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 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION AND FINANCIAL CALENDAR

Board of Directors

Executive directors

Mr. Cheung Lai Ming
(Resigned on 16 October 2020)
Mr. Law Ping Wah
(Resigned on 19 June 2020)
Mr. Lee Man Kwong
(Appointed as Chairman of the Board on 16 October 2020)
Mr. Wong Siu Hung, Patrick
(Appointed on 3 September 2020)

Non-executive director

Mr. Yau Pak Yue
(Appointed on 3 September 2020)

Independent non-executive directors

Mr. Leung King Fai
Mr. Chou Yuk Yan
(Resigned on 30 April 2021)
Dr. Chan Yau Ching, Bob
Dr. Leung Hoi Ming
(Appointed on 30 April 2021)

Company Secretary

Mr. Ng Yu Ho

Principal Bankers

Bank of China Limited
Bank of Communications Co., Ltd.
China CITIC Bank International Limited
China Merchants Bank Co., Ltd.
Chiyu Bank Corporation Limited

Auditor

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

Legal Advisers in Hong Kong

Michael Li & Co
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:
27 November 2020

Annual Results:
25 June 2021

Annual General Meeting

24 September 2021

Dividends

Interim dividend:	Nil
Proposed final dividend:	Nil

CHAIRMAN'S STATEMENT

It has been a difficult year since COVID-19 was declared a global pandemic by the World Health Organization. The world has gone through very difficult times, to say the least. However, availability of multiple vaccines, adaptation to pandemic life have led to an overall stronger-than-anticipated rebound. According to World Economic Outlook Report April 2021 edition, the global economy is pointing to a stronger recovery in 2021 and 2022 comparing to their previous forecast, with growth projected to be at 6 percent in 2021 and 4.4 percent in 2022, and, China had already returned to pre-COVID GDP in 2020. According to International Monetary Fund, China will drive global economic growth in the coming years as the world recovers from the pandemic. Our strategy will continue to be China focused.

Printed Circuit Boards Segment

During the past years, performance of Printed Circuit Board (PCB) business has been under pressure due to the continuous increase in raw material prices, the tight supply of copper clad laminates, and the negative factors brought forward from previous years, such as the Sino-US trade dispute and the COVID-19 Pandemic. Customers have adopted a wait and see attitude and postponing placement of orders.

We expect the PCB industry in mainland China will continue to grow. In the era of smart phones and the massive use of wearable devices today, the development of PCBs tends to be miniaturized and high-density. We will work on improving our own technology, improving the ability to manufacture high-end boards and explore diversification into high technology business.

Printing Business Segment

The Group commenced printing & packaging products business ("Printing Business") after completion of acquisition of the Printing Business in August 2020. The Printing Business has years of track records.

COVID-19 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 pandemic. As mentioned above, 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 Societe Generale, Singapore Branch ("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$10.2 million. Discharge of the injunction would be permitted if such amount is paid into the Court. Following the payment of the required sums into the Court, the injunction on our two subsidiaries have been discharged. We will continue to do our best to defend the case.

The market environment for small and medium-sized oil trader has not improved. The resumption of the Group's oil trading business is under extreme difficulty. However, the commodity demand from China has been strong. The Group will continue to explore trading opportunities with reliable trading partners in major energy products including but not limited to petroleum, coal and etc..

Vessel Chartering Business Segment

The Group has disposed of our two vessels, limiting the downside risk on its asset value. The disposals have been completed in May 2021. We have exited the vessel chartering business.

CHAIRMAN'S STATEMENT

Other business

The Company has invested into the healthcare industry by acquiring a small percentage of the shares of a healthcare listed group in Hong Kong. We will continue to explore the opportunities in the healthcare market and other related business sectors that are beneficial to the Company and its shareholders as a whole. The Company will pursue on expansion strategy by leveraging on all possible opportunities available in the abovementioned four business sectors ie High Technology, Energy and Resources, Printing and Healthcare.

On behalf of the Board, I would like to express my sincere appreciation to all of our staff, shareholders, business partners, customers for their continuous support.

Lee Man Kwong
Chairman

Hong Kong
25 June 2021

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Lee Man Kwong, aged 66, has been appointed as the Chairman of the board of directors of the Company since 16 October 2020. He has been redesignated as an executive director of the Company since 1 June 2018. He was appointed as an independent non-executive director of the Company on 14 December 2016 and re-designated as a non-executive director of the Company on 1 March 2017. Mr. Lee has been appointed as the Chairman of the Board, a member of the Remuneration Committee of the Company and the Chairman of the Nomination Committee of the Company since 16 October 2020. 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.

Wong Siu Hung, Patrick, aged 65, has been appointed as an executive director of the Company since 3 September 2020. He is the chief operating officer of the Company since October 2019. 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 over 40 years of working experience in banking, finance, commodity trading and project development.

Mr. Wong is currently a non-executive director and authorized representative of Huscoke Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 704), an independent non-executive director of Crown International Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 727), an executive director of FDG Kinetic Limited, a company listed on the Main Board of the Stock Exchange (stock code: 378). He was an executive director of Huscoke Holdings Limited between 2016 and 2018. Mr. Wong was an executive director of Winto Group (Holdings) Limited, a company listed on the GEM of the Stock Exchange (stock code: 8238) between April 2019 and November 2019 and Titan Petrochemicals Holdings Limited, a company listed on the Main Board of the Stock Exchange (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 The Chartered Institute of Bankers, United Kingdom (now renamed to London Institute of Banking & Finance), 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.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Yau Pak Yue, aged 52, has been appointed as a non-executive director of the Company since 3 September 2020. He obtained his Bachelor of Commerce (majoring in Accountancy) from the University of Wollongong in Australia. He was the chief knowledge officer of Guangzhou Chengfa Capital Company Limited, a state-owned fund management company, from May 2015 to January 2017. Prior to that, he was the chief executive officer of Taiyang International Cold Chain (Group) Limited from March 2014 to July 2014, and a partner at one of the big four international accounting firms from 2005 to 2012. He has over 25 years of experience in mergers and acquisitions transaction supports and financial due diligence. Mr. Yau is currently the director of Ewin Advisory Company Limited.

Mr. Yau is also a certified public accountant in Hong Kong and a certified practising accountant in Australia. Mr. Yau currently serves as an executive director of Freeman FinTech Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 279), an independent non-executive director of Fullsun International Holdings Croup Co., Limited, a company listed on the Main Board of the Stock Exchange (stock code: 627) and an independent non-executive director of Hifood Group Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 442). Mr. Yau was an independent non-executive director of KEE Holdings Company Limited (currently renamed as China Apex Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2011) from 2017 to 2019 and Ascent International Holdings Limited (currently renamed as China International Development Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 264) from 2017 to 2018.

Independent Non-Executive Directors

Leung King Fai, aged 49, 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.

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 Chineseinvestors.com Inc. ("Chineseinvestors.com Inc.") (stock code: CIIX), a company listed on the OTCQB of United States from 1 March 2019 to 3 December 2020. He was an independent director of Chineseinvestors.com Inc. from November 2017 to February 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.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Chan Yau Ching, Bob, aged 58, has been an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since 3 September 2018. He is a holder of a Doctorate degree in Finance. Dr. Chan graduated from the Chinese University of Hong Kong and obtained a Bachelor's degree in Business Administration in 1984. He further obtained a Master degree in Business Administration from the University of Wisconsin-Madison, the United States of America ("US") in 1986, and a Doctorate degree in Finance from Purdue University, US in 1994. Dr. Chan is a member of the Chartered Financial Analyst Institution and the Hong Kong Society of Financial Analysts.

Since April 2009, Dr. Chan has been a licenced representative/responsible officer engaging in type 4 (advising of securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

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

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.

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) from December 2018 to December 2020, the shares of which are listed on ChiNext of the Shenzhen Stock Exchange.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Leung Hoi Ming, aged 53, has been appointed as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since 30 April 2021. He has extensive knowledge and experience in risk management of financial instruments, treasury business and financial derivative products. He has served DBS Bank Ltd for eight years and was Senior Vice President in the Treasury and Markets Division upon his departure from the bank on 22 May 2009. Dr. Leung started his career in the finance industry in 1996 with Citibank as quantitative analyst in the Equity Derivatives Asia Department. He had served a few other financial institutes before joining DBS Bank Ltd as a financial product specialist as well and had held various roles in business development, trading and risk management.

Dr. Leung holds a Bachelor (First Class Honours) degree of Science from the Chinese University of Hong Kong in 1990. Also, he holds a Master degree of Science in Mathematics in 1993 and a Doctor degree of Philosophy in Mathematics in 1996 both from the California Institute of Technology, and a Master degree of Science in Investment Management from the Hong Kong University of Science and Technology in 1999.

He is currently an independent non-executive director of Yuan Heng Gas Holdings Limited (stock code: 332) and Fresh Express Delivery Holdings Group Co., Limited (stock code: 1175) since 19 January 2010 and 8 July 2013 respectively.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Ou Zhong, aged 45, is the chief executive officer of a major subsidiary of the Company in Mainland China. He graduated from Guangdong University of Technology in Mainland China with a bachelor's degree in automation. Mr. Ou is a senior manager in the electronic technology industry and possesses more than 20 years of experience in the fields of corporate operations management, research and development of electronic products and market development. He has held senior positions in a number of state-owned enterprises and has a remarkable track record. He joined the Group in June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group's total revenue was approximately HK$89.1 million, representing a decrease of 92.6% as compared with approximately HK$1,205.8 million for the last year. The decrease of total revenue mainly derived from the temporary suspension of the Group's petroleum trading business after the banking facilities provided to it for its trading of petroleum and energy products and related business were suspended by SG Bank 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 temporarily suspend the trading of petroleum products business.

Saved as above suspension of petroleum trading business, there is no revenue generated for petroleum trading business for the year as compared to the revenue of approximately HK$1,148.4 million for the last year. It recorded a segment loss of approximately HK$0.9 million as compared to the segment profit of approximately HK$5.2 million for the last year.

The Group's vessel chartering income had increased to approximately HK$21.2 million, representing an increase of 3.9% as compared with the revenue of approximately HK$20.4 million in last year of which was discontinued during the current year as disclosed in Note 20 to the consolidated financial statements in this report. It recorded segment loss of approximately HK$29.9 million as compared to segment profit of approximately HK$3.5 million for the last year. The segment loss of the current year was mainly derived from the impairment loss of the vessels of approximately HK$32.3 million upon reclassification to assets classified as held for sale. Disposal of the vessels was completed in May 2021 as detailed in "Significant Investment and Material Acquisition and Disposals" below.

The Group recorded revenue of approximately HK$31.8 million for its printed circuit board (the "PCB") business, representing a decrease of 14.1% as compared with the revenue of approximately HK$37.0 million in the last year. The Group's PCB business recorded a segment loss of approximately HK$12.5 million as compared with the segment loss of approximately HK$39.8 million for the last year. Such decrease in revenue and segment loss were 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 Printing & Packaging Limited ("Sky Will"), representing the manufacturing and trading of printing and packaging products business, on 12 August 2020. It had recorded a segment revenue and profit of approximately HK$36.1 million and HK$4.9 million, respectively, for the year.

The Group had recorded total net loss for the year of approximately HK$67.0 million as compared to approximately HK$87.2 million for the last year. Such decrease in net loss was mainly derived from (i) one off impairment loss on deposits paid for acquisition of property, plant and equipment of HK$14.6 million provided in last year; (ii) decrease in impairment loss on trade receivables of HK$19.6 million; and (iii) decrease in finance cost of HK$10.2 million, netting off the effect with (i) one off loss on early redemption of a promissory note of HK$4.5 million provided in current year; (ii) decrease in fair value gain on derivative financial instruments of HK$1.4 million; (iii) increase in staff cost of HK$15.4 million; and (iv) increase in impairment loss on property, plant and equipment of HK$32.2 million of which was mainly related to the impairment loss of the vessels as mentioned above.

The Group's equity attributable to owners of the Company was decreased from approximately HK$133.1 million as at 31 March 2020 to approximately HK$95.1 million as at 31 March 2021, which was mainly due to the reported loss for the year net off with the effect of increase in share capital and share premium resulted from two placings during the year.

The Group's gearing ratio (defined as interest-bearing borrowings, lease liabilities and liability component of convertible bonds divided by total equity) as at 31 March 2021 was 95% (2020: 62%). The Group's current ratio as at 31 March 2021 and 2020 was 1.20 times and 1.08 times respectively.

As at 31 March 2021, the Group's total cash and bank balances were approximately HK$30.3 million (2020: approximately HK$30.6 million), in which approximately HK$2.7 million (2020: approximately HK$12.1 million) that were placed with banks in Hong Kong were restricted from use as a result of the injunction order received as detailed in Note 37(b) to the consolidated financial statements in this report. The Group's total interest-bearing borrowings, comprise bank borrowings, other borrowings and shareholder's loan, were approximately HK$85.6 million (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

The capital structure of the Group during the year ended 31 March 2021 is summarised as follows:

Interest-bearing borrowings

The Group's interest-bearing borrowings amounted to approximately HK$85.6 million (2020: Nil) as at 31 March 2021 are detailed in Note 23 to the consolidated financial statements in this report.

