DAISHO MICROLINE HOLDINGS LIMITED

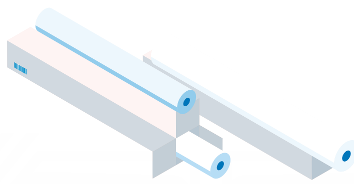
大昌微綫集團有限公司

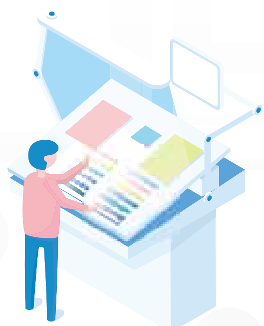
(Incorporated in Bermuda with limited liability)

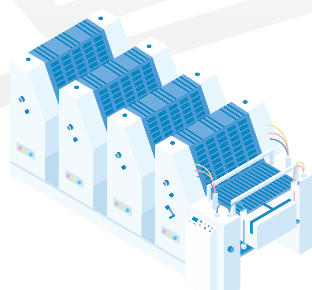
Stock Code : 0567

2020/2021

INTERIM REPORT







UNAUDITED INTERIM RESULTS

The board (the "Board") of Directors (the "Directors") of Daisho Microline Holdings Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2020 together with the comparative figures for the corresponding period in 2019 as follows. The interim results have not been audited by the external auditors but they have been reviewed by the Audit Committee of the Company.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	(Unaudited) Six months ended 30 September 2020 HK$'000	2019 HK$'000
Revenue	3	**27,724**	1,185,545
Cost of sales		**(16,315)**	(1,163,332)
Gross profit		**11,409**	22,213
Other income	4	**1,516**	4,252
Selling and distribution expenses		**(1,246)**	(3,645)
Administrative expenses		**(31,620)**	(28,396)
Other operating expenses		**(1,179)**	(352)
Fair value gain on derivative financial instruments	15	**101**	1,372
Reversal of (Provision for) impairment loss on trade receivables		**2,686**	(27,852)
Impairment loss on other receivables		**(1,735)**	(3,938)
Impairment loss on deposits paid for acquisition of property, plant and equipment		**–**	(14,574)
Change in fair value of contingent consideration receivable	17	**208**	–
Gain on bargain purchase arising from the acquisition of subsidiaries	17	**1,197**	–
Loss on early redemption of promissory note	18	**(4,512)**	–
Equity-settled share-based payment expenses		**–**	(1,577)
Finance costs	5	**(4,917)**	(12,970)
Loss before taxation	5	**(28,092)**	(65,467)
Income tax credit (expenses)	6	**8**	(83)
Loss for the period		**(28,084)**	(65,550)
Loss per share			
Basic and diluted (Hong Kong cents)	8	**(4.77)**	(11.38)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK$'000	HK$'000
Loss for the period	**(28,084)**	(65,550)
Other comprehensive income (loss):		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of functional currency to presentation currency	**8,068**	(4,741)
Other comprehensive income (loss) for the period	**8,068**	(4,741)
Total comprehensive loss for the period	**(20,016)**	(70,291)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) 30 September 2020 HK$'000	(Audited) 31 March 2020 HK$'000
Non-current assets			
Property, plant and equipment	9	148,658	113,672
Intangible assets	10	1,181	–
Refundable deposit paid for acquisition of subsidiaries		–	12,000
Deferred tax assets		226	–
		150,065	125,672
Current assets			
Inventories		11,430	79
Trade receivables	11	24,849	93,008
Other receivables, deposits and prepayments	12	23,870	8,208
Contingent consideration receivable	17	1,175	–
Cash and cash equivalents		56,171	30,649
		117,495	131,944
Current liabilities			
Trade payables	13	12,411	5,873
Other payables and accruals		33,739	35,915
Interest-bearing borrowings	14	77,026	–
Derivative financial instruments	15	–	101
Convertible bonds	15	–	78,360
Lease liabilities		2,591	1,751
Tax payable		819	532
		126,586	122,532
Net current (liabilities) assets		(9,091)	9,412
Total assets less current liabilities		140,974	135,084

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

	Note	(Unaudited) 30 September 2020 HK$'000	(Audited) 31 March 2020 HK$'000
Non-current liabilities			
Interest-bearing borrowings	14	**8,222**	–
Lease liabilities		**1,583**	1,751
Deferred tax liabilities		**503**	247
		10,308	1,998
NET ASSETS		**130,666**	133,086
Capital and reserves			
Share capital	16	**69,144**	57,624
Reserves		**61,522**	75,462
TOTAL EQUITY		**130,666**	133,086

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020 (Unaudited)

		Reserves						
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange translation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Total HK$'000
At 1 April 2020	57,624	128,492	9,379	78,225	1,577	(142,211)	75,462	133,086
Loss for the period	–	–	–	–	–	(28,084)	(28,084)	(28,084)
Other comprehensive income								
Exchange difference on translation of functional currency to presentation currency	–	–	–	8,068	–	–	8,068	8,068
Total comprehensive loss for the period	–	–	–	8,068	–	(28,084)	(20,016)	(20,016)
Transactions with owners								
Contributions and distributions								
Shares issued upon placing (Note 16)	11,520	6,682	–	–	–	–	6,682	18,202
Transaction costs attributable to shares issued upon placing (Note 16)	–	(606)	–	–	–	–	(606)	(606)
Transfer to accumulated losses upon lapse of share options	–	–	–	–	(1,577)	1,577	–	–
Total transactions with owners	11,520	6,076	–	–	(1,577)	1,577	6,076	17,596
At 30 September 2020	69,144	134,568	9,379	86,293	–	(168,718)	61,522	130,666
At 1 April 2019	57,624	128,492	9,379	88,678	–	(54,963)	171,586	229,210
Loss for the period	–	–	–	–	–	(65,550)	(65,550)	(65,550)
Other comprehensive loss								
Exchange difference on translation of functional currency to presentation currency	–	–	–	(4,741)	–	–	(4,741)	(4,741)
Total comprehensive loss for the period	–	–	–	(4,741)	–	(65,550)	(70,291)	(70,291)
Transaction with owners								
Contributions and distributions								
Recognition of equity-settled share-based payment expenses	–	–	–	–	1,577	–	1,577	1,577
Total transaction with owners	–	–	–	–	1,577	–	1,577	1,577
At 30 September 2019	57,624	128,492	9,379	83,937	1,577	(120,513)	102,872	160,496

