fook Hing Industrial Building, 33 Lee Chung Street, Chai Wan, Hong Kong since July 2020.

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 13 to the consolidated financial statements.

2. Significant Accounting Policies

Statement of compliance

The 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. The 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.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 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 the 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 2020

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 2020

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	15-17 years
Leasehold improvements	Over the lease term (i.e. 1.5 years to 3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

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 2020

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and measurement (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 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 refundable deposits paid for acquisition of subsidiaries, trade and bills receivables, other receivables and deposits, pledged bank deposits and cash and cash equivalents.

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, convertible bonds and lease liabilities. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Classification and measurement (continued)

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.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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.

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 2020

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

2. Significant Accounting Policies (continued)

Revenue recognition

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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

2. Significant Accounting Policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers within HKFRS 15 (continued)

Timing of revenue recognition (continued)

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.

Revenue from other sources

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

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. The consolidated financial statements are presented in HK$.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

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.

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 (including right-of-use assets) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

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.

Leases

Applicable from 1 April 2019

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset (presented in property, plant and equipment) and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

Leases (continued)

Applicable from 1 April 2019 (continued)

As lessee (continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	2 years to 3 years
Equipment	1.5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

Leases (continued)

Applicable from 1 April 2019 (continued)

As lessee (continued)

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) the Group determines the lease term of the modified contract;

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

2. Significant Accounting Policies (continued)

Leases (continued)

Applicable before 1 April 2019

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 lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the 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. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

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 2020

2. Significant Accounting Policies (continued)

Share-based payment transactions

Equity-settled transactions – share options

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 within 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 2020

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 2020

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.

Amendments to HKASs 1 and 8	Definition of Material [1]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform [1]
Amendments to HKFRS 3	Definition of a Business [2]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions [3]
HKFRS 17	Insurance Contracts [4]
Amendments to HKAS 16	Proceeds before Intended [5]
Amendments to HKAS 37	Cost of Fulfilling a Contract [5]
Amendments to HKFRS 3	Reference to the Conceptual Framework [5]
Annual Improvements to HKFRSs	2018–2020 Cycle [5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [6]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 June 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective for annual periods beginning on or after 1 January 2022
6 The effective date to be determined

The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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:

Annual Improvements to HKFRSs	2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

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 consolidated financial statements for current and prior periods.

HKFRS 16: *Leases*

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It 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 assets 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 carries 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 those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

3. Adoption of New/Revised HKFRSs (continued)

HKFRS 16: *Leases* (continued)

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA;

(c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA;

(d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA; and

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

3. Adoption of New/Revised HKFRSs (continued)

HKFRS 16: *Leases* (continued)

As lessee – leases previously classified as operating leases (continued)

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 5%.

	Carrying amounts at 31 March 2019 under HKAS 17	Adjustments	Carrying amounts at 1 April 2019 under HKFRS 16
	HK$'000	HK$'000	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

	At 1 April 2019
	HK$'000
Operating lease commitment at 31 March 2019 (Note)	200
Lease liabilities recognised at 1 April 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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.

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, including property, plant and equipment and right-of-use 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

4. Critical Accounting Estimates and Judgements (continued)

Key sources of estimation uncertainty (continued)

(iii) *Loss allowance for ECL*

The Group's management estimates the loss allowance for financial assets at amortised cost including refundable deposit paid for acquisition of subsidiaries, 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 of property, plant and equipment*

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.

(v) *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

5. Revenue

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within HKFRS 15		
Manufacturing and trading of printed circuit boards	37,009	136,060
Trading of petroleum and energy products	1,148,398	1,369,848
Revenue from other sources		
Vessel chartering income	20,403	10,915
	1,205,810	1,516,823

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 2020	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products HK$'000	Total HK$'000
Geographical region:			
– Singapore	–	532,842	532,842
– North America	13,475	–	13,475
– Hong Kong	2,280	615,556	617,836
– Japan	2,470	–	2,470
– The PRC	17,264	–	17,264
– Europe	1,486	–	1,486
– Other countries	34	–	34
	37,009	1,148,398	1,185,407
Timing of revenue recognition:			
– at a point in time	37,009	1,148,398	1,185,407
Type of transaction price:			
– fixed price	37,009	1,148,398	1,185,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

5. Revenue (continued)

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

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, administrative expenses and other operating expenses incurred by the corporate office, impairment loss on deposits paid for acquisition of property, plant and equipment, gain on disposal of a subsidiary, fair value gain on derivative financial instruments, equity-settled share-based payment expenses and finance costs.

All assets are allocated to reportable segments other than unallocated assets which are mainly refundable deposit paid for acquisition of subsidiaries, 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 2020

6. Segment Information (continued)

(A) By Business Segments

Year ended 31 March 2020

	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 D	–	285,681	–	285,681
Major customer E	–	149,383	–	149,383
Other customers	37,009	97,778	20,403	155,190
	37,009	1,148,398	20,403	1,205,810
Segment results	(39,837)	5,230	3,498	(31,109)
Unallocated other income				2,159
Unallocated administrative expenses				(32,086)
Unallocated other operating expenses				(4,527)
Impairment loss on deposits paid for acquisition of property, plant and equipment				(14,574)
Equity-settled share-based payment expenses				(1,577)
Fair value gain on derivative financial instruments				1,542
Finance costs				(17,864)
Loss before taxation				(98,036)
Income tax credit				10,788
Loss for the year				(87,248)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

6. Segment Information (continued)

(A) By Business Segments (continued)

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 A	–	663,356	–	663,356
Major customer B	–	352,713	–	352,713
Major customer C	–	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