Convertible bonds

As at 31 March 2021, the balance of the convertible bonds was Nil (2020: approximately HK$78.4million). The convertible bonds were matured on 21 September 2020 and fully redeemed during the year. Details are set out in Note 24 to the consolidated financial statements in this report and the Company's announcement dated 21 September 2020.

Promissory note

On 12 August 2020, a promissory note in the principal amount of HK$18.0 million was issued by the Group to the vendor as part of consideration of the acquisition of Sky Will which is detailed in Note 28 to the consolidated financial statements in this report.

The fair value of the promissory note at issue date was approximately HK$13.5 million, based on the valuation performed by an independent professional valuer. 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 20.10% per annum.

During the year ended 31 March 2021, the Group has exercised its right to early redeem the promissory note in full. Management considered that the reduced consideration of HK$30.0 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.

Use of proceeds from the placings of new shares under general mandate

The net proceeds from issue of new shares under placing agreements (as defined in the Company's announcements dated 18 August 2020 and 19 February 2021) dated 18 August 2020 and 19 February 2021 were approximately HK$17.6 million and HK$12.7 million, respectively, which were completed on 10 September 2020 and 16 March 2021, respectively. The use of net proceeds are as follows:

Date of particulars of the placing	**Net proceeds raised (approximately)** *(HK$)*	**Intended use of proceeds**	**Actual use of proceeds (approximately)**
Placing of 115,200,000 shares under general mandate on 10 September 2020	17.6 million	(1) Repayment of certain debts (2) General working capital of the Group	(1) Repayment of convertible bonds of HK$17.6 million
Placing of 115,200,000 shares under general mandate on 16 March 2021	12.7 million	(1) General working capital of the Group (2) Repayment of debts	(1) Working capital and general corporate purposes of HK$12.7 million

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021. 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 2021, 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 37 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 2021, the Group did not have any material contingent liabilities (2020: Nil). The Company's subsidiary has provided a bank with unlimited corporate guarantee (2020: Nil) to secure banking facilities granted to the Company's another subsidiary as result from acquisition of subsidiaries. As at 31 March 2021, the facilities were utilised to the extent of approximately HK$37.0 million (2020: Nil).

Capital Commitments

The Group had no capital commitments during the year (2020: approximately HK$23.0 million for acquisition of subsidiaries, net of deposits paid).

Pledge of Assets

Details of the pledge of assets of the Group as at 31 March 2021 are set out in Note 23 to the consolidated financial statements.

Employee Benefits

As at 31 March 2021, the Group had 262 (2020: 44) employees, including directors, working mainly in Hong Kong, Mainland China and Singapore. For the year ended 31 March 2021, the Group's total staff costs including directors' emoluments were approximately HK$29.9 million (2020: approximately HK$14.6 million).

Share Option Scheme

A share option scheme (the "Share Option Scheme") was approved and adopted by the Shareholders on 22 November 2016 and further approved by the Listing Committee of The Stock Exchange of Hong Kong Limited on 23 June 2017, under which, options may be granted to any eligible participants (including executive and non-executive directors) to subscribe for shares in the Company subject to the terms and conditions stipulated in Share Option Scheme. The Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption.

During the year ended 31 March 2021, 4,800,000 share options were forfeited and 33,600,000 share options were lapsed. There were no outstanding share options at 31 March 2021.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investment and Material Acquisitions and Disposals

(i) Material acquisition 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 I"), 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 I conditionally agreed to sell the entire shares of Sky Will at a consideration of HK$35 million and the Guarantor agreed to guarantee the performance of the obligations of the Vendor I under the Sale and Purchase Agreement (the "Acquisition").

Sky Will and its subsidiaries (the "Printing Group") is principally engaged in the manufacture and trading of printing and packaging products businesses. The Printing 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 I 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 Printing Group for the year ended 31 March 2021.

On 16 July 2020, the Purchaser, the Vendor I 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. The Acquisition was completed on 12 August 2020.

Due to the COVID-19 pandemic and the appreciation of Renminbi, performance of the printing business was adversely affected during the year. The net profits (as adjusted for any extraordinary or exceptional items and net profit generated from the non-principal business activities as stipulated in the Sales and Purchase Agreement) of the Printing Group for the year ended 31 March 2021 amounted to approximately HK$2.72 million, which is less than the amount of 2021 guarantee profit of HK$7 million. As a result, the Vendor will pay a compensation of approximately HK$4.28 million to the Purchaser for the shortfall on a dollar for dollar basis within three business days after the issuance of the audited report of Sky Will.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Other long-term investment

On 24 September 2020, the Group accepted the conditional placing letter dated 24 September 2020 issued by the placing agent of a major shareholder of Pine Care Group Limited ("Pine Care"), pursuant to which the Group conditionally agreed to acquire 18,160,000 ordinary shares of Pine Care (the "Allocated Shares") at the offer price of HK$1.647 per share (the "Pine Care Acquisition"). Pine Care is a company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. On 6 October 2020, the Pine Care Acquisition was completed. The transaction costs directly attributable to the Pine Care Acquisition are approximately HK$30,000.

The Allocated Shares represent approximately 2.02% of the issued share capital of Pine Care. Upon initial recognition, the Group irrevocably designated the purchase of the Allocated Shares as equity investment measured at fair value through other comprehensive income because the Allocated Shares represent investments that the Group intends to hold for long term investment purposes. The Group considers the accounting treatments under this classification provide more relevant information for the investments.

(iii) Material disposal of vessels

On 25 January 2021, the Group entered into conditional memorandum of agreements (the "MOAs") with two respective buyers, pursuant to which, among others, the Group agreed to sell the vessel named Pacific Energy 28 (the "Vessel I") and Pacific Energy 138 (the "Vessel II") and each buyer agreed to acquire the Vessel I and the Vessel II for cash consideration of SGD4,020,000 (equivalent to approximately HK$23,232,000) and SGD4,760,000 (equivalent to approximately HK$27,508,000), respectively (the "Disposals") and the respective balance of security deposits held by the Group under the existing charterparty in respect of the Vessel I and the Vessel II would be transferred from the Group to the respective buyers.

On 31 March 2021, the circular was despatched to the Company's shareholders. The disposal was approved by the Shareholders on 23 April 2021 and completed on 24 May 2021.

Outlook

Printed Circuit Boards Business Segment

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. The Group has been put more emphasis in the Chinese market. We are seeing results with the strategy. In addition, cost control scheme has been implemented and the Group will improve its own technology to enhance the ability to manufacture high-end versions of PCB. With the recent positive development in the vaccine, together with the Group's strategy and cost control measures, we hope business would improve in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS

Printing Business Segment

The Group completed acquisition of Sky Will 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 two subsidiaries of the Company initiated by Societe Generale, Singapore Branch, 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$10.2 million and discharge of the injunction would be permitted if such amount is paid into the Court.

In November 2020, one of these two subsidiaries paid the amount of approximately HK$6.8 million into the Court. The injunction order was discharged against this subsidiary by order of the Court dated 14 December 2020 and therefore the bank balances held by this subsidiary were released from restriction of use.

At 31 March 2021, the other subsidiary had the bank balances of approximately HK$2.7 million which were restricted to use. In April 2021, this subsidiary paid the amount of approximately HK$3.4 million into the Court. The injunction order was discharged against this subsidiary by order of the Court dated 18 May 2021 and therefore the bank balances held by this subsidiary were released from restriction of use.

Details of the legal proceedings are set out in Note 37(b) to the consolidated financial statements in this report.

As far as market condition goes, demand is yet to fully recover 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 is 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 market environment for small medium sized oil trader has not improved. The resumption of the Company's oil trading business is under extreme difficulty. However, the commodity demand from China has been strong.

The Group will explore the trading opportunities with reliable trading partners in other types of energy products.

Vessel Chartering Business Segment

As aforementioned in "Significant Investment and Material Acquisition and Disposals", the vessels were disposed of and such transaction was completed in May 2021, which resulted in discontinuance of vessel chartering business segment and reported as discontinued operation in the consolidated financial statements. Details of the discontinued operation are set out in Note 20 to the consolidated financial statements in this report.

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 2021.

Principal Activities

The principal activity of the Company is investment holding. The Group operates its business mainly through four segments: (i) the Printed Circuit Boards (the "PCB") segment engages in the manufacturing and trading of PCB; (ii) the vessel chartering business segment engages in the vessel chartering business; (iii) the printing business segment engages in the manufacture and trading of printing and packaging products businesses; (iv) and the trading of petroleum and energy products and related business segment.

Results and Dividends

The Group's results for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss on page 73 of this report.

The Board do not recommend the payment of any dividends in respect of the year (2020: 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 10 to 15 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 27 to 48 of this annual report.

The principal risks and uncertainties of the Group are shown in Note 34 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 2021.

For more details, please refer to the Environmental, Social and Governance Report on pages 27 to 48 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				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
Revenue					
Continuing operations	**67,886**	1,185,407	1,505,908	411,859	170,245
Discontinued operation	**21,219**	20,403	10,915	–	–
	89,105	1,205,810	1,516,823	411,859	170,245
(Loss) Profit before income tax from continuing and discontinued operations	**(66,901)**	(98,036)	116,471	(80,077)	(51,009)
Income tax (expense) credit from continuing and discontinued operations	**(75)**	10,788	(16,005)	–	–
(Loss) Profit for the year	**(66,976)**	(87,248)	100,466	(80,077)	(51,009)
(Loss) Profit attributable to:					
Owners of the Company	**(66,976)**	(87,248)	100,466	(80.077)	(51,009)

Assets and Liabilities

	As at 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**78,851**	125,672	135,019	141,320	111,309
Current assets	**100,571**	131,944	657,796	342,502	269,838
Assets classified as held for sale	**50,740**	–	–	–	–
Current liabilities	**(124,029)**	(122,532)	(488,244)	(208,433)	(172,782)
Liabilities associated with assets classified as held for sale	**(1,959)**	–	–	–	–
Net current assets	**25,323**	9,412	169,552	134,069	97,056
Non-current liabilities	**(9,052)**	(1,998)	(75,361)	(124,969)	–
Total equity	**95,122**	133,086	229,210	150,420	208,365

Note: The revenue figures have been restated as if the vessel chartering business segment had been discontinued during the years ended 31 March 2020 and 2019 respectively.

REPORT OF THE DIRECTORS

Donations

During the year, the Group made no charitable and other donation (2020: 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 27 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. During the year ended 31 March 2021, 4,800,000 share options were forfeited and 33,600,000 share options were lapsed. There were no outstanding share options at 31 March 2021.

REPORT OF THE DIRECTORS

The following table summarises movements of the Company's share options during the year ended 31 March 2021:

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 year	Number of share options forfeited/ lapsed during the year	Number of share options at 31 March 2021
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	–
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				14,400,000	–	14,400,000	–
Other Grantees	0.222	6 August 2019	6 August 2019 to 1 August 2020	24,000,000	–	24,000,000	–
Total				38,400,000	–	38,400,000	–

Notes:

(1) Ms. Cheung Lai Ming resigned as the Chairman of the board of directors and executive director on 16 October 2020.

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

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 38(a) to the consolidated financial statements and in the consolidated statement of changes in equity on page 77 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	20%
	– Five largest suppliers	63%
b.	Percentage of sales attributable to the:	
	– Largest customer	23%
	– Five largest customers	53%

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 Ming *(Resigned on 16 October 2020)*
Mr. Law Ping Wah *(Resigned on 19 June 2020)*
Mr. Lee Man Kwong *(Appointed as Chairman of the Board on 16 October 2020)*
Mr. Wong Siu Hung, Patrick *(Appointed on 3 September 2020)*

Non-executive director:

Mr. Yau Pak Yue *(Appointed on 3 September 2020)*

Independent non-executive directors:

Mr. Leung King Fai
Mr. Chou Yuk Yan *(Resigned on 30 April 2021)*
Dr. Chan Yau Ching, Bob
Dr. Leung Hoi Ming *(Appointed on 30 April 2021)*

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, Mr. Lee Man Kwong 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, Dr. Chan Yau Ching, Bob will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting ("AGM").

In accordance with Bye-Law 102 of the Company's Bye-Laws, Mr. Wong Siu Hung, Patrick, Mr. Yau Pak Yue, and Dr. Leung Hoi Ming shall retire at the forthcoming AGM. Mr. Wong Siu Hung, Patrick, Mr. Yau Pak Yue and Dr. Leung Hoi Ming, 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 5 to 9 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.

REPORT OF THE DIRECTORS

Litigation

Save as disclosed outstanding litigations set out in Note 37 to the consolidated financial statements, the Group is not a party to any other significant legal proceedings.

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.

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Related Party/Connected Transactions

The significant related party/connected transactions made during the Reporting Period were disclosed in Note 33 to the consolidated financial statements. The transactions set out therein fall within the definition of connected transactions under Chapter 14A of the Listing Rules and disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

REPORT OF THE DIRECTORS

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2021, 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	Approximate percentage of the Company's issued share capital (Note)
Lee Man Kwong	Beneficial owner	–	10,000	0.001%

Note:

The approximate percentages were calculated based on 806,643,785 shares in issue as at 31 March 2021.