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(28,092)**	(65,467)
Adjustments for:		
Interest income	**(42)**	(756)
Depreciation	**8,295**	5,581
Amortisation of intangible assets	**51**	–
Equity-settled share-based payment expenses	**–**	1,577
Fair value gain on derivative financial instruments	**(101)**	(1,372)
Change in fair value of contingent consideration receivable	**(208)**	–
Loss on disposal of property, plant and equipment	**395**	16
Gain on bargain purchase arising from acquisition of subsidiaries	**(1,197)**	–
Loss on early redemption of promissory note	**4,512**	–
(Reversal of) Provision for impairment loss on trade receivables	**(2,686)**	27,852
Impairment loss on other receivables	**1,735**	3,938
Impairment loss on deposits paid for acquisition of property, plant and equipment	**–**	14,574
Reversal of write down of inventories	**–**	(2,157)
Finance costs	**4,917**	12,970
Operating cash flows before changes in working capital	**(12,421)**	(3,244)
Changes in working capital:		
Inventories	**(5,261)**	2,660
Trade receivables	**75,016**	302,379
Other receivables, deposits and prepayments	**(2,494)**	(6,155)
Trade payables	**3,218**	(322,680)
Other payables and accruals	**(22,700)**	(2,661)
Cash from (used in) operations	**35,358**	(29,701)
Income tax paid	**–**	(83)
Interest received	**42**	756
Net cash from (used in) operating activities	**35,400**	(29,028)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 September 2020

	Note	(Unaudited) Six months ended 30 September 2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment, including deposits paid		**(1,560)**	(913)
Net cash inflow from acquisition of subsidiaries	17	**14,773**	–
Proceeds from disposal of property, plant and equipment		**–**	48
Decrease in pledged bank deposits		**–**	69,275
Net cash from investing activities		**13,213**	68,410
FINANCING ACTIVITIES			
New bank and other loans raised		**47,868**	332,791
Repayment of bank loans		**–**	(384,000)
Redemption of convertible bonds		**(70,003)**	–
Early redemption of promissory note	18	**(18,000)**	–
Proceeds from shares issued upon placing, net of issue costs	16	**17,596**	–
Repayment of lease liabilities		**(1,187)**	(558)
Interest paid		**(3,182)**	(10,725)
Net cash used in financing activities		**(26,908)**	(62,492)
Net increase (decrease) in cash and cash equivalents		**21,705**	(23,110)
Cash and cash equivalents at beginning of year		**30,649**	62,541
Effect of foreign exchange rate changes, net		**3,817**	4,377
Cash and cash equivalents at end of year		**56,171**	43,808
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**56,171**	43,808
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows and condensed consolidated statement of financial position		**56,171**	43,808

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The unaudited condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2020, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by HKICPA. They shall be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 March 2020 (the "Annual Report").

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

The accounting policies and methods of computation applied in the preparation of the unaudited condensed consolidated financial statements are the same as those adopted in preparing the Annual Report except for the adoption of the new/revised HKFRSs, HKASs and Interpretations which are relevant to the Group as detailed in note 2 below (hereinafter collectively referred to as the "new/revised HKFRSs") which are effective for current interim period and the adoption of the accounting policy for "Business combination" and "Intangible assets" as below.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

1. Basis of Preparation (continued)

Business combination (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are principally recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income taxes* and HKAS 19 *Employee benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current assets held for sale and discontinued operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests that are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

1. Basis of Preparation (continued)

Intangible assets

Intangible assets acquired in a business combination – customer relationships

Customer relationships acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, the customer relationships acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is calculated using the straight-line method over the expected lives of the customer relationships, which are determined to be 4 years.

The customer relationships are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of the customer relationships, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Going concern

At 30 September 2020, the current liabilities of the Group exceeded its current assets by approximately HK$9,091,000. At 30 September 2020, the Group had unutilised loan facilities of approximately HK$50 million.

The management of the Company is of the opinion that, taking into account the confirmed credit commitments from lenders and existing internal financial resources, the Group has sufficient working capital for its present requirements. Hence, the unaudited condensed consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the unaudited condensed consolidated financial statements.

2. Adoption of New/Revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's unaudited condensed consolidated financial statements:

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

The adoption of those new/revised HKFRSs and does not have any significant impact on the Group's unaudited condensed consolidated financial statements for current and prior periods.

3. Revenue and Segment Information

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

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customers within HKFRS 15		
Manufacturing and trading of printed circuit boards	**15,181**	26,014
Trading of petroleum and energy products	**–**	1,148,398
Manufacturing and trading of printing and packaging products	**3,200**	–
Revenue from other sources		
Vessel chartering income	**9,343**	11,133
	27,724	1,185,545

The Directors 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 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;

(iii) Vessel chartering; and

(iv) Manufacturing and trading of printing and packaging products.

Segment results represent the results before taxation earned by each segment without allocation of certain other income generated, selling and distribution expenses, administrative expenses and other operating expenses incurred by the corporate office, change in fair value of contingent consideration receivable, gain on bargain purchase arising from the acquisition of subsidiaries, loss on early redemption of promissory note, equity-settled share-based payment expenses, fair value gain on derivative financial instruments and finance costs.