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 2020

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 2020

	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	63,939	77,094	86,327	30,256	257,616
Segment liabilities	20,106	595	14,198	89,631	124,530
Other segment information:					
Depreciation	(4,997)	(1,811)	(6,206)	(125)	(13,139)
Equity-settled share-based payment expenses	–	–	–	(1,577)	(1,577)
Fair value gain on derivative financial instruments	–	–	–	1,542	1,542
Gain (Loss) on disposal of property, plant and equipment, net	2	–	–	(16)	(14)
Impairment loss on property, plant and equipment	(2,377)	–	–	–	(2,377)
Impairment loss on trade receivables, net	(335)	(22,174)	5	–	(22,504)
Impairment loss on deposits paid for acquisition of property, plant and equipment	–	–	–	(14,574)	(14,574)
Reversal of write down of inventories	2,157	–	–	–	2,157
Write-back of trade payables	1,129	–	–	–	1,129
Additions to property, plant and equipment (including right-of-use assets)	2,060	–	10,602	6,230	18,892
Refundable deposit paid for acquisition of subsidiaries	–	–	–	12,000	12,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

6. Segment Information (continued)
(A) By Business Segments (continued)
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)
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 2020

6. Segment Information (continued)

(B) Geographical Information

(i) Revenue from external customers

	2020 HK$'000	2019 HK$'000
Singapore	**553,245**	364,662
North America	**13,475**	23,718
Hong Kong	**617,836**	1,028,873
Japan	**2,470**	15,772
The PRC	**17,264**	81,370
Europe	**1,486**	1,861
Other countries	**34**	567
	1,205,810	1,516,823

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

(ii) Non-current assets

	2020 HK$'000	2019 HK$'000
Hong Kong	**4,611**	1,046
Singapore	**85,093**	100,147
The PRC	**23,968**	33,826
	113,672	135,019

The non-current assets information above is based on the locations of assets and excluded refundable deposit paid for acquisition of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

7. Other Income

	2020 HK$'000	2019 HK$'000
Bank interest income	860	1,799
Equipment rental income	–	759
Gain on disposal of property, plant and equipment, net	–	16,337
Reversal of impairment loss on other receivables, deposits and prepayments	–	642
Sales of scrap materials	4,175	4,540
Write-back of trade payables	1,129	186
Others	998	1,630
	7,162	25,893

8. (Loss) Profit Before Taxation

This is stated after charging (crediting):

	2020 HK$'000	2019 HK$'000
Finance costs		
Interest on bank borrowings	8,521	4,333
Interest on convertible bonds (Note 20)	9,174	9,037
Interest on lease liabilities	169	–
Imputed interest on promissory notes	–	1,574
	17,864	14,944
Staff costs (excluding directors' emoluments in Note 10)		
Salaries, allowances and benefits-in-kind	9,438	19,886
Contribution to defined contribution plans	682	1,620
Share-based payment expenses	805	–
Voluntary termination benefits	–	22,713
	10,925	44,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

8. (Loss) Profit Before Taxation (continued)

This is stated after charging (crediting):

	2020 HK$'000	2019 HK$'000
Other items		
Auditor's remuneration		
– Audit services	1,200	1,200
– Non-audit services	410	563
Amortisation of prepaid lease payments	–	300
Cost of inventories (Note)	1,179,676	1,502,506
Depreciation	13,139	8,792
Exchange loss, net (included in other operating expenses)	4,502	5,816
Loss (Gain) on disposal of property, plant and equipment, net	14	(16,337)
Legal and professional fee (included in administrative expenses)		
– Withholding tax on capital gain	9,184	–
– Others	6,429	1,710
	15,613	1,710
Other rental and related expenses	1,519	4,956
Relocation and re-installation costs (included in other operating expenses)	12,889	8,008
Repair and maintenance (included in administrative expenses)	2,962	5
Reversal of write down of inventories	(2,157)	(2,440)
Write down of inventories	–	2,007

Note:

Cost of inventories excludes write down of inventories and related reversal but includes approximately HK$4,689,000 *(2019: HK$15,727,000)* relating to aggregate amount of certain staff costs, depreciation and other rental and related expenses, which are included in the respective total amounts disclosed separately above.

9. Income Tax

	2020 HK$'000	2019 HK$'000
Current tax		
Hong Kong Profits Tax	22	212
Singapore corporate income tax	238	185
	260	397
(Overprovision of) Provision for withholding tax on capital gain upon disposal of a PRC wholly-owned subsidiary	(11,139)	15,438
Deferred tax (Note 22)	91	170
Total income tax (credit) expenses for the year	(10,788)	16,005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

9. Income Tax (continued)

PRC Enterprise Income Tax has not been provided for the years ended 31 March 2020 and 2019 as the Group's entities in the PRC incurred a loss for taxation purposes.

For the years ended 31 March 2020 and 2019, the assessable profits of a Hong Kong incorporated subsidiary of the Group is entitled to the two-tiered profits tax rates regime that the first HK$2,000,000 of assessable profits will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%.

Singapore corporate income tax ("CIT") is calculated at 17% *(2019: 17%)* of the estimated assessable profits without CIT rebate *(2019: CIT rebate of 20%, capped at SG$10,000)* for the year ended 31 March 2020. 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 *(2019: 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 2020.

Indirect transfer of equity interests sourced in the PRC of non-resident enterprises is subject to withholding tax at a rate of 10% of the capital gain, subject to any tax concession and adjustments, for the year ended 31 March 2019. During the year ended 31 March 2020, the Group concluded and settled the final withholding tax on the capital gain with the local tax authority.