Save as disclosed above, as at 31 March 2021, none of the directors had any interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Arrangement to Purchase Shares or Debentures

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

REPORT OF THE DIRECTORS

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

As at 31 March 2021, 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)	Approximate percentage of the Company's issued share capital
Cheung Ling Mun	Beneficial owner	120,068,000	14.885%
Spring Global Enterprises Limited (Note 1)	Beneficial owner	59,576,000	7.386%
Ng Man Chan (Note 1)	Interest in controlled corporation	59,576,000	7.386%
Ample Cheer Limited (Note 2)	Interest in controlled corporations	120,068,000	14.885%
Best Forth Limited (Note 2)	Interest in controlled corporations	120,068,000	14.885%
Chu Yuet Wah (Note 2)	Interest in controlled corporations	120,068,000	14.885%
Kingston Finance Limited (Note 2)	Person having a security interest in shares	120,068,000	14.885%

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) 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. ACL 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 2021, 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 49 to 65 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 2021 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 2021 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 27 to 48 of this report.

On behalf of the Board

Lee Man Kwong
Chairman

Hong Kong
25 June 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

This Environmental, Social and Governance Report (the "ESG Report") which summarises the environmental, social and governance ("ESG") initiatives, programmes and performance of Daisho Microline Holdings Limited (the "Company", together with its subsidiaries, the "Group") as well as demonstrates its commitment to sustainability.

The Group specialises in manufacturing double-side, multi-layer and HDI circuit board which are widely used in automotive electronics, communication equipment, industrial use controller, power supply, and medical equipment, etc.

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 values for all stakeholders in the long run.

SCOPE OF REPORTING

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"), unless otherwise stated. The reporting scope of this ESG Report included a newly acquired printing business and printed circuit boards business and excluded vessel chartering business which has been in process of disposal. The ESG key performance indicators ("KPIs") are gathered and are shown in the ESG Report supplementing by explanatory notes to establish benchmarks. The Group will continue to assess the major ESG aspects of different businesses to determine whether to expand the scope of reporting.

REPORTING FRAMEWORK

The ESG Report has been prepared 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.

For the Group's corporate governance practices, please refer to the section "Corporate Governance Report" contained in this Annual Report.

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures being taken during the financial year from 1 April 2020 to 31 March 2021 (the "Reporting Period" or "2021").

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

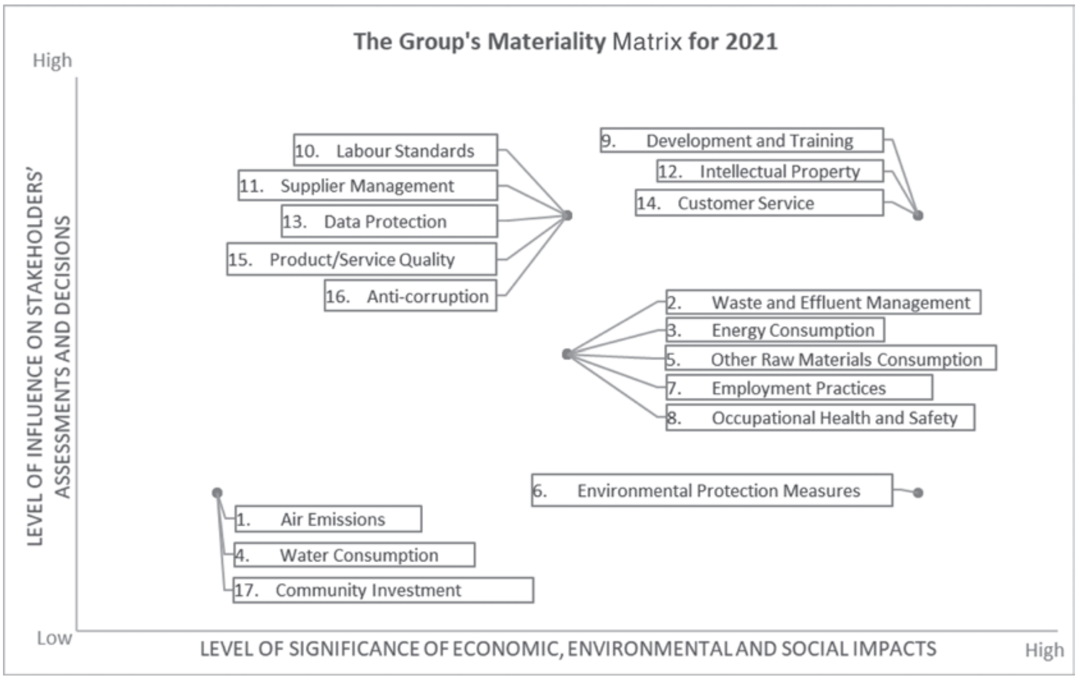
The Group values feedback of its stakeholders as they bring invaluable directions for continuous development to the Group. Internal and external stakeholders have been involved in regular engagement activities to share views regarding the Group's operation and performances. By using the diversified cooperation methods and communication channels shown in the table below, we bring the expectation of our stakeholders into our operation and ESG strategies.

Stakeholders	Key Communication Channels
Shareholders/Investors	• Annual general meetings • Financial reports • Announcements and circulars
Customers	• Customer service hotline • Emails • Customer meetings • After-sales services
Employees	• Staff Appraisals • Regular meetings • Emails and telephone calls • Employee handbook • Customised trainings
Government and regulatory authorities	• Company website • Legal counsel • Meetings, emails and phone calls
Community	• ESG Reports • Press releases and announcements • Annual reports

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

In hopes of understanding the views and expectations of stakeholders on the Group's ESG performance, the Group has conducted an annual materiality assessment which specifically engaged members of the board of directors, senior management, frontline staff, and suppliers to gain further insights on ESG material aspects and challenges. They are invited to participate in the materiality survey and rate the potentially material issues. The materiality matrix below presents the result of the materiality assessment process:



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.

CONTACT US

The Group welcomes stakeholders to provide their 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1. Emissions

Upholding sustainable development as the ESG management goal, the Group is devoted to implementing environmental control mechanism and monitoring measures in its business activities and workplace. The Group has formulated policies and been strictly following 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.

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, Law on the Prevention and Control of Environmental Pollution Caused by Solid Wastes, Administrative Measures for Hazardous Waste Transfer Manifests of the PRC, and Regulation on Urban Drainage and Sewage Treatment of the PRC.

During the Reporting Period, the Group did not have any non-compliance with the relevant local environmental laws and regulations in relation to air and Greenhouse Gas ("GHG") emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes.

Air Pollutant Emissions

During the Reporting Period, the main source for the Group's air pollutant emission were consumption of gaseous fuel from vehicles use and machinery. We are committed to monitoring the air emissions to comply with relevant laws, regulations and standards. Regular inspections have been taken place by the authorities and the emission concentrations were recorded within emission limits.

The Group also 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 bio-trickling filter are used to filter dusts, neutralise gas and deodorise air before air is emitted into the atmosphere to prevent air pollution.

The air pollutants had increased due to use of vehicles with the new business acquired during the Reporting Period.

The Summary of the Group's air pollutants emission performance is shown as below:

Air pollutant emissions	**Unit**	**2021**
Nitrogen Oxides (NOx)	kg	6.03
Sulphur Oxides (SOx)	kg	0.13
Particulate Matters (PM)	kg	0.44

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG Emissions

The reported GHG emissions of the Group were attributed to the following activities:

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

In line with the nation's strategic development of overall GHG emissions reduction to achieve the sustainable development goal of energy-saving and carbon reduction, the Group adopted the following emission reduction measures actively.

To reduce the Group's carbon footprint, employees are encouraged to take public transports when commuting to/from work. Virtual communication is also encouraged for meetings with colleagues, business partners and clients to reduce the frequency of business trips. 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.

In addition to the aforementioned practices, the Group actively adopts energy-saving measures to reduce GHG emission, which is explained in the section "Energy Consumption" in Aspect A2.

During the Reporting Period, the overall intensity of the GHG emissions of the Group is approximately 0.10 tCO_2e/m^2.

The summary of the Group's GHG emissions is shown as below:

Scope of GHG emissions[1]	Unit	2021
Combustion of petrol for mobile source	tCO_2e	18.58
Combustion of diesel for stationary source	tCO_2e	3.92
Release of refrigerants	tCO_2e	88
Scope 1 Direct emissions	**tCO_2e**	**110.50**
Purchased electricity[2]	tCO_2e	1,346.21
Scope 2 Energy indirect emissions	**tCO_2e**	**1,346.21**
Electricity used for freshwater processing and sewage processing	tCO_2e	11.49
Paper waste disposed at landfill	tCO_2e	6.01
Business air travel[3]	tCO_2e	0.41
Scope 3 Other indirect emissions	**tCO_2e**	**17.91**
Total GHG emissions	**tCO_2e**	**1,474.62**
Intensity[4]	**tCO_2e/m^2**	**0.10**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Note:

1. GHG emissions data are presented in terms of carbon dioxide equivalent and the emission factors were based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 ("AR5").

2. Combined margin emission factor of approximately 0.51 tCO2/MWh was used for purchased electricity in Guangdong Province of the PRC.

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

4. The total floor area of the Group during the year ended 31 March 2021 was approximately 15,166.44m^2. These numbers would also be used for calculating other intensity data in the ESG Report.

Wastewater Discharge and Treatment

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.

Hazardous Wastes

The Group adheres to the wastes management principle and strives to properly manage and dispose wastes produced during its business activities. 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, and properly stored in designated area and collected by licensed collectors. During the Reporting Period, the total hazardous wastes intensity of the Group was 0.0001 tonnes/m^2.

The summary of the Group's performance of hazardous wastes during the Reporting Period is shown as below:

Types of hazardous wastes	Unit	2021
Waste cloths	Tonnes	0.50
Waste ink cans	Tonnes	1.00
Total hazardous wastes	**Tonnes**	**1.50**
Intensity	**Tonnes/m^2**	**0.0001**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Non-hazardous Wastes

Non-hazardous wastes generated by the Group mainly consisted of plastic and paper packaging materials. When collecting, storing, transporting and handling solid wastes, the Group avoids diffusion and leakage, and forbids any unpermitted disposal of wastes. 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 3Rs – Reduce, reuse and recycle;
- Promote a paperless office by replacing paper documents with digital document;
- Print on both sides of paper;
- Reuse single-side used paper; and
- Recycle printer ink cartridges in office.

During the Reporting Period, the total non-hazardous wastes intensity of the Group is 0.003 tonnes/m^2.

The summary of the Group's performance of non-hazardous wastes during the Reporting Period is shown below:

Non-hazardous wastes	**Unit**	**2021**
General waste	Tonnes	41.60
Paper waste	Tonnes	1.25
Total non-hazardous waste	**Tonnes**	**42.85**
Intensity	**Tonnes/m^2**	**0.003**

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 the use of energy and resources, which monitor and manage the consumption of fuel, electricity, water, raw materials, packaging materials, office paper and other office necessities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption

The energy consumption involved in the Group's operation includes the use of electricity and fuel. To improve the energy efficiency performance, the Group continues to implement the following initiatives, including but not limited to:

- 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 and enhance employees' awareness to reduce unnecessary electricity use;
- Promote electricity conservation behaviours among employees; and
- Post energy saving reminders.

The summary of the Group's energy consumption during the Reporting Period is shown as below:

Types of energy	**Unit**	**2021**
Direct energy consumption – Petrol	MWh	68
Direct energy consumption – Diesel	MWh	16
Indirect energy consumption – Purchased Electricity	MWh	2,646
Total energy consumption	**MWh**	**2,730**
Intensity	**MWh/m^2**	**0.18**

Water Consumption

The Group's water consumption is supplied by the municipal water suppliers. There was no significant issue in sourcing water during the Reporting Period.

To enhance its water conservation performance, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The summary of the Group's performance of water consumption during the Reporting Period is shown as below:

Indicators	Unit	2021
Total water consumption	m^3	27,550
Intensity	**m^3/m^2**	**1.82**

Packaging Materials

During the Reporting Period, the Group has generated paper box, bubble wrap and plastic tape as wrapping materials. The Group has made a great effort to reduce the usage as much as possible with a view to protecting the environment.

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.

The summary of the Group's performance of packaging material during the Reporting Period is shown as below:

Types of packaging materials	Unit	2021
Paper box	Pieces	6,500
Bubble wrap	Pieces	4,550
Plastic tape	Grams	180

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3. The Environment and Natural Resources

The Group recognises its responsibility in minimising the negative environmental impacts of its operations on the environment and natural resources. To achieve sustainable development and generate long term values to its stakeholders and community, the Group has integrated the concept of environmental protection into its internal management and carried out continuous monitoring during its daily operations.