3. Revenue and Segment Information (continued)

All assets are allocated to reportable segments other than unallocated assets which are mainly pledged bank deposits, cash and cash equivalents, contingent consideration receivable 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.

(A) By Business Segments

Six months ended 30 September 2020 (unaudited)

	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products and related business HK$'000	Vessel chartering HK$'000	Manufacturing and trading of printing and packaging products HK$'000	Consolidated HK$'000
Segment revenue					
Major customer A	–	–	4,984	–	4,984
Major customer B	4,558	–	–	–	4,558
Major customer C	–	–	4,359	–	4,359
Other customers	10,623	–	–	3,200	13,823
	15,181	–	9,343	3,200	27,724
Segment results	(5,035)	(641)	1,147	(507)	(5,036)
Unallocated other income					230
Unallocated selling and distribution expenses					(9)
Unallocated administrative expenses					(14,893)
Unallocated other operating expenses					(461)
Change in fair value of contingent consideration receivable					208
Gain on bargain purchase arising from the acquisition of subsidiaries					1,197
Loss on early redemption of promissory note					(4,512)
Fair value gain on derivative financial instruments					101
Finance costs					(4,917)
Loss before taxation					(28,092)
Income tax credit					8
Loss for the period					(28,084)

3. Revenue and Segment Information (continued)

(A) By Business Segments (continued)

Six months ended 30 September 2019 (unaudited)

	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products and related business HK$'000	Vessel chartering HK$'000	Consolidated HK$'000
Segment revenue				
Major customer D	–	615,556	–	615,556
Major customer E	–	285,681	–	285,681
Major customer F	–	149,383	–	149,383
Other customers	26,014	97,778	11,133	134,925
	26,014	1,148,398	11,133	1,185,545
Segment results	(3,155)	(49,059)	6,819	(45,395)
Unallocated other income				–
Unallocated selling and distribution expenses				(15)
Unallocated administrative expenses				(4,880)
Unallocated other operating expenses				(2,002)
Equity-settled share-based payment expenses				(1,577)
Fair value gain on derivative financial instruments				1,372
Finance costs				(12,970)
Loss before taxation				(65,467)
Income tax expense				(83)
Loss for the period				(65,550)

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

3. Revenue and Segment Information (continued)

(A) By Business Segments (continued)

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

As at 30 September 2020 (unaudited)

	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products and related business HK$'000	Vessel chartering HK$'000	Manufacturing and trading of printing and packaging products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment assets	53,704	44	87,722	99,094	26,996	267,560
Segment liabilities	10,569	536	3,086	53,811	68,892	136,894

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$'000	Manufacturing and trading of printing and packaging products HK$'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

3. Revenue and Segment Information (continued)

(B) Geographical Information

(i) Revenue form external customers

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK$'000	HK$'000
Singapore	**9,343**	543,975
The People's Republic of China (the "PRC")	**8,169**	13,576
Hong Kong	**4,604**	616,148
North America	**4,558**	8,772
Europe	**751**	1,191
Japan	**271**	1,848
Other countries	**28**	35
	27,724	1,185,545

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

(ii) Non-current assets

	(Unaudited)	(Audited)
	30 September	31 March
	2020	2020
	HK$'000	HK$'000
Singapore	**85,963**	85,093
The PRC	**56,141**	23,968
Hong Kong	**6,554**	4,611
	148,658	113,672

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

4. Other Income

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK$'000	HK$'000
Bank interest income	**42**	756
Gain on disposal of scrap materials	**76**	1,681
Equipment rental income	**–**	744
Factory rental income	**268**	–
Government subsidies (Note)	**110**	–
Others	**1,020**	1,071
	1,516	4,252

Note: In the opinion of the management of the Group, there was no unfulfilled condition or contingency relating to the government subsidies.

5. Loss Before Taxation

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

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK$'000	HK$'000
Finance costs		
Interest on convertible bonds	**4,480**	4,583
Interest on bank borrowings	**191**	8,306
Interest on other loans	**151**	–
Finance charges on lease liabilities	**95**	81
	4,917	12,970
Other items		
Amortisation of intangible assets	**51**	–
Cost of inventories (Note)	**16,315**	1,165,489
Depreciation	**8,295**	5,581
Exchange loss, net	**783**	282
Loss on disposal of property, plant and equipment, net	**395**	16
Other rental and related expenses	**188**	922
Staff costs (including directors' emoluments)	**7,495**	6,895
Reversal of write down of inventories, included in cost of sales	**–**	(2,157)

Note: Cost of inventories excludes write down of inventories and related reversal but includes HK$2,985,000 *(six months ended 30 September 2019: HK$2,482,000)* relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.

6. Income Tax Credit (Expenses)

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK$'000	HK$'000
Current tax		
Hong Kong Profits Tax	–	–
Singapore corporate income tax	–	83
	–	83
Deferred tax		
Reversal of temporary difference	**(8)**	–
Total income tax (credit) expenses for the period	**(8)**	83

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

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

Singapore corporate income tax ("CIT") is calculated at 17% *(six months ended 30 September 2019: 17%)* of the estimated assessable profits with CIT rebate of 25%, capped at Singapore Dollars ("SG$") 15,000 for the six months ended 30 September 2020 *(six months ended 30 September 2019: 20%, capped at SG$10,000)*. Singapore incorporated companies can also enjoy 75% tax exemption on the first SG$10,000 of normal chargeable income and a further 50% tax exemption on the next SG$190,000 of normal chargeable income during the six months ended 30 September 2020 *(six months ended 30 September 2019: 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)*.

7. Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2020 to the shareholders of the Company *(six months ended 30 September 2019: Nil)*.