Reconciliation of income tax (credit) expenses

	2020 **HK$'000**	2019 HK$'000
(Loss) Profit before taxation	**(98,036)**	116,471
Tax calculated at domestic tax rates applicable to (loss) profit in the respective tax jurisdictions	**(17,803)**	16,655
Non-deductible expenses	**3,536**	8,602
Tax exempted revenue	**(105)**	(28,238)
Unrecognised temporary differences	**3,545**	(2,476)
Unrecognised tax losses	**11,358**	8,208
Utilisation of previously unrecognised tax losses	**–**	(2,056)
(Overprovision of) Provision for withholding tax on capital gain upon disposal of a PRC wholly-owned subsidiary	**(11,139)**	15,438
Others	**(180)**	(128)
Income tax (credit) expenses	**(10,788)**	16,005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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 2020

	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Share-based payments HK$'000	Contribution to defined contribution plans HK$'000	Total HK$'000
Executive directors:					
Cheung Lai Na (Note (a))	–	257	193	13	463
Cheung Lai Ming (Note (b))	–	600	193	30	823
Lee Man Kwong (Note (c))	–	600	193	20	813
Law Ping Wah (Note (d))	–	620	193	30	843
Independent non-executive directors:					
Leung King Fai	240	–	–	–	240
Chou Yuk Yan	240	–	–	–	240
Chan Yau Ching, Bob (Note (e))	240	–	–	–	240
	720	2,077	772	93	3,662

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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

10(a) Directors' emoluments (continued)

For the year ended 31 March 2019

	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Share-based payments 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 (Note (b))	–	600	–	30	630
Lee Man Kwong (Note (c))	–	500	–	25	525
Law Ping Wah (Note (d))	–	230	–	11	241
Non-executive director:					
Lee Man Kwong (Note (c))	40	–	–	–	40
Independent non-executive directors:					
Leung King Fai	240	–	–	–	240
Chou Yuk Yan	240	–	–	–	240
Law Ping Wah (Note (d))	140	–	–	–	140
Chan Yau Ching, Bob (Note (e))	139	–	–	–	139
	799	1,930	–	96	2,825

Notes:

(a) On 4 September 2019, Ms. Cheung Lai Na resigned as the executive director and the Chairman of the Company.

(b) On 4 September 2019, Ms. Cheung Lai Ming was designated as the Chairman of the Company.

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

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

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

For the years ended 31 March 2020 and 2019, 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 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

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 three *(2019: two)* directors whose emoluments are reflected in the analysis presented above and two *(2019: three)* non-director individuals whose emoluments are disclosed as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits-in-kind	**1,175**	2,560
Share-based payment expenses	**201**	–
Contribution to defined contribution plans	**15**	73
	1,391	2,633

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Up to HK$1,000,000	**2**	2
HK$1,500,001 to HK$2,000,000	–	1

For the years ended 31 March 2020 and 2019, 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 2020 and 2019, no individuals waived or agreed to waive any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

11. (Loss) Earnings Per Share

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

	2020 HK$'000	2019 HK$'000
(Loss) Profit:		
(Loss) Profit attributable to owners of the Company, used in basic (loss) earnings per share calculation	**(87,248)**	100,466
Adjustment of (loss) profit attributable to owners of the Company:		
– Interest saving of the convertible bonds	–	9,037
– Fair value gain on derivative financial instruments	–	(25,743)
(Loss) Profit attributable to owners of the Company, used in diluted (loss) earnings per share calculation	**(87,248)**	83,760

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings 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 (loss) earnings per share	**576,243,785**	798,466,007

The computation of diluted loss per share does not assume the conversion of all outstanding convertible bonds issued by the Company and the exercise of the outstanding share options since the assumed conversion would result in decrease in loss per share for the year ended 31 March 2020 and the exercise price per share option was higher than the average share price of the Company for the year, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

12. Property, Plant and Equipment

	Right-of-use assets HK$'000 (Note 21)	Buildings HK$'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 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	–	(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
Reconciliation of carrying amount – year ended 31 March 2020									
At the beginning of the reporting period	–	–	4,844	27,400	20	1,129	207	85,534	119,134
Adoption of HKFRS 16	198	–	–	–	–	–	–	–	198
Additions	4,821	–	1,113	1,487	37	801	31	10,602	18,892
Disposals	–	–	–	(1,375)	(4)	(47)	(12)	–	(1,438)
Depreciation	(1,477)	–	(667)	(4,235)	(12)	(473)	(69)	(6,206)	(13,139)
Impairment loss	–	–	–	(2,377)	–	–	–	–	(2,377)
Exchange realignment	(41)	–	(328)	(1,653)	(1)	(9)	(7)	(5,559)	(7,598)
At the end of the reporting period	3,501	–	4,962	19,247	40	1,401	150	84,371	113,672
As 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
As at 31 March 2020									
Cost	4,969	–	6,068	200,048	367	2,651	1,168	92,095	307,366
Accumulated depreciation and impairment losses	(1,468)	–	(1,106)	(180,801)	(327)	(1,250)	(1,018)	(7,724)	(193,694)
Net carrying amount	3,501	–	4,962	19,247	40	1,401	150	84,371	113,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

12. Property, Plant and Equipment (continued)

(a) In light of the reduction of revenue and continuous operating losses of the Group's printed circuit board ("PCB") business over past years, the management of the Group considered that non-current assets of the Group might be impaired. In view of this, the management of the Group estimated the recoverable amount of the cash-generating unit in respect of PCB business as the higher of the fair value less costs of disposal and the value in use of the cash-generating unit based on the valuation report prepared by an independent professional valuer. The cash-generating unit consisted of the Group's PCB manufacturing facility, which is composed of property, plant and equipment but excluding right-of-use assets and vessels (the "PCB CGU") with aggregate carrying values of approximately HK$28,177,000 *(2019: HK$33,600,000).*

The management of the Group estimated the recoverable amount of the PCB CGU 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. The significant inputs into this valuation approach are the relevant price indices and expected useful life of the relevant assets.