Significant Impacts of Activities on the Environment

The Group's production generates exhaust gas, dust and smoke, hazardous wastes, 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;
- Engage 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

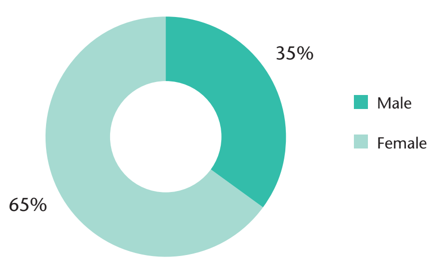
B1. Employment

Human resources are the foundation to support the development of the Group. To fulfil its vision on people-oriented management and to realise the full potential of employees, the Group has formulated human resources management policy, which covers aspects of compensation and dismissal, recruitment and promotion, and welfare, etc. 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.

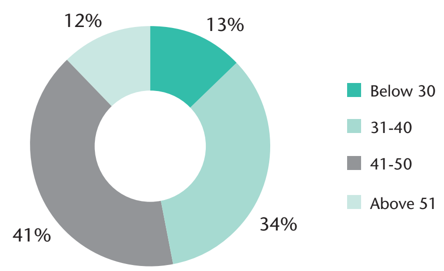
Employee Composition

As of 31 March 2021, the Group had 262 employees under the reporting scope of the ESG Report, 261 of whom were full-time employees from China and 1 from other region. The figures below illustrate the distribution of workforce:

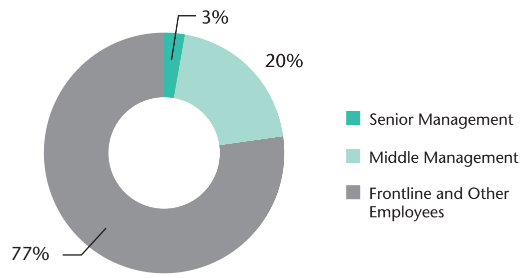
Workforce by Gender



Workforce by Age



Workforce by Category



Employee Benefits and Welfare

The Group believes that employees are important assets and the core of its competitive advantage. Therefore, we are dedicated to improving our employment system in order to attract, cultivate and retain talents and believe that this will contribute significantly to the Group's success. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment, Promotion, Compensation and Dismissal

Employees' qualification, professional skills and experiences exert a significant influence on the quality of services. In line with the need of business development and the principles of fairness and justice, the Group selects the best and suitable qualified candidates through robust and transparent recruitment processes. The selection is based on the candidate's suitability for the position and potential to fulfil the Group's current and future needs.

The Group's employees are subject to regular review on their work performance. The appraisal results will provide reference standards for salary adjustment, bonus distribution, and promotion.

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, Diversity and Anti-discrimination

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 forms 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2. 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.

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. There was 177 lost days due to work injury.

The summary of the Group's fatality and injury record during the Reporting Period is shown as below:

Indicators	Unit	2021
Work related fatality	Number	–
Lost days due to work injury	Lost days	177

Managing Safety Risk

The Group has established a safety management system to manage safety elements and mitigate the potential safety risks in the workplace. It conducts manufacturing process in strict compliance with the corresponding safety requirements, identifies safety hazards, conducts regular safety inspections and monitors working procedures. Besides, 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 has taken further measures to promote behavioural change in order to improve employee's awareness of the importance of health and safety. In the factory, smoking and setting off firecrackers are strictly prohibited. Every department shall require 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

The Preventive Measures of the Outbreak of Coronavirus Pandemic ("COVID-19")

In response to the outbreak of the COVID-19 pandemic, the Group has taken measures to enhance health and safety precautions in the workplace to ensure the health of employees and the Group's business continuity. In addition to strengthening the sanitation of its operations, the Group strictly conducts stringent temperature checks at its factories and canteens, requires staff to wear surgical masks at work, and reminds employees of the importance of maintaining personal hygiene. We encourage employees to maintain a safe social distance, avoid group meals, and reduce contact with outside parties.

B3 Development and Training

The Group believes that development and training are crucial for employees to discharge their duties more effectively and efficiently. To nurture talents and support continuous development of employees, the Group has established relevant training policy which caters to the needs of employees from different positions through diversified training models, including but not limited to the orientation and internal on-the-job trainings. Through these training programs, 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 768 hours of training to its employees, or 2.93 average training hours per employee. Approximately 10% of its employees received training. Training topics includes operation skills, safety measures, and professional knowledge, such as ISO standard and electrical engineering knowledge.

The summary of the Group's average training hour record during the Reporting Period is shown as below:

Group	**Unit**	**2021**
By Gender		
Male	Hours	2.26
Female	Hours	3.11
By Employee Category		
Senior Management	Hours	13.71
Middle Management	Hours	1.85
Frontline and Other Employees	Hours	2.84
Average training hours per employee	Hours	2.93

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B4. Labour Standards

General Disclosure

The Group has formulated internal guidelines and labour policy to ensure that there are no child labour nor forced labour in the Group. No teenagers under the statutory minimum working age will be employed. The Group requires all new employees to provide true and accurate personal identification information. The human resources department is responsible for checking new employees' identification documents, such as identity card and academic certificates, to ensure that they are legally entitled to work for the Group.

In addition, 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. All employees have signed the employment contract and agreed on the stipulated employment terms and conditions. If violation is involved, it will be dealt with in the light of circumstances.

During the Reporting Period, there was no material non-compliance with applicable laws and regulations in relation to the prevention of child and forced labour, including but not limited to the Labour Law and the Labour Contract Law of the PRC.

B5. Supply Chain Management

The Group believes that proper management of its supply chain could help mitigating the indirect environmental and social risks and 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 arranges on-site audits and reviews the manufacturing process reports, materials details and test reports of the potential suppliers to ensure they meet customers' and the Group's requirements regarding quality. The Group also considers their environmental and social performance to ensure they work in an ethical and responsible manner. 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). 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. The Group strictly complies with all relevant laws and regulations, including but not limited to Law of the PRC on the Protection of Consumer Rights and Interests, Advertisement Law of the PRC, Interim Measures for the Administration of Internet Advertising, and Product Quality Law of the PRC.

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

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	**Responsibility**
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

Customer Satisfaction

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 recalled 6 units of products and received 4 complaints from customers as the appearance of products did not meet customers' requirements. All recalled products are improved under the supervision of quality assurance engineer and all complaints 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.

Privacy Protection

To safeguard corporate or customers' personal data, the Group continues to strengthen the information security system and assigned designated department to govern the authorities and accessibilities of data.

All employees shall observe the employee confidentiality agreement, which states clearly that their obligation to safeguard confidential information. Unauthorised access or abuse of confidential information could result in disciplinary action, including dismissal. Disclosure of business information, business secrets, technical information and other company secrets is also 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. No substantiated complaints regarding the breach of client privacy, identified leak, theft, or loss of customer information was received during the Reporting Period.

Advertising and Labelling of Products

The Group respects the customers' rights and is committed in providing accurate marketing information for customers in connection with their purchase decisions. The Group strictly regulates and reviews the advertising materials to protect the interests of our customers. Labelling of our products should also be accurate, legitimate, clear, and not misleading in order to avoid any non-compliance with relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 to 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. During the Reporting Period, the Group has arranged a two-hour anti-corruption training session for all Board members and employees to cultivate employees' commitment to integrity in order to create a healthy corporate culture.

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. The relevant laws and regulations include, but are not limited to the Company Law of the PRC and Bidding Law of the PRC.

B8. Community Investment

The Group is committed to operating as a responsible corporate and contributing to the economic and social development of local communities. It continuously works with its partners to support community programmes that bring positive social impacts. It is also dedicated to fostering employees' sense of social responsibility by encouraging them to participate in volunteering service and charitable activities during their working hours and leisure time.

Though the Group does not have policy on community investment, it actively supports elderly and the underprivileged groups to improve their quality of life. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Pollutant Emissions, Wastewater Discharge and Treatment
KPI A1.2	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Hazardous Wastes
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Non-hazardous Wastes
KPI A1.5	Description of reduction initiatives and results achieved.	Emissions – Air Pollutant Emissions, GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Hazardous Wastes, Non-hazardous Wastes
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity.	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Packaging Materials

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Significant Impacts of Activities on the Environment
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment – Employee Composition
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety – Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety – Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Customer Satisfaction
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Satisfaction
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Privacy Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment

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 2021, the Company has complied with the code provisions as set out in the CG Code.

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 2021.

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 six members, consisting of two executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors:

Ms. Cheung Lai Ming *(Resigned on 16 October 2020)*
Mr. Law Ping Wah *(Resigned on 19 June 2020)*
Mr. Lee Man Kwong *(Appointed as Chairman of the Board on 16 October 2020)*
Mr. Wong Siu Hung, Patrick *(Appointed on 3 September 2020)*

Non-Executive Director:

Mr. Yau Pak Yue (*Appointed on 3 September 2020*)

Independent Non-executive Directors:

Mr. Leung King Fai
Mr. Chou Yuk Yan *(Resigned on 30 April 2021)*
Dr. Chan Yau Ching, Bob
Dr. Leung Hoi Ming *(Appointed on 30 April 2021)*

The biographical information of the Directors are set out on pages 5 to 8 of this report.

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 separated 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 during the year ended 31 March 2021.

Independent Non-executive Directors

During the year ended 31 March 2021, 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, Mr. Lee Man Kwong 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 2021:

Name of Directors	**Type of Training**
Executive directors	
Ms. Cheung Lai Ming *(Resigned on 16 October 2020)*	A
Mr. Law Ping Wah *(Resigned on 19 June 2020)*	B
Mr. Lee Man Kwong *(Appointed as Chairman of the Board on 16 October 2020)*	A
Mr. Wong Siu Hung, Patrick *(Appointed on 3 September 2020)*	A & B
Non-executive director	
Mr. Yau Pak Yue *(Appointed on 3 September 2020)*	A & B
Independent non-executive directors	
Mr. Leung King Fai	A & B
Mr. Chou Yuk Yan *(Resigned on 30 April 2021)*	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 50 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 *(ceased to be a member on 30 April 2021)*
Dr. Chan Yau Ching, Bob
Mr. Yau Pak Yue *(appointed as a member on 3 September 2020)*
Dr. Leung Hoi Ming *(appointed as a member on 30 April 2021)*

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. Lee Man Kwong *(appointed as a member on 16 October 2020)*
Mr. Chou Yuk Yan *(ceased to be a member on 30 April 2021)*
Ms. Cheung Lai Ming *(ceased to be a member on 16 October 2020)*
Dr. Chan Yau Ching, Bob
Dr. Leung Hoi Ming *(appointed as a member on 30 April 2021)*

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 two meetings 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 2021 are set out below:

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

Details of emoluments of Directors and the five highest paid individuals are set out in Note 10 to the consolidated financial statements for the year ended 31 March 2021.

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

Ms. Cheung Lai Ming *(ceased to be the Chairman on 16 October 2020)*
Mr. Lee Man Kwong *(appointed as the Chairman on 16 October 2020)*
Mr. Leung King Fai
Mr. Chou Yuk Yan *(ceased to be a member on 30 April 2021)*
Dr. Chan Yau Ching, Bob
Dr. Leung Hoi Ming *(appointed as a member on 30 April 2021)*

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 two meetings to review the structure, size and composition of the Board, the Nomination Policy, the Board Diversity Policy, contribution by each director to perform his/her responsibilities and the independence of the independent non-executive directors, and to consider the qualifications of the retiring directors standing for election at the annual general meeting ("AGM"). The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained. The Nomination Committee also made recommendations to the Board on the appointment and re-designation of Directors 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 2021 is set out in the table below:

	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Special General Meeting
Executive Directors						
Ms. Cheung Lai Ming Note 1	6/8	N/A	2/2	2/2	1/1	1/1
Mr. Law Ping Wah Note 2	0/8	N/A	N/A	N/A	N/A	N/A
Mr. Lee Man Kwong Note 3	8/8	N/A	N/A	N/A	1/1	1/1
Mr. Wong Siu Hung, Patrick Note 4	4/8	N/A	N/A	N/A	N/A	N/A
Non-executive Director						
Mr. Yau Pak Yue Note 5	4/8	2/3	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Leung King Fai	8/8	3/3	2/2	2/2	1/1	1/1
Mr. Chou Yuk Yan Note 6	8/8	3/3	2/2	2/2	1/1	1/1
Dr. Chan Yau Ching, Bob	8/8	3/3	2/2	2/2	1/1	1/1

Notes:

1. Ms. Cheung Lai Ming was resigned as an executive Director, the Chairman of the Company, and ceased to be a chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 16 October 2020.

2. Mr. Law Ping Wah was resigned as an executive Director on 19 June 2020.

3. Mr. Lee Man Kwong was appointed as the Chairman of the Company on 16 October 2020.

4. Mr. Wong Siu Hung, Patrick was appointed as executive director on 3 September 2020.

5. Mr. Yau Pak Yue was appointed as non-executive director and a member of the Audit Committee on 3 September 2020.

6. Mr. Chou Yuk Yan was resigned as an independent non-executive director, member of Audit Committee, Remuneration Committee and Nomination Committee on 30 April 2021.

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 2020 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 2021.