8. Loss Per Share

(a) Basic loss per share

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

	(Unaudited) Six months ended 30 September	
	2020	2019
	HK$'000	HK$'000
Loss attributable to owners of the Company (HK$'000)	**(28,084)**	(65,550)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**588,833,949**	576,243,785
Basic loss per share (HK cents)	**(4.77)**	(11.38)

(b) Diluted loss per share

There were no potential dilutive ordinary shares in issue during the six months ended 30 September 2020. As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation for the six months ended 30 September 2019, the conversion of the potential dilutive ordinary shares is not assumed in the computation of the diluted loss per share for the six months ended 30 September 2019. The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2020 and 2019.

9. Property, Plant and Equipment

During the six months ended 30 September 2020, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK$2,928,000 *(six months ended 30 September 2019: approximately HK$1,386,000)*. The Group has written off and disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK$395,000 *(six months ended 30 September 2019: approximately HK$64,000)* during the six months ended 30 September 2020.

10. Intangible Assets

	Customer relationships HK$'000
Cost	
At 1 April 2019, 31 March 2020 and 1 April 2020 (audited)	–
Additions arising from acquisition of subsidiaries (Note 17)	1,232
At 30 September 2020 (unaudited)	1,232
Accumulated amortisation	
At 1 April 2019, 31 March 2020 and 1 April 2020 (audited)	–
Charge for the period	51
At 30 September 2020 (unaudited)	51
Net carrying amount	
At 30 September 2020 (unaudited)	1,181
At 31 March 2020 (audited)	–

11. Trade Receivables

	(Unaudited) 30 September 2020 HK$'000	(Audited) 31 March 2020 HK$'000
Trade receivables from third parties	**50,099**	120,720
Less: Allowance for expected credit loss	**(25,250)**	(27,712)
	24,849	93,008

The Group's business with its trade debtors is mainly on credit basis and the credit period is ranging from 30 to 120 days (*31 March 2020: 7 to 120 days*). At the end of the reporting period, the ageing analysis of trade receivables (before loss allowance) by invoice date is as follows:

	(Unaudited) 30 September 2020 HK$'000	(Audited) 31 March 2020 HK$'000
Less than 1 month	**4,981**	3,626
1 to 2 months	**3,226**	911
2 to 3 months	**1,076**	678
Over 3 months	**40,816**	115,505
	50,099	120,720

11. Trade Receivables (continued)

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

	(Unaudited) 30 September 2020 HK$'000	(Audited) 31 March 2020 HK$'000
Not past due	**7,286**	5,316
Less than 1 month past due	**2,243**	1,109
1 to 2 months past due	**1,213**	516
2 to 3 months past due	**5,052**	59
Over 3 months past due	**9,055**	86,008
	24,849	93,008

12. Other Receivables, Deposits and Prepayments

	(Unaudited) 30 September 2020 HK$'000	(Audited) 31 March 2020 HK$'000
Deposits and other receivables	**29,453**	15,995
Less: loss allowance	**(11,307)**	(10,821)
	18,146	5,174
Prepayments	**4,558**	2,461
Value-added tax recoverable	**1,166**	573
	5,724	3,034
	23,870	8,208

13. Trade Payables

The trade payables are non-interest-bearing and the Group is normally granted with credit terms in range of 30 to 90 days (*31 March 2020: 7 to 90 days*).

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

	(Unaudited) 30 September 2020 HK$'000	(Audited) 31 March 2020 HK$'000
Less than 1 month	**3,585**	2,939
1 to 2 months	**3,410**	1,085
2 to 3 months	**1,677**	381
Over 3 months	**3,739**	1,468
	12,411	5,873

14. Interest-Bearing Borrowings

	(Unaudited) 30 September 2020 HK$'000	(Audited) 31 March 2020 HK$'000
Secured		
Bank revolving loan (Note a)	**37,026**	–
Other borrowings (Note b)	**8,222**	–
	45,248	–
Unsecured		
Other borrowings (Note c)	**40,000**	–
	85,248	–
Denominated in:		
HK$	**77,026**	–
Renminbi	**8,222**	–
	85,248	–
Analysed for reporting purpose:		
Non-current	**8,222**	–
Current	**77,026**	–
	85,248	–

14. Interest-Bearing Borrowings (continued)

Note:

(a) The revolving bank loan bears floating interest rate at 1-month Hong Kong Inter-bank Offered Rate plus 3.5% per annum and is secured by:

i) corporate guarantee given by a wholly-owned subsidiary of the Company;

ii) personal guarantees given by a shareholder of the Company Mr. Ng Man Chan ("Mr. Ng") and his spouse; and

iii) pledge of two properties whose beneficial owner is Mr. Ng.

(b) The other borrowings of approximately HK$8,222,000 bear fixed interest rate of 10% per annum, are repayable after 2 years from drawdown date and secured by the property, plant and equipment of the Group located in the PRC.

(c) The other borrowings of HK$40,000,000 bear fixed interest rate of 5% per annum, are unsecured and repayable on demand. The lender is a company wholly owned by Mr. Ng.