Based on the assessment, the recoverable amount of the PCB CGU as at 31 March 2020 was approximately HK$25,800,000 and accordingly an impairment loss against the machinery and equipment of approximately HK$2,377,000 was recognised in the consolidated statement of profit or loss during the year ended 31 March 2020.

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

(b) The management of the Group considered the market conditions of oil and gas services sector have continued to be challenging and uncertain which is highlighted by recent fluctuation in oil price. Any impairment of the vessels identified may have material impact on the consolidated financial statements. Therefore, the management of the Group engaged an independent professional valuer to assess the recoverable amounts of two vessels with aggregate carrying values of approximately HK$84,371,000 *(2019: HK$85,534,000)* based on the value-in-use calculated as present value of future cash flows to be derived from the vessels of the Group. The significant inputs into this valuation approach are the estimates of future earnings from the vessels and appropriate discount rate to derive the present value of future cash flows. The carrying amount of the vessels (before impairment provision, if any) will be written down to their estimated recoverable amount.

Based on the assessment, the recoverable amount of the vessels is higher than its respective carrying amounts and therefore no impairment shall be recognised during the year ended 31 March 2020.

As at 31 March 2019, the carrying amount of the Group's vessels of approximately HK$85,534,000 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.

During the year ended 31 March 2020, the revolving credit limit was withdrawn by the independent supplier due to temporarily suspension of trading of petroleum and energy products as a result of the litigation as detailed in Note 31(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

13. 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 ("DML")	Ordinary	Hong Kong	100% *(2019: 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% *(2019: 100%)*	HK$100,000	Trading of petroleum and energy products	Private limited liability company
Pacific Dragon (Hong Kong) Energy Limited ("Pacific Dragon")	Ordinary	Hong Kong	100% *(2019: 100%)*	HK$1	Trading of petroleum and energy products	Private limited liability company
Pacific Dragon Trading Pte. Limited	Ordinary	Singapore	100% *(2019: 100%)*	US$6,000,000	Trading of petroleum and energy products	Private limited liability company
PE28 Pte. Limited	Ordinary	Singapore	100% *(2019: 100%)*	US$50,001	Provision of vessel chartering	Private limited liability company
PE138 Pte. Limited	Ordinary	Singapore	100% *(2019: 100%)*	US$50,001	Provision of vessel chartering	Private limited liability company
華鋒微綫電子(惠州)工業有限公司 (Huafeng Microline (Huizhou) Circuits Limited*) ("Huafeng")	Registered	The PRC	100% *(2019: 100%)*	US$37,200,000	Manufacture of printed circuit boards	Wholly foreign-owned enterprise

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.

* English name for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

14. Inventories

	2020 HK$'000	2019 HK$'000
Raw materials	**79**	731

15. Trade and Bill Receivables

	Note	2020 HK$'000	2019 HK$'000
Trade receivables			
– from related parties		–	1,835
– from third parties		**120,720**	458,825
	15(a)	**120,720**	460,660
Less: Loss allowance	28	**(27,712)**	(5,642)
	15(a)	**93,008**	455,018
Bill receivables	15(b)	–	1,392
		93,008	456,410

15(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 *(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:

	2020 HK$'000	2019 HK$'000
Less than 1 month	**3,626**	313,450
1 to 2 months	**911**	75,704
2 to 3 months	**678**	1,529
Over 3 months	**115,505**	69,977
	120,720	460,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

15. Trade and Bill Receivables (continued)

15(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:

	2020 HK$'000	2019 HK$'000
Not past due	**5,316**	378,059
Less than 1 month past due	**1,109**	8,752
1 to 2 months past due	**516**	46,771
2 to 3 months past due	**59**	509
Over 3 months past due	**86,008**	20,927
	93,008	455,018

Information about the Group's exposure to credit risks and loss allowance on trade receivables is included in Note 28 to the consolidated financial statements.

15(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.

16. Other Receivables, Deposits and Prepayments

	Note	2020 HK$'000	2019 HK$'000
Deposits and other receivables		**15,995**	14,368
Less: Loss allowance	16(a)	**(10,821)**	(11,607)
		5,174	2,761
Prepayments		**2,461**	3,776
Value-added tax recoverable		**573**	429
Goods and services tax recoverable		**–**	13,424
		3,034	17,629
		8,208	20,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

16. Other Receivables, Deposits and Prepayments (continued)

16(a) Loss allowance

The movements on the loss allowance on deposits and other receivables during the year is summarised below.

	2020 **HK$'000**	2019 HK$'000
At the beginning of the reporting period	**11,607**	13,003
Amount recovered	**–**	(642)
Exchange realignment	**(786)**	(754)
At the end of the reporting period	**10,821**	11,607

Information about the Group's exposure to credit risks and loss allowance on deposits and other receivables is included in Note 28 to the consolidated financial statements.

17. Cash and Cash Equivalents

	2020 **HK$'000**	2019 HK$'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**30,649**	62,541

Bank balances in total of approximately HK$29,534,000 *(2019: HK$62,462,000)* carry interest at floating rates based on daily bank deposit rates.