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 2021, 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 2021.

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 66 to 72.

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 2021 was as follows:

	2021 **HK$'000**	2020 HK$'000
Audit services	**1,300**	1,200
Non-audit services (Note)	**870**	410
	2,170	1,610

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 2020, professional services in relation to the acquisition of subsidiaries which constituted a major acquisition transaction and professional services in relation to the disposal of vessels which constituted a major disposal transaction.

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Ng Yu Ho, company secretary of the Company, 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.

Mr. Ng's primary contact person at the Company is Mr. Lee Man Kwong, the Chairman and executive Director.

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
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Mazars CPA Limited
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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 73 to 158, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, 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	
As at 31 March 2021, the net carrying amount of Group's property, plant and equipment relating to the printed circuit board business segment (the "PCB CGU") amounted to approximately HK$22,769,000. Management of the Group performed assessment at the end of each reporting period to consider whether there is any indication that the PCB CGU may be impaired. For the purpose of assessing impairment of the PCB CGU, the Group engaged an independent professional valuer to provide assistance in assessing the recoverable amount of the PCB CGU. The recoverable amount of the PCB CGU was determined by management based on the fair value less costs of disposal. 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 in estimating the recoverable amount of these property, plant and equipment; b) Evaluating the competence, capabilities and objectivity of the independent professional valuer; c) Assessing the appropriateness of the methodologies used by the independent professional valuer; d) Evaluating the reasonableness of key assumptions based on our knowledge of the industry and market; and e) Checking, on a sample basis, the accuracy and relevance of the input data provided by management to the independent professional valuer.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter

Expected credit losses ("ECL") assessment of trade receivables

As at 31 March 2021, the gross amount of trade receivables and its related allowance for ECL amounted to approximately HK$38,359,000 and HK$7,718,000 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 ECL assessments of 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), 17 and 34 to the consolidated financial statements.

How our audit addressed the key audit matter

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 and challenging the reasonableness and relevancy of the external information used by the Group as the forward-looking information;

d) Testing the integrity of information used by management to develop the provision matrix including testing individual customers' credit assessment, on a sample basis, through analysing their nature size and past due status with the underlying supporting documents and comparing the internal credit assessment made by management on these customers; and

e) Checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group's disclosures in relation to credit risk exposed by the Group in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter

Acquisition accounting for Sky Will Printing & Packaging Limited and its subsidiaries (the "Printing Group")

The Group completed the acquisition of the Printing Group on 12 August 2020 at a consideration of approximately HK$24,521,000 (the "Acquisition"). The Acquisition constituted a business combination for accounting purposes.

The initial accounting for the Acquisition requires the Group to identify the assets acquired and liabilities assumed and measure their amounts. The Group has appointed an independent professional valuer to assist in determining the acquisition-date fair value of identifiable assets and liabilities of the Printing Group and acquisition-date fair value of the consideration, where applicable. A gain on bargain purchase arising from the Acquisition of approximately HK$1,197,000 was credited to profit or loss.

We considered this matter to be a key audit matter because of the significant impact of the Acquisition on the consolidated financial statements, and the inherent judgement involved in estimating the fair value of the assets acquired and liabilities assumed.

Related disclosures are included in Notes 4(vi) and 28 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures, among others, included:

a) Evaluating management's assessment of the terms of the acquisition agreement;

b) Understanding the valuation processes and methodology, significant assumptions adopted and key inputs used in the identification and valuation of assets and liabilities, including valuation of contingent consideration receivable;

c) Evaluating the reasonableness of key assumptions used by management based on our knowledge and understanding of the businesses of the Printing Group and markets;

d) Assessing the appropriateness of the methodology in determining the values of assets acquired and liabilities assumed including fair value adjustments and contingent consideration receivable as at the date of acquisition; and

e) Evaluating the competence, capabilities and objectivity of the independent professional valuer.

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 2020-2021 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 of the Company 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, actions taken to eliminate threats or safeguards applied.

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, 25 June 2021

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 2021

	Note	**2021 HK$'000**	2020 HK$'000 (Restated)
Continuing operations			
Revenue	5	**67,886**	1,185,407
Cost of sales		**(55,605)**	(1,179,676)
Gross profit		**12,281**	5,731
Other income	7	**4,616**	7,162
Selling and distribution expenses		**(3,401)**	(5,301)
Administrative expenses		**(35,422)**	(34,356)
Other operating expenses		**(527)**	(17,416)
Fair value gain on derivative financial instruments	24	**101**	1,542
Impairment loss on trade receivables, net	34	**(2,859)**	(22,504)
Impairment loss on other receivables	18	**(1,780)**	–
Impairment loss on property, plant and equipment	12(c)	**(2,314)**	(2,377)
Impairment loss on deposits paid for acquisition of property, plant and equipment	37(c)	**–**	(14,574)
Change in fair value of contingent consideration receivable	28	**3,311**	–
Gain on bargain purchase arising from the acquisition of subsidiaries	28	**1,197**	–
Loss on early redemption of a promissory note	29	**(4,512)**	–
Equity-settled share-based payment expenses	31	**–**	(1,577)
Finance costs	8	**(7,655)**	(17,864)
Loss before taxation from continuing operations	8	**(36,964)**	(101,534)
Income tax (expense) credit	9	**(532)**	11,227
Loss for the year from continuing operations		**(37,496)**	(90,307)
Discontinued operation			
(Loss) Profit for the year from discontinued operation	20	**(29,480)**	3,059
Loss for the year		**(66,976)**	(87,248)
From continuing and discontinued operations			
Loss per share			
Basic (Hong Kong cents)	11	**(10.38)**	(15.14)
Diluted (Hong Kong cents)	11	**(10.38)**	(15.14)
From continuing operations			
Loss per share			
Basic (Hong Kong cents)		**(5.81)**	(15.67)
Diluted (Hong Kong cents)		**(5.81)**	(15.67)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Loss for the year		**(66,976)**	(87,248)
Other comprehensive (loss) income:			
Item that will not be reclassified to profit or loss:			
Change in fair value of other long-term investments	14	**(9,782)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of functional currency to presentation currency		**8,478**	(10,453)
Total other comprehensive loss for the year		**(1,304)**	(10,453)
Total comprehensive loss for the year		**(68,280)**	(97,701)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	12	**57,233**	113,672
Intangible assets	13	**1,027**	–
Other long-term investments	14	**20,158**	–
Deferred tax assets	26	**433**	–
Refundable deposit paid for acquisition of subsidiaries		**–**	12,000
		78,851	125,672
Current assets			
Inventories	16	**11,838**	79
Trade and bills receivables	17	**30,912**	93,008
Other receivables, deposits and prepayments	18	**27,373**	8,208
Tax recoverable		**115**	–
Cash and cash equivalents	19	**30,333**	30,649
		100,571	131,944
Assets classified as held for sale	20	**50,740**	–
		151,311	131,944
Current liabilities			
Trade payables	21	**17,754**	5,873
Other payables and accruals	22	**24,201**	35,915
Interest-bearing borrowings	23	**77,026**	–
Derivative financial instruments	24	**–**	101
Convertible bonds	24	**–**	78,360
Lease liabilities	25	**4,303**	1,751
Tax payable		**745**	532
		124,029	122,532
Liabilities associated with assets classified as held for sale	20	**1,959**	–
		125,988	122,532
Net current assets		**25,323**	9,412
Total assets less current liabilities		**104,174**	135,084
Non-current liabilities			
Interest-bearing borrowings	23	**8,534**	–
Lease liabilities	25	**302**	1,751
Deferred tax liabilities	26	**216**	247
		9,052	1,998
NET ASSETS		**95,122**	133,086

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Capital and reserves			
Share capital	27	**80,664**	57,624
Reserves	30	**14,458**	75,462
TOTAL EQUITY		**95,122**	133,086

The consolidated financial statements on pages 73 to 158 were approved and authorised for issue by the Board of Directors on 25 June 2021 and signed on its behalf by

Lee Man Kwong
Director

Wong Siu Hung, Patrick
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

		Reserves							
	Share capital HK$'000 (Note 27)	Share premium HK$'000 (Note 30(a))	Contributed surplus HK$'000 (Note 30(b))	Exchange translation reserve HK$'000 (Note 30(c))	FVOCI reserve HK$'000 (Note 30(d))	Share option reserve HK$'000 (Note 30(e))	Accumulated losses HK$'000	Sub-total HK$'000	Total HK$'000
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									
Item that may be reclassified subsequently to profit or 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
At 1 April 2020	**57,624**	**128,492**	**9,379**	**78,225**	**–**	**1,577**	**(142,211)**	**75,462**	**133,086**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(66,976)**	**(66,976)**	**(66,976)**
Other comprehensive (loss) income									
Item that will not be reclassified to profit or loss:									
Change in fair value of other long-term investments	**–**	**–**	**–**	**–**	**(9,782)**	**–**	**–**	**(9,782)**	**(9,782)**
Item that may be reclassified subsequently to profit or loss:									
Exchange difference on translation of functional currency to presentation currency	**–**	**–**	**–**	**8,478**	**–**	**–**	**–**	**8,478**	**8,478**
Total other comprehensive loss for the year	**–**	**–**	**–**	**8,478**	**(9,782)**	**–**	**–**	**(1,304)**	**(1,304)**
Total comprehensive loss for the year	**–**	**–**	**–**	**8,478**	**(9,782)**	**–**	**(66,976)**	**(68,280)**	**(68,280)**
Transaction with owners									
Contributions and distributions									
Shares issued upon placings (Note 27)	**23,040**	**8,294**	**–**	**–**	**–**	**–**	**–**	**8,294**	**31,334**
Transaction costs attributable to shares issued upon placings (Note 27)	**–**	**(1,018)**	**–**	**–**	**–**	**–**	**–**	**(1,018)**	**(1,018)**
Forfeit/lapse of share options (Note 31)	**–**	**–**	**–**	**–**	**–**	**(1,577)**	**1,577**	**–**	**–**
Total transactions with owners	**23,040**	**7,276**	**–**	**–**	**–**	**(1,577)**	**1,577**	**7,276**	**30,316**
At 31 March 2021	**80,664**	**135,768**	**9,379**	**86,703**	**(9,782)**	**–**	**(207,610)**	**14,458**	**95,122**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2021

	2021 HK$'000	2020 HK$'000 (Restated)
OPERATING ACTIVITIES		
(Loss) Profit before taxation		
– Continuing operations	**(36,964)**	(101,534)
– Discontinued operation	**(29,937)**	3,498
Adjustments for:		
Amortisation of intangible assets	**205**	–
Depreciation	**17,290**	13,139
Equity-settled share-based payment expenses	**–**	1,577
Fair value gain on derivative financial instruments	**(101)**	(1,542)
Finance costs	**7,655**	17,864
Change in fair value of contingent consideration receivable	**(3,311)**	–
Gain on bargain purchase arising from acquisition of subsidiaries	**(1,197)**	–
Impairment loss on deposits paid for acquisition of property, plant and equipment	**–**	14,574
Impairment loss on other receivables	**1,780**	–
Impairment loss on property, plant and equipment	**34,609**	2,377
Interest income	**(49)**	(860)
Loss on disposal of property, plant and equipment, net	**437**	14
Loss on early redemption of a promissory note	**4,512**	–
Loss on termination of leases	**84**	–
Impairment loss on trade receivables, net	**2,859**	22,504
Reversal of write down of inventories	**–**	(2,157)
Write-back of trade payables	**–**	(1,129)
Write-back of other payables	**(1,262)**	–
Operating cash flows before changes in working capital	**(3,390)**	(31,675)
Changes in working capital:		
Inventories	**(5,434)**	2,614
Trade and bill receivables	**64,288**	329,623
Other receivables, deposits and prepayments	**(1,302)**	8,105
Trade payables	**8,201**	(334,169)
Other payables and accruals	**(20,294)**	6,738
Cash generated from (used in) operations	**42,069**	(18,764)
Income tax paid	**(757)**	(4,411)
Interest received	**49**	860
Net cash from (used in) operating activities	**41,361**	(22,315)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment, including deposits paid		**(1,707)**	(1,732)
Purchase of other long-term investments	14	**(29,940)**	–
Proceeds from disposal of property, plant and equipment		**–**	1,424
Decrease in pledged bank deposits		**–**	113,415
Net cash inflow from acquisition of subsidiaries	28	**14,773**	–
Refundable deposit paid for acquisition of subsidiaries	28	**–**	(12,000)
Net cash (used in) from investing activities		**(16,874)**	101,107
FINANCING ACTIVITIES	32(b)		
New bank loans raised		**–**	327,811
New other loans raised		**48,534**	–
Repayment of bank loans		**–**	(426,078)
Redemption of convertible bonds	24	**(80,000)**	–
Redemption of a promissory note	29	**(18,000)**	–
Proceeds from shares issued upon placings, net of issue costs	27	**30,316**	–
Repayment for lease liabilities		**(1,193)**	(1,283)
Interest paid		**(5,874)**	(13,052)
Net cash used in financing activities		**(26,217)**	(112,602)
Net decrease in cash and cash equivalents		**(1,730)**	(33,810)
Cash and cash equivalents at beginning of year		**30,649**	62,541
Effect of foreign exchange rate changes, net		**1,414**	1,918
Cash and cash equivalents at end of year, represented by bank balances and cash	19	**30,333**	30,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

1. GENERAL INFORMATION

Daisho Microline Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business has 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, vessel chartering and manufacturing and trading of printing and packaging products. The principal activities of its subsidiaries are set out in Note 15 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 2020 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 other long-term investments and derivative financial instruments, which are measured at fair value as explained in the accounting policies set out below.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

Business combinations

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (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 and liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 and HKAS 19 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 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

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.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

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:

Leasehold improvements	Over the lease term (i.e. 2 years to 19.5 years)
Machinery and equipment	10 years
Furniture and fixtures	5 years
Motor vehicles	3-5 years
Computers	5 years
Vessels	15-17 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 2021

2. SIGNIFICANT ACCOUNTING POLICIES (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 costs 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and measurement (continued)

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.