15. Convertible Bonds

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

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

	Conversion option HK$'000	Call option HK$'000	Total HK$'000
At 1 April 2019	14,695	(13,052)	1,643
Fair value changes	(13,627)	12,085	(1,542)
At 31 March 2020 (audited)	1,068	(967)	101
Fair value changes	(1,068)	967	(101)
At 30 September 2020 (unaudited)	**–**	**–**	**–**

15. Convertible Bonds (continued)

Liability component, classified as financial liability at amortised costs

	HK$'000
At 1 April 2019	73,548
Effective interest expenses	9,174
Interest paid	(4,362)
At 31 March 2020 and 1 April 2020 (audited)	78,360
Effective interest expenses	4,480
Interest paid	(2,840)
Redemption of convertible bonds	(80,000)
At 30 September 2020 (unaudited)	**–**

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

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

16. Share Capital

	(Unaudited) 30 September 2020		(Audited) 31 March 2020	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Ordinary share of HK$0.1 each				
Issued and fully paid:				
At beginning of the reporting period	**576,243,785**	**57,624**	576,243,785	57,624
Issue of new shares upon the Placing	**115,200,000**	**11,520**	–	–
At the end of the reporting period	**691,443,785**	**69,144**	576,243,785	57,624

On 18 August 2020, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best efforts basis, up to an aggregate of 115,200,000 placing shares at a placing price of HK$0.158 per placing share to not less than six placees who are professional, institutional or other investors that are third parties independent of the Company and its connected persons (the "Placing"). The Placing was completed on 10 September 2020, and net proceeds of approximately HK$17,596,000 after deducting direct cost of approximately HK$606,000 were credited to the Company's equity.

17. Acquisition of Subsidiaries

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 & Packaging (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 ("Sky Will") and its subsidiaries (together referred to as the "Printing 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 (the "Supplemental Agreement") with the Vendor and the Guarantor, pursuant to which, among others, the consideration of HK$35 million was lowered to HK$30 million. The consideration of the Acquisition would be settled in the following manners:

(a) HK$12 million was paid to the Vendor in cash as the first instalment of the consideration in March 2020; and

(b) upon completion of the Acquisition, the second instalment of HK$18 million was settled by the issuance of promissory note to the Vendor.

According to the Agreement and the Supplemental Agreement, the Vendor irrevocably and unconditionally guarantees to Perfect Design that the audited consolidated net profit (as adjusted for any extraordinary or exceptional items) of the Printing Group for the year ended 31 March 2020 not less than HK$5 million (the "2020 Guaranteed Profit") and the audited consolidated net profit (as adjusted for any extraordinary or exceptional items and the net profit generated from the non-principal business activities) of the Printing Group for the year ending 31 March 2021 not less than HK$7 million (the "2021 Guaranteed Profit"). In the event that the audited consolidated net profit of the relevant period is less than the corresponding guaranteed profit of that period, the Vendor shall compensate Prefect Design the difference on a dollar for dollar basis.

The Vendor is a company incorporated in Hong Kong with limited liability and wholly owned by Mr. Ng, a then substantial shareholder of the Company, who held approximately 10.34% equity interest in the Company at the date of the Acquisition and currently has approximately 8.62% equity interest in the Company after completion of the Placing. Accordingly, the Acquisition constituted a connected transaction under the Listing Rules.

The Printing Group is principally engaged in manufacturing and trading of printing and packaging products. The Acquisition constituted a business combination and had been accounted for using the acquisition method under HKFRS *3 (Revised) Business Combinations*.

On 12 August 2020, the Acquisition was completed.

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, 5 August 2020 and 12 August 2020 and the Company's circular dated 21 July 2020.

17. Acquisition of Subsidiaries (continued)

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of the Acquisition:

	HK$'000
Consideration paid/payable, satisfied by:	
Cash	12,000
Promissory note (Note 18)	13,488
Contingent consideration receivable	(967)
Total consideration, at fair value	24,521

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Non-current assets	
Plant and equipment	35,411
Intangible assets	1,232
Deferred tax assets	219
Current assets	
Inventories	5,913
Trade and other receivables	19,330
Bank balances and cash	14,773
Current liabilities	
Trade and other payables	(13,243)
Interest-bearing borrowings	(37,026)
Lease liabilities	(165)
Income tax payable	(270)
Non-current liabilities	
Lease liabilities	(203)
Deferred tax liabilities	(253)
Total identifiable net assets	25,718
Gain on bargain purchase arising from the acquisition of subsidiaries	(1,197)
	24,521

17. Acquisition of Subsidiaries (continued)

	HK$'000
Net cash flow on the Acquisition:	
Net cash acquired from the subsidiaries	14,773
Consideration paid	12,000
Deposit paid (included in "Refundable deposit paid for acquisition of subsidiaries")	(12,000)
	14,773

The transaction costs of approximately HK$2,552,000 have been excluded from the consideration transferred and included in administrative expenses in the unaudited condensed consolidated statement of profit or loss for the six months ended 30 September 2020.

The 2020 Guaranteed Profit has been fulfilled. The contingent consideration receivable is measured at fair value and derived from the cash flow compensation as a result of the possibility of failure to meet the 2021 Guaranteed Profit by the Printing Group. The valuation of the contingent consideration receivable was conducted by Roma Appraisals Limited ("Roma") in accordance with HKFRS 13 using probabilistic approach. As such, Roma adopted the probabilistic approach to consider the probability weighted distribution of the possible outcomes. The fair values of the contingent consideration receivable at date of the Acquisition and at 30 September 2020 were approximately HK$967,000 and HK$1,175,000, respectively. Accordingly, change in fair value of approximately HK$208,000 was credited to profit or loss during the six months ended 30 September 2020.

The Group recognised a gain on bargain purchase of approximately HK$1,197,000 arising from the Acquisition in the unaudited condensed consolidated statement of profit or loss for the six months ended 30 September 2020. In the opinion of the Directors, the gain on bargain purchase is mainly attributable to the immediate cash realisation and the Group's capability in negotiating the terms of the Acquisition in favour of the Group with the Vendor.

The fair values of trade and other receivables acquired included trade receivables with fair value of approximately HK$4,653,000 and other receivables with fair value of approximately HK$14,678,000. The total gross contractual amounts of the trade and other receivables are approximately HK$19,379,000, of which provision of approximately HK$48,000 and Nil were made against trade receivables and other receivables, respectively.