As at 31 March 2020, bank balances that were placed with banks in the PRC amounted to approximately HK$16,513,000 *(2019: HK$11,729,000)*. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

As at 31 March 2020, bank balances of approximately HK$12,109,000 that were placed with banks in Hong Kong are restricted from use as a result of the injunction order received as detailed in note 31(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

18. Trade Payables

	2020 **HK$'000**	2019 HK$'000
Trade payables to third parties	**5,873**	355,611

The trade payables are non-interest bearing and the Group is normally granted with a credit term ranging from 7 to 90 days *(2019: 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:

	2020 **HK$'000**	2019 HK$'000
Less than 1 month	**2,939**	140,574
1 to 2 months	**1,085**	206,141
2 to 3 months	**381**	4,171
Over 3 months	**1,468**	4,725
	5,873	355,611

19. Other Payables and Accruals

	Note	**2020** **HK$'000**	2019 HK$'000
Salaries and welfare payables		**709**	472
Contract liabilities	19(a)	**1,016**	705
Payables for additions to property, plant and equipment		**10,141**	838
Payables for repair and maintenance costs in respect of property, plant and equipment		**1,080**	–
Payables for relocation and re-installation costs		**10,928**	–
Accrual for management services in respect of vessels		**180**	5,885
Amount due to a related company	19(b)	**2,549**	–
Others		**9,312**	10,449
		35,915	18,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

19. Other Payables and Accruals (continued)

19(a) Contract liabilities

As at 31 March 2020, contract liabilities comprised of approximately HK$1,016,000 *(2019: approximately HK$705,000)* of deposits received from customers on sale of printed circuit boards.

Included in the contract liabilities as at 1 April 2019, approximately HK$705,000 *(2019: approximately HK$1,146,000)* was recognised as revenue during the year ended 31 March 2020.

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

19(b) Amount due to a related company

The amount due is non-trade in nature, unsecured, interest free and repayable on demand. The related company is controlled by a director of the Company.

20. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

20. Convertible Bonds (continued)

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:

	2020	2019
Stock price	**HK$0.120**	HK$0.240
Exercise price	**HK$0.360**	HK$0.360
Volatility	**102.94%**	76.80%
Option life	**5 months**	17 months
Risk-free interest rate	**0.62%**	1.42%
Discount rate	**23.45%**	11.22%

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**
As at 1 April 2018	64,778	(37,392)	27,386
Fair value changes	(50,083)	24,340	(25,743)
As at 31 March 2019 and at 1 April 2019	**14,695**	**(13,052)**	**1,643**
Fair value changes	**(13,627)**	**12,085**	**(1,542)**
As at 31 March 2020	**1,068**	**(967)**	**101**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

20. Convertible Bonds (continued)

Liability component, classified as financial liability at amortised costs

	HK$'000
As at 1 April 2018	69,311
Effective interest expenses	9,037
Interest paid	(4,800)
At 31 March 2019 and at 1 April 2019	**73,548**
Effective interest expenses	**9,174**
Interest paid	**(4,362)**
At 31 March 2020	**78,360**

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

21. Leases

	2020 HK$'000
Right-of-use assets (Note 12)	
Leased properties and office equipment	**3,501**

	2020 HK$'000
Lease liabilities	
Current	**1,751**
Non-current	**1,751**
	3,502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

21. Leases (continued)

The present value of lease liabilities is summarised as below:

	Lease payments HK$'000	Present value of lease payments HK$'000
Amount payable:		
Within one year	1,879	1,751
More than one year, but not exceeding two years	1,794	1,751
	3,673	3,502
Less: future finance charges	(171)	–
Total lease liabilities	3,502	3,502

The depreciation of the leased properties and office equipment charged to profit or loss during the year ended 31 March 2020 amounted to approximately HK$1,477,000.

The operating lease expenses on short-term leases recognised in profit or loss during the year ended 31 March 2020 amounted to approximately HK$1,519,000.

The total cash outflow for leases for the year ended 31 March 2020 was approximately HK$2,971,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

22. Deferred Taxation

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

	Depreciation allowance HK$'000
As at 1 April 2018	–
Charge to profit or loss (Note 9)	170
As at 31 March 2019 and 1 April 2019	**170**
Charge to profit or loss (Note 9)	**91**
Exchange realignment	**(14)**
As at 31 March 2020	**247**

Unrecognised deferred tax assets arising from

	2020 HK$'000	2019 HK$'000
Tax losses arising in Hong Kong	**202,751**	177,691
Tax losses arising in the PRC	**117,383**	119,594
Tax losses arising in Singapore	**23,809**	–
	343,943	297,285

No the tax losses arising in Hong Kong and Singapore 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

23. Share Capital

	2020		2019	
	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

24. 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

Year ended 31 March 2020

25. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

25. 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 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 year ended 31 March 2019 and there were no outstanding share options as at 31 March 2019.

On 6 August 2019, 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"), of which 19,200,000 share options were granted to the executive directors of the Company, pursuant to the 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 following table discloses movements of the Company's share options during the year ended 31 March 2020:

Category of the Grantee	Exercise price per share option HK$	Date of grant	Exercisable period	Number of share options at 1 April 2019	Number of share options granted during the year	Number of share options reclassified during the year	Number of share options at 31 March 2020
DIRECTORS							
Ms. Cheung Lai Ming	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	4,800,000	–	4,800,000
Ms. Cheung Lai Na (Note)	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	4,800,000	(4,800,000)	–
Mr. Lee Man Kwong	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	4,800,000	–	4,800,000
Mr. Law Ping Wah	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	4,800,000	–	4,800,000
Sub-total				–	19,200,000	(4,800,000)	14,400,000
OTHER GRANTEES	0.222	6 August 2019	6 August 2019 to 1 August 2020	–	19,200,000	4,800,000	24,000,000
Total				–	38,400,000	–	38,400,000
Exercisable at the end of the year							38,400,000
Weighted average exercise price							HK$0.222

Note: 4,800,000 share options have been transferred from category of directors to other grantees upon the resignation of Ms. Cheung Lai Na as director of the Company on 4 September 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

25. Share-Based Payments (continued)

The fair values of share options granted to directors and other grantees on 6 August 2019 are approximately HK$0.040 and HK$0.042 per option respectively, 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 year ended 31 March 2020, with reference to the fair value of the share options granted, the Group recognised approximately HK$1,577,000 as equity-settled share-based payment expenses.