1) *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 and cash and cash equivalents.

2) *Designated FVOCI*

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses.

The Group's financial assets at Designated FVOCI include other long-term investments in equity securities listed in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Recognition and derecognition

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

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

Classification and measurement

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

The Group's financial liabilities include trade payables and other payables and accruals, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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 2021

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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.

Convertible bonds

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

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

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

Cash equivalents

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

Revenue recognition

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; and

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

Identification of performance obligations

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers within HKFRS 15 (continued)

Timing of revenue recognition

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

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

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

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

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Revenue from other sources

Vessel chartering income

Vessel chartering income is recognised on an accrual basis over the period for which vessel is chartered.

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 2021

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 2021

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.

Provisions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account/recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial fair value of the loan and the proceeds received.

Leases

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 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (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 to 19.5 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 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (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.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As lessor – operating lease

Rental income from leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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 2021

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 HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 [1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021 [2]
Amendments to HKAS 16	Proceeds before Intended Use [3]
Amendments to HKAS 37	Cost of Fulfilling a Contract [3]
Amendments to HKFRS 3	Reference to the Conceptual Framework [3]
Annual Improvements to HKFRSs	2018–2020 Cycle [3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [4]
Amendments to HKAS 1	Disclosure of Accounting Policies [4]
Amendments to HKAS 8	Definition of Accounting Estimates [4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [4]
HKFRS 17	Insurance Contracts [4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 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 2021

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:

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

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.

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, right-of-use assets and intangible 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*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such estimate is changed.

(iii) *Loss allowance for ECL*

The Group's management estimates the loss allowance for financial assets at amortised cost including refundable deposit paid for acquisition of subsidiaries, trade and bills receivables, other receivables and deposits, guaranteed profit compensation receivable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(iv) Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives of the Group's property, plant and equipment, and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(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.

(vi) Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair value to be assigned to the identifiable assets and liabilities of the acquired entities. The fair values of the identified assets and liabilities and consideration, including contingent consideration receivable, are determined by reference to the valuation performed by an independent professional valuer where applicable. Any changes in assumptions used and estimates made in determining the fair value will impact the carrying amount of these assets and liabilities.

5. REVENUE

	2021 **HK$'000**	2020 HK$'000 (Restated)
Continuing operations		
Revenue from contracts with customers within HKFRS 15		
Manufacturing and trading of printed circuit boards	**31,817**	37,009
Trading of petroleum and energy products	**–**	1,148,398
Manufacturing and trading of printing and packaging products	**36,069**	–
	67,886	1,185,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

5. REVENUE (continued)

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

Year ended 31 March 2021	**Manufacturing and trading of printed circuit boards HK$'000**	**Manufacturing and trading of printing and packaging products HK$'000**	**Total HK$'000**
Geographical region:			
– Hong Kong	**3,952**	**30,563**	**34,515**
– The PRC	**18,150**	**3,313**	**21,463**
– North America	**8,248**	**–**	**8,248**
– Europe	**1,124**	**2,193**	**3,317**
– Japan	**315**	**–**	**315**
– Other countries	**28**	**–**	**28**
	31,817	**36,069**	**67,886**
Timing of revenue recognition:			
– at a point in time	**31,817**	**36,069**	**67,886**
Type of transaction price:			
– fixed price	**31,817**	**36,069**	**67,886**

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:			
– Hong Kong	2,280	615,556	617,836
– Singapore	–	532,842	532,842
– The PRC	17,264	–	17,264
– North America	13,475	–	13,475
– Japan	2,470	–	2,470
– 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 2021

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;

(iii) Manufacturing and trading of printing and packaging products; and

(iv) Vessel chartering which was reclassified as a discontinued operation (Note 20).

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

All assets are allocated to reportable segments other than unallocated assets which are mainly other long-term investments, refundable deposit paid for acquisition of subsidiaries, 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 2021

6. SEGMENT INFORMATION (continued)

(A) By Business Segments

Year ended 31 March 2021

	Continuing operations			Discontinued operation	
	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products and related business HK$'000	Manufacturing and trading of printing and packaging products HK$'000	Vessel chartering HK$'000	Consolidated HK$'000
Segment revenue					
Major customer A	–	–	20,221	–	20,221
Other customers	31,817	–	15,848	21,219	68,884
	31,817	–	36,069	21,219	89,105
Segment results	(12,450)	(933)	4,907	(29,937)	(38,413)
Unallocated other income					413
Unallocated administrative expenses					(17,151)
Unallocated other operating expenses					(98)
Impairment loss on other receivables					(1,780)
Impairment loss on property, plant and equipment					(2,314)
Change in fair value of contingent consideration receivable					3,311
Gain on bargain purchase arising from the acquisition of subsidiaries					1,197
Loss on early redemption of a promissory note					(4,512)
Fair value gain on derivative financial instruments					101
Finance costs					(7,655)
Loss before taxation					(66,901)
Income tax expense					(75)
Loss for the year					(66,976)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

6. SEGMENT INFORMATION (continued)

(A) By Business Segments (continued)

Year ended 31 March 2020 (Restated)

	Continuing operations		Discontinued operation	
	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 B	–	615,556	–	615,556
Major customer C	–	285,681	–	285,681
Major customer D	–	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)

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 2021

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:

At 31 March 2021

	Continuing operations			Discontinued operation		
	Manufacturing and trading of printed circuit boards HK$'000	Trading of petroleum and energy products and related business HK$'000	Manufacturing and trading of printing and packaging products HK$'000	Vessel chartering HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment assets	59,192	3,592	80,252	50,020	32,106	230,162
Segment liabilities	28,033	513	60,414	3,198	42,882	135,040
Other segment information:						
Amortisation of intangible assets	–	–	(205)	–	–	(205)
Depreciation	(6,776)	(12)	(2,658)	(6,595)	(1,249)	(17,290)
Fair value gain on derivative financial instruments	–	–	–	–	101	101
Change in fair value of contingent consideration receivable	–	–	–	–	3,311	3,311
Gain on bargain purchase arising from the acquisition of subsidiaries	–	–	–	–	1,197	1,197
Impairment loss on property, plant and equipment	–	–	–	(32,295)	(2,314)	(34,609)
(Provision for) Reversal of impairment loss on trade receivables, net	(2,891)	–	32	–	–	(2,859)
Impairment loss on other receivables	–	–	–	–	(1,780)	(1,780)
Loss on disposal of property, plant and equipment, net	(395)	–	(42)	–	–	(437)
Loss on early redemption on a promissory note	–	–	–	–	(4,512)	(4,512)
Loss on termination of leases	–	–	–	–	(84)	(84)
Write-back of other payables	1,262	–	–	–	–	1,262
Additions to property, plant and equipment (including right-of-use assets)	1,441	–	244	–	1,831	3,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

6. SEGMENT INFORMATION (continued)

(A) By Business Segments (continued)

At 31 March 2020 (Restated)

	Continuing operations		Discontinued operation		
	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 2021

6. SEGMENT INFORMATION (continued)

(B) Geographical Information

(i) Revenue form external customers

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operations		
Hong Kong	**34,515**	617,836
The PRC	**21,463**	17,264
North America	**8,248**	13,475
Europe	**3,317**	1,486
Japan	**315**	2,470
Singapore	**–**	532,842
Other countries	**28**	34
	67,886	1,185,407
Discontinued operation		
Singapore	**21,219**	20,403
	89,105	1,205,810

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

(ii) Non-current assets

	2021 HK$'000	2020 HK$'000
Hong Kong	**29,116**	4,611
Singapore	**324**	85,093
The PRC	**28,820**	23,968
	58,260	113,672

The non-current assets information above is based on the locations of assets and excluded other long-term investments, deferred tax assets and refundable deposit paid for acquisition of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operations		
Bank interest income	49	860
Exchange gain, net	402	–
Rental income	1,121	–
Government subsidies (Note)	1,057	–
Sales of scrap materials	403	4,175
Write-back of trade payables	–	1,129
Write-back of other payables	1,262	–
Others	322	998
	4,616	7,162
Discontinued operation		
Government subsidies (Note)	255	–
Exchange gain, net	86	–
Others	381	–
	722	–
	5,338	7,162

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

8. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	2021 HK$'000	2020 HK$'000 (Restated)
Finance costs		
Continuing operations		
Interest on bank borrowings	956	8,521
Interest on other borrowings	1,986	–
Interest on convertible bonds (Note 24)	4,480	9,174
Interest on lease liabilities	233	169
	7,655	17,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

8. LOSS BEFORE TAXATION (continued)

This is stated after charging (crediting):

	2021 HK$'000	2020 HK$'000 (Restated)
Staff costs (excluding directors' emoluments in Note 10)		
Continuing operations		
Salaries, allowances and benefits-in-kind	19,002	9,438
Contribution to defined contribution plans (Note (i))	792	682
Share-based payment expenses	–	805
	19,794	10,925
Discontinued operation		
Salaries, allowances and benefits-in-kind	6,811	–
Contribution to defined contribution plans	701	–
	7,512	–
	27,306	10,925
Other items		
Continuing operations		
Auditor's remuneration		
– Audit services	1,174	1,103
– Non-audit services	870	410
Amortisation of intangible assets (included in administrative expenses)	205	–
Cost of inventories (Note (ii))	55,605	1,179,676
Depreciation	10,695	6,933
Exchange (gain) loss, net (included in other income or other operating expenses, as appropriate)	(255)	4,502
Loss on disposal of property, plant and equipment, net	437	14
Loss on termination of leases	84	–
Legal and professional fee (included in administrative expenses)		
– Withholding tax on capital gain	–	9,184
– Others	9,311	6,231
	9,311	15,415
Other rental and related expenses	412	1,519
Relocation and re-installation costs (included in other operating expenses)	–	12,889
Repair and maintenance (included in administrative expenses)	10	23
Reversal of write down of inventories (included in cost of sales)	–	(2,157)
Discontinued operation		
Auditor's remuneration		
– Audit services	126	97
Depreciation	6,595	6,206
Exchange gain, net	(233)	–
Legal and professional fee	313	198
Repair and maintenance	2,651	2,939

Notes:

(i) To support the PRC entities under COVID-19, starting from February 2020 to December 2020, the relevant PRC government authorities have given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the society security insurance.

(ii) Cost of inventories excludes write down of inventories and related reversal but includes approximately HK$15,096,000 *(2020: HK$4,689,000)* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

9. INCOME TAX

	2021 HK$'000	2020 HK$'000 (Restated)
Continuing operations		
Current tax		
Hong Kong Profits Tax	569	22
Singapore corporate income tax	–	(110)
	569	(88)
Overprovision of withholding tax on capital gain upon disposal of a PRC wholly-owned subsidiary	–	(11,139)
Deferred tax (Note 26)	(37)	–
Income tax expense (credit) for continuing operations	532	(11,227)
Discontinued operation		
Current tax – Singapore corporate income tax	(3)	348
Deferred tax (Note 26)	(454)	91
Income tax (credit) expense for discontinued operation	(457)	439
Total income tax expense (credit) for the year for continuing and discontinued operations	75	(10,788)

PRC Enterprise Income Tax has not been provided for the years ended 31 March 2021 and 2020 as the Group's entities in the PRC incurred a loss for taxation purposes.