17. Acquisition of Subsidiaries (continued)

The Directors have engaged Roma to provide assistance in determining the fair value of the assets and liabilities of the Printing Group in accordance with HKFRS 13. Roma has reviewed the methodologies, the key valuation parameters and business assumptions adopted.

Since acquisition and up to 30 September 2020, the Printing Group has contributed revenue of approximately HK$3,200,000 and contributed a loss of approximately HK$697,000 to the Group.

If the business combinations effected during the six months ended 30 September 2020 had been taken place as at 1 April 2020, the revenue and loss of the Group would have been approximately HK$39,271,000 and approximately HK$28,135,000, respectively.

18. Promissory Note

On 12 August 2020, a promissory note in the principal amount of HK$18,000,000 was issued by the Group to the Vendor as part of consideration of the Acquisition as detailed in note 17 to the unaudited condensed consolidated financial statements.

The fair value of the promissory note at issue date was approximately HK$13,488,000, based on the valuation performed by Roma. The promissory note carries 2% interest per annum and will be matured in 2 years from the issue date. The effective interest rate of the promissory note on initial recognition is determined to be approximately 19.93% per annum.

During the six months ended 30 September 2020, the Group has exercised its right to early redeem the promissory note in full. Settlement loss of approximately HK$4,512,000 was charged to profit or loss during the period.

19. Fair Value Measurement

The following table presents the financial instruments measured at fair value or required to disclose their fair value in the unaudited condensed consolidated financial statements on a recurring basis as at 30 September 2020 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.

19. FAIR VALUE MEASUREMENT (continued)

Financial instruments measured at fair value

	(Unaudited) 30 September 2020 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Contingent consideration receivable	–	–	1,175	1,175

	(Audited) 31 March 2020 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Liabilities				
Derivative financial instruments	–	–	101	101

During the six months ended 30 September 2020, 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, no financial instruments of the Group are carried at amount materially different from their fair values as at 30 September 2020 and 31 March 2020.

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

	Contingent consideration receivable (Unaudited) 30 September 2020 HK$'000	(Audited) 31 March 2020 HK$'000
At the beginning of the reporting period	–	–
Arising from acquisition of subsidiaries (Note 17)	**967**	–
Changes in fair value recognised in profit or loss during the period/year	**208**	–
At the end of the reporting period	**1,175**	–

19. FAIR VALUE MEASUREMENT (continued)

Financial instruments measured at fair value (continued)

	Derivative financial instruments	
	(Unaudited)	(Audited)
	30 September	31 March
	2020	2020
	HK$'000	HK$'000
At the beginning of the reporting period	**101**	1,643
Changes in fair value recognised in profit or loss during the period/year	**(101)**	(1,542)
At the end of the reporting period	**–**	101

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

Financial instruments	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
At 30 September 2020 (unaudited)			
Contingent consideration receivable	Probabilistic approach under the income approach	Forecasted income	The higher the forecasted income, the higher the fair value
		Forecasted expenses	The higher the forecasted expenses, the lower the fair value
		Discount rate	The higher the discount rate, the lower the fair value
At 31 March 2020 (audited)			
Derivative financial instruments	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 contingent consideration receivable is set out in Note 17 to the unaudited condensed consolidated financial statements.

20. Litigations

(a) Litigation with Mr. Harry Chan

In January 2017, Mr. Chan Sik Ming, Harry ("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 consider that the claim from Mr. Harry Chan is without merit and have been advised by the Group's lawyers that the Group is not likely that the High Court would find the Company liable for the 1st Action. The directors of the Company are of the opinion that it is not probable that an outflow of economic benefits will be required and therefore no provision for the Claims is considered necessary.

On 24 May 2017, the Company and Huafeng Microline (Huizhou) Circuits Limited ("Huafeng") as first and second plaintiffs filed a statement of claim to the High Court in High Court Action No. 818/2018 against Mr. Harry Chan for his breaches (i) under the terms of his service agreement; and/or (ii) of his fiduciary and statutory duties to both the Company and Huafeng as an executive director (the "2nd Action"). The ultimate liability or amount is to be assessed. Pursuant to the order made by the High Court on 20 June 2017, the 1st Action was consolidated with the 2nd Action.

The Directors are of the opinion, with reference to the opinion of the Group's lawyer, any damages (or part thereof) may set off against any amounts which may be awarded in Mr. Harry Chan's favour (if any) in the 1st Action.

Up to the date of this report, there is no further update from the High Court for the above cases.

(b) Litigation with Societe Generale

On 17 September 2019, the Group received an amended writ of summons (the "Writ") issued by Societe Generale, Singapore Branch (the "Plaintiff") in which, among others, Pacific Dragon (Hong Kong) Energy Limited ("Pacific Dragon") and Daisho Microline Limited ("DML"), two wholly-owned subsidiaries of the Company, have been joined as additional defendants to the proceedings of the High Court (case number HCA 1617/2019) (the "Proceedings") which were originally issued against, among others, (1) Ms. Cheung Lai Na ("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 Pte Ltd ("Inter-Pacific Group"), a company incorporated in Singapore with limited liability which is principally engaged in trading of petrochemical products and owned as to 85% by Ms. Cheung, and 15% by an independent third party. 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.

20. Litigations (continued)

(b) Litigation with Societe Generale (continued)

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 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 the judgement 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 are of view that Pacific Dragon and DML 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.

(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").

20. Litigations (continued)

(c) Litigation with Inter-Pacific Group (continued)

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.

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.

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

21. Events After the Reporting Period

On 24 September 2020, the Group accepted the placing letter issued by the Gear Securities Investment Limited, the placing agent of a vendor, pursuant to which the Group conditionally agreed to acquire 18,160,000 ordinary shares (the "Allocated Shares") in the share capital of Pine Care Group Limited ("Pine Care"), a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, at the consideration of HK$29,910,000. The completion of the acquisition took place in October 2020. The Allocated Shares represent approximately 2.02% of the issued share capital of Pine Care at the date of the acquisition.