26. Other Cash Flow Information

(a) Major non-cash transaction

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

(i) During the year ended 31 March 2020, right-of-use assets with a total capital value of approximately HK$198,000 with the corresponding amount of lease liabilities were initially recognised on 1 April 2019 upon adoption of HKFRS 16 and the Group further recognised right-of-use assets by incurring lease liabilities of approximately HK$4,628,000.

(ii) During the year ended 31 March 2020, the Group incurred payables of approximately HK$11,221,000 in respect of additions to property, plant and equipment.

(iii) During the year ended 31 March 2020, the Group offset trade and other receivables of approximately HK$13,482,000 against trade payables under mutual agreement with a customer, who has been both customer and supplier in respect of trading of petroleum and energy products since the year ended 31 March 2018.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

26. Other Cash Flow Information (continued)

(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 2020

	Interest-bearing borrowings HK$'000	Lease liabilities HK$'000	Derivative financial instruments HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 April 2019	98,461	–	1,643	73,548	173,652
Fair value gain on derivative financial instruments	–	–	(1,542)	–	(1,542)
Finance costs	8,521	169	–	9,174	17,864
Adoption of HKFRS 16	–	198	–	–	198
Additions	–	4,628	–	–	4,628
Exchange realignment	(194)	(41)	–	–	(235)
Cash inflow (outflow) in financing activities:					
New bank loans raised	327,811	–	–	–	327,811
Repayment of bank loans	(426,078)	–	–	–	(426,078)
Repayment of lease liabilities	–	(1,283)	–	–	(1,283)
Interest paid	(8,521)	(169)	–	(4,362)	(13,052)
At 31 March 2020	–	3,502	101	78,360	81,963

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

27. 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:

	2020 HK$'000	2019 HK$'000
(a) Related party transactions		
Vessel chartering income (Note)	**7,670**	10,915

Note: Vessel chartering income represents leasing of two vessels, namely 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 Inter-Pacific Group Pte. Limited ("Inter-Pacific Group"), 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 former Chairman and executive director of the Company, and 50% by independent third parties. 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:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits-in-kind	**4,269**	4,711
Share-based payment expenses	**973**	–
Contribution to defined contribution plans	**115**	106
	5,357	4,817

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

28. Financial Risk Management

The Group's principal financial instruments comprise pledged bank deposits, cash and cash equivalents, interest-bearing borrowings, lease liabilities, 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 2020	
Assets as per consolidated statement of financial position	
Trade and bill receivables	93,008
Refundable deposit paid for acquisition of subsidiaries	12,000
Financial assets included in other receivables, deposits and prepayments	5,174
Cash and cash equivalents	30,649
Total	140,831

	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	–	5,873	5,873
Financial liabilities included in other payables and accruals	–	34,190	34,190
Lease liabilities	–	3,502	3,502
Derivative financial instruments	101	–	101
Convertible bonds	–	78,360	78,360
Total	101	121,925	122,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

28. Financial Risk Management (continued)

	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	14,574
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

The main risks arising from the Group's financial instruments are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

28. Financial Risk Management (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the operating 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 (loss) profit 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.

	Increase (Decrease) in exchange rates	**Increase (Decrease) in loss before tax**	**Increase (Decrease) in equity***
	%	**HK$'000**	**HK$'000**
As at 31 March 2020			
If HK$ weakens against RMB	**1.0**	**1,064**	**–**
If HK$ strengthens against RMB	**(5.0)**	**(5,320)**	**–**

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

* *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

28. Financial Risk Management (continued)

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 being managed.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer as well as 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 78% *(2019: 57%)* and 95% *(2019: 94%)* 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 years ended 31 March 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

28. Financial Risk Management (continued)

Credit risk (continued)

Trade receivables (continued)

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix as at 31 March 2020 and 2019 is summarised below.

As at 31 March 2020

	Expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Not past due	**4.77**	**5,582**	**266**
Less than 1 month past due	**4.77**	**1,164**	**55**
1 to 2 months past due	**4.77**	**542**	**26**
2 to 3 months past due	**4.77**	**62**	**3**
More than 3 months past due	**24.13**	**113,370**	**27,362**
		120,720	**27,712**

As at 31 March 2019

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Not past due	0.34	379,355	1,296
Less than 1 month past due	0.34	8,782	30
1 to 2 months past due	0.34	46,932	161
2 to 3 months past due	0.34	511	2
More than 3 months past due	16.56	25,080	4,153
		460,660	5,642

The Group does not hold any collateral over trade receivables as at 31 March 2020 and 2019.