For the years ended 31 March 2021 and 2020, the assessable profits of Hong Kong incorporated subsidiaries 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% of the estimated assessable profits without CIT rebate for the years ended 31 March 2021 and 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 during the years ended 31 March 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

9. INCOME TAX (continued)

Reconciliation of income tax expense (credit) for continuing operations

	2021 HK$'000	2020 HK$'000 (Restated)
Loss before taxation	**(36,964)**	(86,960)
Tax calculated at domestic tax rates applicable to loss in the respective tax jurisdictions	**(6,340)**	(15,991)
Non-deductible expenses	**3,246**	1,221
Tax exempted revenue	**(1,007)**	(114)
Unrecognised temporary differences	**(477)**	3,545
Unrecognised tax losses	**4,166**	11,358
Overprovision of withholding tax on capital gain upon disposal of a PRC wholly-owned subsidiary	**–**	(11,139)
Others	**944**	(107)
Income tax expense (credit)	**532**	(11,227)

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 2021

	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 Ming (Note (a))	–	400	–	18	418
Lee Man Kwong (Note (b))	–	600	–	–	600
Law Ping Wah (Note (c))	–	132	–	7	139
Wong Siu Hung, Patrick (Note (d))	–	402	–	10	412
Non-executive director:					
Yau Pak Yue (Note (e))	350	–	–	–	350
Independent non-executive directors:					
Leung King Fai	240	–	–	–	240
Chou Yuk Yan (Note (f))	240	–	–	–	240
Chan Yau Ching, Bob	240	–	–	–	240
	1,070	1,534	–	35	2,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

10. DIRECTORS' EMOLUMENTS AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS (continued)

10(a) Directors' emoluments (continued)

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 (g))	–	257	193	13	463
Cheung Lai Ming (Note (a))	–	600	193	30	823
Lee Man Kwong (Note (b))	–	600	193	20	813
Law Ping Wah (Note (c))	–	620	193	30	843
Independent non-executive directors:					
Leung King Fai	240	–	–	–	240
Chou Yuk Yan (Note (f))	240	–	–	–	240
Chan Yau Ching, Bob	240	–	–	–	240
	720	2,077	772	93	3,662

Notes:

(a) Ms. Cheung Lai Ming was designated as the Chairman of the Company on 4 September 2020 and resigned as an executive director and the Chairman of the Company on 16 October 2020.

(b) On 16 October 2020, Mr. Lee Man Kwong was appointed as the Chairman of the Company.

(c) On 19 June 2020, Mr. Law Ping Wah resigned as an executive director of the Company.

(d) On 3 September 2020, Mr. Wong Siu Hung, Patrick was appointed as an executive director of the Company.

(e) On 3 September 2020, Mr. Yau Pak Yue was appointed as a non-executive director of the Company.

(f) On 30 April 2021, Mr. Chou Yuk Yan resigned as an independent non-executive director of the Company and Dr. Leung Hoi Ming was appointed as an independent non-executive director of the Company.

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

For the years ended 31 March 2021 and 2020, 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 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

10. DIRECTORS' EMOLUMENTS AND EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS (continued)

10(b) Emoluments of five highest paid individuals

The five highest paid individuals of the Group for the year included two *(2020: three)* directors whose emoluments are reflected in the analysis presented above and three *(2020: two)* non-director individuals whose emoluments are disclosed as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries, allowances and benefits-in-kind	**2,107**	1,175
Share-based payment expenses	**–**	201
Contribution to defined contribution plans	**94**	15
	2,201	1,391

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Up to HK$1,000,000	**3**	2

For the years ended 31 March 2021 and 2020, 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 2021 and 2020, no highest paid individuals as set out above waived or agreed to waive any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

11. LOSS PER SHARE

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

	2021	2020
	HK$'000	HK$'000
Loss:		
Loss attributable to the owners of the Company, used in basic loss per share calculation	**(66,976)**	(87,248)

	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**645,363,785**	576,243,785

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 and the exercise price per share option was higher than the average share price of the Company for the year, respectively. The diluted loss per share is the same as the basic loss per share for the years ended 31 March 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

12. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000 (Note 25)	Leasehold improvements HK$'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 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
Reconciliation of carrying amount – year ended 31 March 2021								
At the beginning of the reporting period	**3,501**	**4,962**	**19,247**	**40**	**1,401**	**150**	**84,371**	**113,672**
Additions	**2,018**	**233**	**241**	**4**	**1,000**	**20**	**–**	**3,516**
Acquisition of subsidiaries (Note 28)	**25,946**	**2,656**	**4,623**	**1,638**	**507**	**41**	**–**	**35,411**
Termination of leases	**(84)**	**–**	**–**	**–**	**–**	**–**	**–**	**(84)**
Disposals	**–**	**(386)**	**(48)**	**(3)**	**–**	**–**	**–**	**(437)**
Depreciation	**(2,924)**	**(1,062)**	**(4,912)**	**(197)**	**(1,524)**	**(76)**	**(6,595)**	**(17,290)**
Impairment loss	**(2,314)**	**–**	**–**	**–**	**–**	**–**	**(32,295)**	**(34,609)**
Reclassification to assets classified as held for sale (Note 20)	**–**	**–**	**–**	**–**	**–**	**–**	**(50,740)**	**(50,740)**
Exchange realignment	**42**	**509**	**1,830**	**111**	**38**	**5**	**5,259**	**7,794**
At the end of the reporting period	**26,185**	**6,912**	**20,981**	**1,593**	**1,422**	**140**	**–**	**57,233**
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
At 31 March 2021								
Cost	**32,506**	**9,021**	**221,603**	**2,166**	**4,217**	**1,151**	**–**	**270,664**
Accumulated depreciation and impairment losses	**(6,321)**	**(2,109)**	**(200,622)**	**(573)**	**(2,795)**	**(1,011)**	**–**	**(213,431)**
Net carrying amount	**26,185**	**6,912**	**20,981**	**1,593**	**1,422**	**140**	**–**	**57,233**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

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 (the "PCB CGU") with aggregate carrying values of approximately HK$22,769,000 *(2020: HK$28,177,000)*.

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 is higher *(2020: lower)* than its carrying amount at 31 March 2021 and therefore no impairment loss *(2020: impairment loss of approximately HK$2,377,000)* against the machinery and equipment was recognised in profit or loss during the year ended 31 March 2021.

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) At 31 March 2020, 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 based on the value-in-use calculated as present value of future cash flows to be derived from the vessels of the Group at 31 March 2020. 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.

For the year ended 31 March 2021, the vessels were reclassified to assets classified as held for sale and impairment loss of approximately HK$32,295,000 was charged to profit or loss upon the reclassification. Details of which are set out in Note 20 to the consolidated financial statements.

(c) The impairment of the right-of-use assets of approximately HK$2,314,000 was charged to profit or loss during the year ended 31 March 2021 in respect of the remaining balance of the lease of premises located at Room Nos. 901-2, 9/F., Tai Tung Building, No. 8 Fleming Road, Wanchai, Hong Kong (the "Said Premises") after the Group has moved out from the Said Premises since July 2020. The Group received a statement of claim from the landlord of the Said Premises (the "Landlord") in June 2021. Details of which are set out in Note 37(d) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

13. INTANGIBLE ASSETS

	Customer relationships HK$'000
Cost	
At 1 April 2019, 31 March 2020 and 1 April 2020	–
Additions arising from acquisition of subsidiaries (Note 28)	1,232
At 31 March 2021	**1,232**
Accumulated amortisation	
At 1 April 2019, 31 March 2020 and 1 April 2020	–
Charge for the period	205
At 31 March 2021	**205**
Net carrying amount	
At 31 March 2020	–
At 31 March 2021	**1,027**

14. OTHER LONG-TERM INVESTMENTS

	Listed equity securities HK$'000
At 1 April 2019, 31 March 2020 and 1 April 2020	–
Additions	29,940
Change in fair value recognised in other comprehensive loss	(9,782)
At 31 March 2021	**20,158**

On 24 September 2020, the Group accepted the conditional placing letter dated 24 September 2020 issued by the placing agent of the vendor (a major shareholder of Pine Care Group Limited ("Pine Care")), pursuant to which the Group conditionally agreed to acquire 18,160,000 ordinary shares of Pine Care (the "Allocated Shares") at the offer price of HK$1.647 per share (the "Pine Care Acquisition"). Pine Care is a company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. On 6 October 2020, the Pine Care Acquisition was completed. The transaction costs directly attributable to the Pine Care Acquisition are approximately HK$30,000.

The Allocated Shares represent approximately 2.02% of the issued share capital of Pine Care. Upon initial recognition, the Group irrevocably designated the purchase of the Allocated Shares as Designated FVOCI because the Allocated Shares represent investments that the Group intends to hold for long term investment purposes. The Group considers the accounting treatments under this classification provide more relevant information for the investments.

The fair value of the investment is determined on the basis of quoted market price available on the Stock Exchange at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

15. 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% *(2020: 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% *(2020: 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% *(2020: 100%)*	HK$1	Trading of petroleum and energy products	Private limited liability company
Pacific Dragon Trading Pte. Limited	Ordinary	Singapore	100% *(2020: 100%)*	US$6,000,000	Trading of petroleum and energy products	Private limited liability company
PE28 Pte. Limited	Ordinary	Singapore	100% *(2020: 100%)*	US$50,001	Provision of vessel chartering	Private limited liability company
PE138 Pte. Limited	Ordinary	Singapore	100% *(2020: 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") (Note)	Registered	The PRC	100% *(2020: 100%)*	US$37,200,000	Manufacture of printed circuit boards	Wholly foreign-owned enterprise
新高準柯式印刷(深圳)有限公司 (New Spring Offset Printing (Shenzhen) Limited*)	Registered	The PRC	100% *(2020: N/A)*	HK$1,200,000	Manufacture and trading printing & packaging products	Wholly foreign-owned enterprise
New Spring (SW) Printing Packaging Limited	Ordinary	Hong Kong	100% *(2020: N/A)*	HK$10,000	Trading of printing & packaging products	Private limited liability company

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 reporting period or at the end of the reporting period.

* *English name for identification purpose only.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

15. SUBSIDIARIES (continued)

Note:

The immediate holding company of Huafeng was changed from DML to Mega Luck Glory Limited ("Mega Luck"), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company pursuant to a sales and purchase agreement dated 31 March 2021 entered into between DML and Mega Luck. The PRC tax clearance in relation to transfer of shares of Huafeng has not yet been finalised up to the date of approval of the consolidated financial statements. However, in the opinion of the directors of the Company, the relevant tax exposure is insignificant to the Group's consolidated financial statements.

16. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	4,946	79
Work-in-progress	5,026	–
Finished goods	1,866	–
	11,838	79

17. TRADE AND BILLS RECEIVABLES

	Note	2021 HK$'000	2020 HK$'000
Trade receivables from third parties	17(a)	38,359	120,720
Less: Loss allowance	34	(7,718)	(27,712)
	17(a)	30,641	93,008
Bills receivables	17(b)	271	–
		30,912	93,008

17(a) Trade receivables

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

	2021 HK$'000	2020 HK$'000
Less than 1 month	11,494	3,626
1 to 2 months	3,462	911
2 to 3 months	4,830	678
Over 3 months	18,573	115,505
	38,359	120,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

17. TRADE AND BILL RECEIVABLES (continued)

17(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:

	2021 HK$'000	2020 HK$'000
Not past due	**18,793**	5,316
Less than 1 month past due	**2,946**	1,109
1 to 2 months past due	**797**	516
2 to 3 months past due	**299**	59
Over 3 months past due	**7,806**	86,008
	30,641	93,008

Information about the Group's exposure to credit risks and loss allowance on trade receivables is included in Note 34 to the consolidated financial statements.

17(b) Bills receivables

At 31 March 2021, all bill receivables are interest-free and guaranteed by banks in the PRC and have maturities of less than six months. The bills receivables have been subsequently settled in April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	2021 HK$'000	2020 HK$'000
Deposits and other receivables		**21,767**	15,995
Less: Loss allowance	18(a)	**(13,543)**	(10,821)
		8,224	5,174
Guaranteed profit compensation receivable	28	**4,278**	–
Prepayments		**3,593**	2,461
Security deposit paid in respect of an injunction order	18(b)	**6,783**	–
Value-added tax recoverable		**3,071**	573
Other prepaid expenses		**1,424**	–
		19,149	3,034
		27,373	8,208

18(a) Loss allowance

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

	2021 HK$'000	2020 HK$'000
At the beginning of the reporting period	**10,821**	11,607
Additions	**1,780**	–
Exchange realignment	**942**	(786)
At the end of the reporting period	**13,543**	10,821

Information about the Group's exposure to credit risks and loss allowance on deposits and other receivables is included in Note 34 to the consolidated financial statements.

18(b) Security deposit paid in respect of an injunction order

The amount is related to the litigation as detailed in Note 37(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

19. CASH AND CASH EQUIVALENTS

	2021 **HK$'000**	2020 HK$'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**30,333**	30,649

Bank balances in total of approximately HK$30,113,000 *(2020: HK$29,534,000)* carry interest at floating rates based on daily bank deposit rates.

At 31 March 2021, bank balances that were placed with banks in the PRC amounted to approximately HK$2,728,000 *(2020: HK$16,513,000)*. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

At 31 March 2021, bank balances of approximately HK$2,684,000 *(2020: 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 37(b) to the consolidated financial statements.

20. DISCONTINUED OPERATION

Vessel chartering business

On 25 January 2021, the Group entered into conditional memorandum of agreements (the "MOAs") with two respective buyers, pursuant to which, among others, the Group agreed to sell the vessel named Pacific Energy 28 (the "Vessel I") and Pacific Energy 138 (the "Vessel II") and each buyer agreed to acquire the Vessel I and the Vessel II for cash consideration of SGD4,020,000 (equivalent to approximately HK$23,232,000) and SGD4,760,000 (equivalent to approximately HK$27,508,000), respectively (the "Disposals") and the respective balance of security deposits held by the Group under the existing charterparty in respect of the Vessel I and the Vessel II would be transferred from the Group to the respective buyers.