Detail of the acquisition was disclosed in the Company's announcement dated 24 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the period ended 30 September 2020, the Group's total revenue was approximately HK$27.7 million, representing a decrease of 97.7% as compared with approximately HK$1,185.5 million for the corresponding period in 2019. During the period, the Group's sales of petroleum products dropped to nil as compared with the sales of approximately HK$1,148.4 million in the same period of last year. The Group had ceased its petroleum trading business after the banking facilities provided to it for its trading of petroleum and energy products and related business were suspended by Societe Generale, Singapore Branch in August 2019. In September 2019, the Company received an injunction obtained by the bank, restricting the Company's two subsidiaries from disposing of or dealing with the claimed sums pursuant to the injunction order. As such, the two subsidiaries of the Company would not be able to place purchase orders to suppliers or take new orders from customers, causing the Company to suspend the trading of petroleum products business.

The Group's vessel chartering income had decreased to approximately HK$9.3 million, representing a decrease of 16.2% as compared with the sales of approximately HK$11.1 million in the same period of last year. The Group recorded the decrease in revenue due to reduction in charter rate during the period.

During the period, the Group recorded the revenue of approximately HK$15.2 million for its printed circuit board ("PCB") business, representing a decrease of 41.5% as compared with the revenue of approximately HK$26.0 million in the same corresponding period of last year. The substantial decrease in revenue was mainly due to the global economic slowdown caused by the protracted trade dispute between the U.S. and China and the coronavirus pandemic.

The Group completed the acquisition of Sky Will on 12 August 2020. During the period ended 30 September 2020, the Group's manufacturing and trading of printing and packaging products business recorded a segment income and loss of approximately HK$3.2 million and HK$0.7 million, respectively.

During the period, the Group's petroleum trading business recorded a segment loss of approximately HK$0.6 million as compared to the loss of approximately HK$49.1 million for the same period last year. The Group's PCB business recorded a segment loss of approximately HK$5.0 million as compared with the segment loss of approximately HK$3.2 million for the same period last year.

The Group's total net loss for the period had decreased from approximately HK$65.6 million in the same corresponding period last year to approximately HK$28.1 million after taking into account of the following: (1) gain on bargain purchase arising from the acquisition of subsidiaries of HK$1.2 million; and (2) loss on early redemption of promissory note of HK$4.5 million; and (3) reversal of impairment loss of approximately HK$2.7 million on (2019: provision for impairment loss of approximately HK$27.9 million) the Group's trade receivables; and (4) one-off impairment loss on deposits paid for acquisition of property, plant and equipment amounting approximately HK$14.6 million provided in prior period.

The equity attributable to owners of the Company amounted to HK$130.7 million as at 30 September 2020 as compared to HK$133.1 million as at 31 March 2020. The decrease in the equity was mainly due to the reported loss for the period.

The Group's gearing ratio (defined as interest-bearing borrowings, and liability component of convertible bonds divided by total capital) as at 30 September 2020 was 65% (31 March 2020: 59%). The Group's current ratio as at 30 September 2020 and 31 March 2020 was 0.9 times and 1.1 times respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Capital Structure

The capital structure of the Group during the six months ended 30 September 2020 is summarised as follows:

Interest-bearing borrowings

The Group's interest-bearing borrowings as at 30 September 2020 are detailed in note 14 to the unaudited condensed financial statements.

Convertible bonds

As at 30 September 2020, the balance of the Group's convertible bonds was nil. Details are set in note 15 to the unaudited condensed financial statements and the Company's announcement dated 21 September 2020.

Redemption of promissory note

The Company entered into a placing agreement with Kingston Securities Limited (the "Placing Agent") on 18 August 2020 and conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 115,200,000 shares (the "Placing Shares") at the placing price of HK$0.158 per Placing Share which would be allotted and issued pursuant to the general mandate of the Company. The expected net proceeds would be approximately HK$17.6 million if the Placing Shares could be fully placed.

Management considered that the reduced consideration of HK$30 million for the acquisition of Sky Will was a favourable term offered to the Company by the vendor. Furthermore, management considered the liquidity of the Group was sufficient in view of the cash on hand and expected cash inflow from net proceeds of the placement of Placing Shares. Therefore, the Company redeemed the Promissory Note in full on 18 August 2020. Settlement loss of approximately HK$4,512,000 was charged to profit or loss during the period.

Use of Proceeds from the Placing of New Shares Under General Mandate

The net proceeds from issue of new shares under the placing agreement (as defined in the Company's announcement dated 18 August 2020) dated 18 August 2020 were approximately HK$17.6 million and completed on 10 September 2020. The intended use of proceeds from the placing would be for the general working capital of the Group, including repayment of debts. The actual use of net proceeds was redemption of convertible bonds.

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 six months ended 30 September 2020. The Group did not enter any foreign exchange derivative contract to manage the currency translation risk of Renminbi against United States dollars during the six months ended 30 September 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.

Contingent Liabilities

The Group did not have any material contingent liability as at 30 September 2020 (31 March 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Litigations

Same as disclosed outstanding litigations set out in note 20 to the unaudited condensed financial statements.

Employee Benefits

As at 30 September 2020, the Group had 262 (31 March 2020: 44) employees, including directors, working mainly in Hong Kong, Mainland China and Singapore. For the six months ended 30 September 2020, the Group's total staff costs including directors' emoluments were approximately HK$7 million (six months ended 30 September 2019: approximately HK$7 million).