At 31 March 2020 and 2019, in the opinion of the Company's directors, there was no credit-impaired trade receivables except for a debtor with gross trade receivables of approximately HK$96,344,000 at 31 March 2020. An impairment loss of approximately HK$23,248,000 was made in respect of the trade receivable from this debtor and the remaining balance of HK$73,096,000 was subsequently settled pursuant to the repayment agreement reached.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

28. Financial Risk Management (continued)

Credit risk (continued)

Trade receivables (continued)

At the end of the reporting period, the Group recognised loss allowance of approximately HK$27,712,000 *(2019: HK$5,642,000)* on the trade receivables. The movement in the loss allowance for trade receivables during the year is summarised below:

	2020 HK$'000	2019 HK$'000
At the beginning of the reporting period	**5,642**	219
Increase in allowance	**22,504**	5,642
Amount written off	**–**	(205)
Exchange realignment	**(434)**	(14)
At the end of the reporting period	**27,712**	5,642

During the year ended 31 March 2020, the significant changes in loss allowance on trade receivables were due to the increase in long outstanding debtors from trading of petroleum and energy products and related business and also the deterioration of general economic environment.

During the year ended 31 March 2019, the significant changes in loss allowance on trade receivables were due to origination of new trade receivables and changes in past due trade receivables.

Other receivables and deposits

Except for certain debtors with specific credit risk identified, the management of the Group considers that the 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. Except for certain debtors with specific credit risk identified and adequate provision for loss allowance has been made, 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.

Except for a debtor who has known financial difficulties during the year ended 31 March 2020 as set out in note 31(c) to the consolidated financial statements, there was no change in the estimation techniques or significant assumptions made during the years ended 31 March 2020 and 2019.

As at 31 March 2020, the Group recognised an impairment loss on deposits paid for acquisition of property, plant and equipment of approximately HK$14,574,000 that were individually determined to be credit impaired under ECL during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

28. 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$'000	**1 to 2 years HK$'000**	**Total HK$'000**
As at 31 March 2020			
Trade payables	**5,873**	**–**	**5,873**
Financial liabilities included in other payables and accruals	**34,190**	**–**	**34,190**
Lease liabilities	**1,879**	**1,794**	**3,673**
Convertible bonds	**82,400**	**–**	**82,400**
	124,342	**1,794**	**126,136**

	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

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Year ended 31 March 2020

28. 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, lease liabilities 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:

	2020 **HK$'000**	2019 HK$'000
Interest-bearing borrowings	**–**	98,461
Lease liabilities	**3,502**	–
Liability component of convertible bonds	**78,360**	73,548
	81,862	172,009
Equity attributable to owners of the Company	**133,086**	229,210
Gearing ratio	**62%**	75%

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29. 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 2020 and 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

		2020		
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Liabilities measured at fair value				
Derivative financial instruments	**–**	**–**	**101**	**101**

		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

During the years ended 31 March 2020 and 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 assets and liabilities of the Group are carried at amount materially different from their fair values as at 31 March 2020 and 2019.

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Year ended 31 March 2020

29. 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
As at 1 April 2018	27,386
Changes in fair value recognised in profit or loss during the year	(25,743)
At 31 March 2019 and 1 April 2019	1,643
Changes in fair value recognised in profit or loss during the year	(1,542)
At 31 March 2020	**101**
Changes in unrealised gain for the year included in profit or loss for the net liability held as at 31 March 2020	**1,542**

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 20 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

30. Commitments

(a) Capital commitments

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

	2020 HK$'000	2019 HK$'000
Contracted but not provided for, net of deposits paid in respect of		
– Acquisition of subsidiaries (Note)	23,000	–
– Property, plant and equipment	–	83,824
	23,000	83,824

Note:

On 23 March 2020, Perfect Design Limited ("Perfect Design"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Sky Will Printing & Packing (Holdings) Limited (the "Vendor") and a guarantor (the "Guarantor"), pursuant to which Perfect Design conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest of Sky Will Printing & Packaging Limited and its subsidiaries (together referred to as the "Target Group") at an aggregate consideration of HK$35 million and the Guarantor agreed to guarantee the performance of the obligations of the Vendor under the Agreement (the "Acquisition"). On 24 June 2020, Perfect Design entered into a supplemental agreement with the Vendor and the Guarantor, pursuant to which the consideration of HK$35 million was lowered to HK$30 million. The Vendor is a company incorporated in Hong Kong with limited liability and wholly owned by a substantial shareholder of the Company. Accordingly, the Acquisition constitutes a connected transaction under the Listing Rules.

The Target Group is principally engaged in manufacturing and trading of packing products.

During the year ended 31 March 2020, a refundable deposit for acquisition of the Target Group amounting HK$12,000,000 was paid to the Vendor and was included in "Refundable deposit paid for acquisition of subsidiaries" in the consolidated financial statements.

The Acquisition was not yet completed up to the date of this report. Upon completion of the Acquisition, the Target Group will become indirect non-wholly owned subsidiaries of the Company. Details of the Acquisition were set out in the Company's announcements dated 23 March 2020, 8 May 2020, 27 May 2020, 15 June 2020, 24 June 2020, 16 July 2020 and the Company's circular dated 21 July 2020.

The Acquisition will constitute a business combination and will be accounted for using the acquisition method under HKFRS 3 *Business Combinations*.

As the initial accounting for the Acquisition of the Target Group is incomplete, it is not practicable to reliably estimate its financial effect.

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30. Commitments (continued)

(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:

	2020 HK$'000	2019 HK$'000
Within one year	180	1,089
In the second to fifth years inclusive	–	63
	180	1,152

As at 31 March 2020, 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 are set out in Note 3 to the consolidated financial statements. In accordance with the transition provisions of HKFRS 16, comparative information is not restated.

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:

	2020 HK$'000	2019 HK$'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.

The Group is insured against loss that may arise from accidents or physical damages of each vessel up to the amount of US$500,000,000 (equivalent to approximately HK$3,876,600,000).