Outlook

Printed Circuit Boards Segment

During the six months ended 30 September 2020, the Group's PCB business continued to be affected by the ongoing trade war between China and the U.S. and the coronavirus pandemic. Countries around the world are still severely affected by the coronavirus pandemic, lockdown measures and travel restrictions are implemented to contain and slow the spread of the virus. As reported in our 2020 annual report, the Group has taken steps to re-focus and put more emphasis in the Chinese market. We are seeing results with the strategy. In addition, cost control scheme has been implemented which the Group will continue.

With the recent positive development on the Vaccine front, together with the Group's strategy and cost control measures, we hope business would improve in the near future.

Printing Business Segment

The Group completed acquisition of Sky Will Printing & Packaging Limited on 12 August 2020. However, coronavirus pandemic does have a negative impact on this business segment. The Group is carefully considering expanding by acquiring printing related business as and when they come along to offset the negative impact brought about by the coronavirus pandemic. As mentioned in the previous business segment, we hope, with the recent positive development in the Vaccine, the operating environment will be improved.

Trading of Petroleum and Energy Products and Related Business Segment

The legal proceedings against the Company initiated by SG Bank in August 2019 has been vigorously defended by the Company. 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 totaling HK$10,229,000 and discharge of the injunction would be permitted if such amount is paid into the Court. The process of transferring the funds to the Court, and the subsequent discharge of the injunction is ongoing. The Company is optimistic this will be completed in due course.

As far as market condition goes, oil price continued hoovering at a low level which reflects weak demand due to countries around the world are still severely affected by coronavirus pandemic implementing lockdown measures and travel restrictions.

Another important negative factor affecting oil trading activities in the Asia Pacific was the tightening of credit availability to trading companies like us. Many major oil financing banks have quitted or reduced oil trading finance as they have suffered significant losses from loan repayment defaults by their oil trading customers.

The Company's petroleum and energy product trading business is facing extreme challenges and may even be at the risk of being forced out of business if there is no improvement in the operating environments.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Outlook (continued)

Vessel Chartering Business Segment

During the relevant financial period, the vessels have been leased out to trader/operator of fuel refilling (otherwise known as bunkering) business in Singapore. Despite Singapore being one of the top fuel refilling ports in the world, outbreaks of the coronavirus pandemic have led to lockdowns which depress demand for transportation fuel. In addition, the industry has recently undergone significant restructuring and consolidation whereby independent operators are reduced or squeezed out of business as the major trading groups have stepped up to build up their own distribution logistics capabilities. Coupled with the reducing availability of credit facilities as discussed above, has a negative impact on the demand of vessels for the refilling business. The Group is evaluating various options to limit its downside risk on its asset value.

Other business

It is the plan of the Company to look for investment and growth opportunities despite under the current market conditions. It is also the long-term strategy for the Company to diversify into other areas such as the healthcare industry. As disclosed in the announcement of the Company dated 24 September 2020, the Company has made an investment into the shares of a healthcare group (the "Healthcare Acquisition"). The Company considers that the Healthcare Acquisition is an excellent investment which allows the Company to tap into the healthcare industry, which is expected to be one of the important growth drivers in both Hong Kong and the People's Republic of China in the coming decade. We will continue to explore the opportunities in the healthcare market and other business sectors that are beneficial to the Company and its shareholders as a whole.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2020, except for the following deviation:

Chairman and Chief Executive Officer

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

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

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

Ms. Cheung Lai Ming resigned as the Chairman of the Board and an executive Director and ceased to be the Chairman of nomination committee of the Company (the "Nomination Committee") and a member of remuneration committee of the Company (the "Remuneration Committee") with effect from 16 October 2020.

Mr. Lee Man Kwong, an executive Director, has been appointed as the Chairman of the Board, the Chairman of the Nomination Committee and a member of Remuneration Committee with effect from 16 October 2020.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 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:

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

Name of Directors	Nature of Interests	Number of issued ordinary shares held (Long Position)	Percentage of the Company's issued share capital (Note 3)
Cheung Lai Ming (Notes 1 and 2)	Trustee	120,068,000	17.36
Lee Man Kwong	Beneficial Owner	10,000	0.01

Notes:

(1) Ms. Cheung Lai Ming resigned as Director with effective from 16 October 2020.

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

(3) The approximate percentages were calculated based on 691,443,785 shares of the Company in issue as at 30 September 2020.

(b) Long position in the underlying shares-options under share option scheme

Category of the Grantee	Exercise price per share option HK$	Date of grant	Exercisable period	Number of share options at 1 April 2020	Number of share options granted during the period	Number of share options lapsed during the period	Number of share options at 30 September 2020
DIRECTORS							
Ms. Cheung Lai Ming (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	–

Note:

(1) Ms. Cheung Lai Ming resigned as Director on 16 October 2020.

Save as disclosed above, as at 30 September 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 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	Nature of interests	Number of issued ordinary shares held (Long position)	Percentage of the Company's issued share capital (Note 3)
Cheung Ling Mun	Beneficial owner	120,068,000	17.36
Spring Global Enterprises Limited (Note 1)	Beneficial owner	59,576,000	8.62
Ng Man Chan (Note 1)	Interest in controlled corporation	59,576,000	8.62
Alexis Consortium Ltd. (Note 2)	Beneficial owner	50,000,000	7.23
BC Management Services Ltd. (Note 2)	Interest in controlled corporation	50,000,000	7.23

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) The approximate percentages were calculated based on 691,443,785 shares of the Company in issue as at 30 September 2020.

Save as disclosed above, as at 30 September 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.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2020.

By Order of the Board
LEE Man Kwong
Chairman

Hong Kong, 27 November 2020

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

Executive directors:
LEE Man Kwong *(Chairman)*
WONG Siu Hung, Patrick

Non-executive director:
YAU Pak Yue

Independent non-executive directors:
CHOU Yuk Yan
LEUNG King Fai
Dr. CHAN Yau Ching, Bob