Subsequent to the end of the reporting period, the Group has entered into two vessel chartering agreements for a period of 1 year to lease out its vessels. The total future minimum lease receivables under this non-cancellable operating lease are approximately HK$20,867,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2020

31. 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 it is not likely that the 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 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 Courts for the above cases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2020

31. Litigation (continued)

(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 and DML, two wholly-owned subsidiaries of the Company, have been joined as additional defendants to the proceedings of the High Court (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 Inter-Pacific Group. 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 31 March 2020, the bank balances of DML and Pacific Dragon subject to the above litigation amounted to approximately HK$12,019,000. Given the general adjourned period started on 29 January 2020 and ended on 3 May 2020, the hearing has been rescheduled to 22 June 2020. On 22 June 2020, the hearing was held and judgement was handed down on 10 July 2020. According to the decision of High Court of Hong Kong dated 10 July 2020, the aggregate amount injuncted against Pacific Dragon and DML should be reduced to approximately HK$10,229,000 and the injunction is permitted to be discharged if the same amount injuncted is paid into the Court. Pacific Dragon and DML were also awarded costs to be paid by the Plaintiff.

Save as disclosed above, there is no further update for the above litigation up to the date of this report.

With reference to the opinion of the Group's lawyer, the directors of the Company are of view that DML and Pacific Dragon have a reasonable ground of defense. Having considered the significant legal and professional fees incurred and/or to be incurred for the case, the directors of the Company are considering all possible alternative solutions.

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Year ended 31 March 2020

31. Litigation (continued)

(c) Litigation with Inter-Pacific Group

In November 2019, the Group instructed its lawyer to issue a legal letter to Inter-Pacific Group, demanding Inter-Pacific Group to return the deposit of HK$14,574,000 to the Group which had paid to Inter-Pacific Group for the acquisition of the two of the four vessels, namely Pacific Energy 8 and Pacific Energy 168, pursuant to the sale and purchase agreement dated 29 September 2017 (the "SPA").

Pursuant to the SPA, the third consideration would be satisfied by the Group in the following manner: (i) on the date the SPA, 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 Group issuing to Inter-Pacific Group (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 SPA are not fulfilled or waived on or before 30 September 2019, the Third Deposit shall be returned by Inter-Pacific Group to the Group (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 SPA with respect to the acquisition of Pacific Energy 8 and Pacific Energy 168 have not been fulfilled, in particular, Mortgage 8 and Mortgage 168 (as defined in the Company's circular dated 27 December 2017) have not been discharged in full by 30 September 2019 and the SPA had been terminated accordingly. Inter-Pacific Group had to fulfill its obligation to return the Third Deposit to the Group by the prescribed deadline.

Therefore, the Group issued a legal letter to demand Inter-Pacific Group to make an immediately repayment of the Third Deposit in the sum of HK$14,574,000 to the Group.

Inter-Pacific Group was placed under liquidation by the Singapore Court on 27 March 2020 pursuant to the Order of Court HC/ORC 2247/2020. In June 2020, the Company has filed the proof of debt to the liquidators.

Up to the date of this report, there is no further update for the above litigation.

In view of the fact that Inter-Pacific Group 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 year ended 31 March 2020.

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32. Statement of Financial Position of the Company

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Interest in subsidiaries		–	–
		–	–
Current assets			
Amount due from subsidiaries		203,349	225,807
Prepayments		604	690
Cash and cash equivalents		1,139	399
		205,092	226,896
Current liabilities			
Other payables and accruals		2,547	841
Derivative financial instruments		101	–
Convertible bonds		78,360	–
		81,008	841
Net current assets		124,084	226,055
Total assets less current liabilities		124,084	226,055
Non-current liabilities			
Derivative financial instruments		–	1,643
Convertible bonds		–	73,548
		–	75,191
NET ASSETS		124,084	150,864
Capital and reserves			
Share capital	23	57,624	57,624
Reserves	32(a)	66,460	93,240
TOTAL EQUITY		124,084	150,864

This statement of financial position was approved and authorised for issue by the Board of Directors on 23 July 2020 and signed on its behalf by

Cheung Lai Ming
Director

Lee Man Kwong
Director

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

32(a) Movement of the reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	128,492	38,295	–	(74,605)	92,182
Profit and total comprehensive income for the year	–	–	–	1,058	1,058
At 31 March 2019	128,492	38,295	–	(73,547)	93,240
At 1 April 2019	128,492	38,295	–	(73,547)	93,240
Loss and total comprehensive loss for the year	–	–	–	(28,357)	(28,357)
Transactions with owners					
Contributions and distributions					
Recognition of equity-settled share-based payment expenses	–	–	1,577	–	1,577
At 31 March 2020	**128,492**	**38,295**	**1,577**	**(101,904)**	**66,460**

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 24(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 2020 *(2019: Nil)*.

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Year ended 31 March 2020

33. Events After the Reporting Period

In addition to information disclosed elsewhere in the consolidated financial statements, subsequent to 31 March 2020, the Group has the following subsequent events:

(a) In view of the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of these consolidated financial statements, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19. However, the management considers that there is no significant adverse impact to the financial position and operation of the Group.

(b) On 4 June 2020, the Company entered into a loan facility agreement with an independent third party (the "Lender"), pursuant to which the Lender agrees to grant the Company a loan facility amounted to HK$50,000,000, which shall be repayable within 12 months after the drawdown date. The loan bears an interest rate of 2% per month which will accrue at the end of each month and repay to the Lender in full together with the principal.