The vessel chartering business will be ceased to carry on upon the completion of the Disposals. Accordingly, the Group's vessel chartering business was classified as a discontinued operation (the "Discontinued Operation"). The Disposals were completed on 24 May 2021.

The fair value less cost to sell of the Vessel I and the Vessel II are less than their net carrying amounts, therefore, an impairment loss of approximately HK$32,295,000 was charged to profit or loss during the year ended 31 March 2021.

The fair value of the Vessel I and the Vessel II are categorised into the Level 2 of the fair value hierarchy as defined in HKFRS 13 "*Fair Value Measurement*". The valuation was arrived at by adopting the direct comparison method based on price information of comparable vessels and adjusted to reflect the physical condition of the subject vessels.

The results of the Discontinued Operation have been presented separately in the consolidated statement of profit or loss. Comparative figures have been restated to reflect the Discontinued Operation in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

20. DISCONTINUED OPERATION (continued)

Vessel chartering business (continued)

The results of the Discontinued Operation for the years ended 31 March 2021 and 2020 are analysed as follows:

	Note	**2021** **HK$'000**	2020 HK$'000
Revenue		**21,219**	20,403
Other income	7	**722**	–
Administrative expenses		**(19,583)**	(16,905)
Impairment loss on property, plant and equipment	12(b)	**(32,295)**	–
(Loss) Profit before taxation	8	**(29,937)**	3,498
Income tax credit (expense)	9	**457**	(439)
(Loss) Profit for the year		**(29,480)**	3,059

The Vessel I and the Vessel II and relevant security deposits of approximately HK$1,959,000 have been reclassified as assets classified as held for sale and liabilities associated with assets classified as held for sale, respectively, and are presented separately in the consolidated statement of financial position. The analysis is as follows:

	2021 **HK$'000**
Assets classified as held for sale	
Property, plant and equipment	**50,740**
Liabilities associated with assets classified as held for sale	
Security deposits	**1,959**

The cash flow information of the Discontinued Operation is as follows:

	2021 **HK$'000**	2020 HK$'000
Net cash (used in) from operating activities	**(6,886)**	17,249
Net cash used in investing activities	**–**	(10,602)
Net cash from (used in) financing activities	**9,825**	(7,444)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

20. DISCONTINUED OPERATION (continued)

Vessel chartering business (continued)

The (loss) profit per share information of the Discontinued Operation is as follows:

	2021	2020
(Loss) Profit per share for the Discontinued Operation		
Basic (Hong Kong cents)	**(4.57)**	0.53
Diluted (Hong Kong cents)	**(4.57)**	0.53

The basic and diluted loss per share for the Discontinued Operation are calculated by dividing the loss for the year of the Discontinued Operation by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted loss per share computation respectively. The denominators used are the same as those detailed in Note 11 to the consolidated financial statements.

21. TRADE PAYABLES

	2021 **HK$'000**	2020 HK$'000
Trade payables to third parties	**17,754**	5,873

The trade payables are non-interest bearing and the Group is normally granted with a credit term ranging from 30 to 90 days *(2020: 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:

	2021 **HK$'000**	2020 HK$'000
Less than 1 month	**2,968**	2,939
1 to 2 months	**5,138**	1,085
2 to 3 months	**3,494**	381
Over 3 months	**6,154**	1,468
	17,754	5,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

22. OTHER PAYABLES AND ACCRUALS

	Note	2021 HK$'000	2020 HK$'000
Salaries and welfare payables		**9,230**	709
Contract liabilities	22(a)	**326**	1,016
Rental deposits received		**427**	–
Payables for additions to property, plant and equipment		–	10,141
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
Amount due to a related company	22(b)	–	2,549
Other tax payable		**2,317**	–
Loan interest payables		**1,982**	–
Others		**9,919**	9,312
		24,201	35,915

22(a) Contract liabilities

At 31 March 2021, contract liabilities comprised of approximately HK$13,000 *(2020: approximately HK$1,106,000)* and HK$313,000 *(2020: Nil)* of deposits received from customers on sale of printed circuit boards and printing and packaging products, respectively.

Included in the contract liabilities at 1 April 2020, approximately HK$1,016,000 *(2020: approximately HK$705,000)* was recognised as revenue during the year ended 31 March 2021.

The Group expects the transaction price of approximately HK$326,000 allocated to the unsatisfied performance obligations will be recognised as revenue within one year or less.

22(b) Amount due to a related company

The amount due was non-trade in nature, unsecured, interest free and repayable on demand. The related company is controlled by a director of the Company. The amount has been fully settled in July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

23. INTEREST-BEARING BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured		
Bank revolving loan (Note a)	37,026	–
Other borrowings (Note b)	8,534	–
	45,560	–
Unsecured		
Shareholder's loan (Note c)	40,000	–
	85,560	–
Denominated in:		
HK$	77,026	–
RMB	8,534	–
	85,560	–
Analysed for reporting purpose:		
Non-current	8,534	–
Current	77,026	–
	85,560	–

Notes:

(a) The revolving bank loan bears floating interest rate at 1-month Hong Kong Inter-bank Offered Rate plus 3.5% per annum, matured on 30 April 2021 and subsequently renewed, and is secured by:

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

(ii) unlimited personal guarantees given by a then substantial 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$8,534,000 bear fixed interest of 10% per annum, are repayable after 2 years from 10 April 2020 and secured by the property, plant and equipment of the Group located in the PRC with aggregate net carrying amounts of approximately HK$21,909,000.

(c) The shareholder's loan of HK$40,000,000 bears fixed interest rate of 5% per annum, is unsecured and repayable on demand. The amount was fully settled in May 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

24. CONVERTIBLE BONDS

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

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

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

Details of the placing of the convertible bonds, including the 2016 Placing Agreement, Supplemental Placing Agreement, conditions precedent, revised use of proceeds, change in shareholdings structure of the Company and effect of full conversion of the convertible bonds have been disclosed in the Company's announcements dated 24 January 2017 and 26 May 2017.

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

Upon issuance, the holder of the convertible bonds at any time up till 21 September 2020, could convert the convertible bonds into the Company's shares at HK$0.36 per share, subject to adjustments (i.e., the conversion option). The Company has the right to redeem the convertible bonds in whole or in part at any time before the maturity date at its face value (i.e., the call option). Both the conversion option and call option are classified as derivative financial instruments and stated at fair value. The excess of proceeds over the derivative financial instruments is recognised as the liability component. The fair values of the derivative financial instruments at 31 March 2020 were determined with reference to a valuation conducted by an independent professional valuer.

The convertible bonds were matured on 21 September 2020 and fully redeemed during the year ended 31 March 2021.

The fair values of the derivative financial instruments at 31 March 2020 were valued using the Binomial Option Pricing Model, with the following key inputs:

Stock price	HK$0.120
Exercise price	HK$0.360
Volatility	102.94%
Option life	5 months
Risk-free interest rate	0.62%
Discount rate	23.45%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

24. CONVERTIBLE BONDS (continued)

The movement of the convertible bonds is as follows:

Derivative components, classified as net financial liabilities at FVPL

	Conversion option HK$'000	Call option HK$'000	Total HK$'000
At 1 April 2019	14,695	(13,052)	1,643
Fair value changes	(13,627)	12,085	(1,542)
At 31 March 2020 and at 1 April 2020	**1,068**	**(967)**	**101**
Fair value changes	**(1,068)**	**967**	**(101)**
At 31 March 2021	–	–	–

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 at 1 April 2020	**78,360**
Effective interest expenses	**4,480**
Interest paid	**(2,840)**
Redemption of convertible bonds	**(80,000)**
At 31 March 2021	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

25. LEASES

As leases

	2021 HK$'000	2020 HK$'000
Right-of-use assets (Note 12)		
Leased properties	**26,185**	3,440
Office equipment	**–**	61
	26,185	3,501

	2021 HK$'000	2020 HK$'000
Lease liabilities		
Current	**4,303**	1,751
Non-current	**302**	1,751
	4,605	3,502

The present value of lease liabilities is summarised as below:

	Lease payments		**Present value of lease payments**	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
Amount payable:				
Within one year	**4,527**	1,879	**4,303**	1,751
More than one year, but not exceeding two years	**305**	1,794	**302**	1,751
	4,832	3,673	**4,605**	3,502
Less: future finance charges	**(227)**	(171)		
Total lease liabilities	**4,605**	3,502		

The depreciation of the leased properties and office equipment charged to profit or loss during the year ended 31 March 2021 amounted to approximately HK$2,859,000 and HK$65,000, respectively *(2020: HK$1,351,000 and HK$126,000, respectively)*.

The operating lease expenses on short-term leases recognised in profit or loss during the year ended 31 March 2021 amounted to approximately HK$412,000 *(2020: HK$1,519,000)*.

The total cash outflow for leases for the year ended 31 March 2021 was approximately HK$1,697,000 *(2020: HK$2,971,000)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

25. LEASES (continued)

As lessor

Operating lease

The Group sub-leases certain of its right-of-use assets to independent third parties under operating leases, which had an initial non-cancellable lease term of 5 years. The sub-leases do not include purchase or termination options.

Rental income is included in other income *(Note 7)* and do not contain any variable lease payments. The risks associated with rights that the Group retains to underlying assets are not considered significant, however, the Group employs strategies to further minimise these risks by ensuring all sub-lease contracts include clauses requiring the leases to compensate the Group when a leased property has been subject to excess wear-and-tear during the lease term.

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

	2021	2020
	HK$'000	HK$'000
Within one year	**1,854**	–

26. DEFERRED TAXATION

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

	Assets	**Liabilities**	
	Tax losses	**Depreciation allowance**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
At 1 April 2019	–	170	170
Charge to profit or loss (Note 9)	–	91	91
Exchange realignment	–	(14)	(14)
At 31 March 2020 and 1 April 2020	**–**	**247**	**247**
Acquisition of subsidiaries (Note 28)	**(219)**	**253**	**34**
Credit to profit or loss (Note 9)	**(207)**	**(284)**	**(491)**
Exchange realignment	**(7)**	**–**	**(7)**
At 31 March 2021	**(433)**	**216**	**(217)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

26. DEFERRED TAXATION (continued)

Unrecognised deferred tax assets arising from

	2021 **HK$'000**	2020 HK$'000
Tax losses arising in Hong Kong	**211,042**	202,751
Tax losses arising in the PRC	**88,466**	117,383
Tax losses arising in Singapore	**25,319**	23,809
	324,827	343,943

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.

27. SHARE CAPITAL

	2021		2020	
	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	**576,243,785**	**57,624**	576,243,785	57,624
Issue of new shares upon the Placings	**230,400,000**	**23,040**	–	–
At the end of the reporting period	**806,643,785**	**80,664**	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 I"). The Placing I 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 under "Share premium".

On 19 February 2021, 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$0.114 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 II"). The Placing II was completed on 16 March 2021, and net proceeds of approximately HK$12,720,000 after deducting direct cost of approximately HK$412,000 were credited to the Company's equity under "Share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

28. 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 and its subsidiaries (collectively refer to the "Printing Group") at an aggregate consideration of HK$35,000,000 and the Guarantor agreed to guarantee the performance of the obligations of the Vendor under the Agreement (the "Acquisition"), which enable the Group to further development and expansion of the Group's business and mitigate the risks arising from the external environment through 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$35,000,000 was lowered to HK$30,000,000. The consideration of the Acquisition would be settled in the following manners:

(a) HK$12,000,000 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$18,000,000 would be settled by issue of a promissory note to the Vendor.

Pursuant to the Agreement and the Supplemental Agreement, the Vendor irrevocably and unconditionally guarantees to the Group 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$5,000,000 (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 ended 31 March 2021 not less than HK$7,000,000 (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 the Group 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, the Guarantor and 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 7.39% equity interest in the Company after completion of the Placing I and Placing II. 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 and the Printing Group has become wholly-owned subsidiaries of the Group since then.

Details of the Acquisition are 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, 21 July 2020 and 12 August 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

28. ACQUISITION OF SUBSIDIARIES (continued)

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

	HK$'000
Consideration paid/payable, satisfied by:	
Cash	12,000
Promissory note (Note 29)	13,488
Total consideration, at fair value	25,488
Less: Contingent consideration receivable	(967)
Net consideration, at fair value	24,521

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK$'000
Non-current assets	
Property, plant and equipment	35,411
Intangible assets	1,232
Deferred tax assets	219
Current assets	
Inventories	5,913
Trade and other receivables	7,299
Amount due from a shareholder	12,031
Cash and cash equivalents	14,773
Current liabilities	
Trade and other payables	(13,243)
Interest-bearing borrowings	(37,026)
Lease liabilities	(165)
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

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

28. ACQUISITION OF SUBSIDIARIES (continued)

The transaction costs of approximately HK$2,552,000 were included in administrative expenses in the consolidated statement of profit or loss for the year ended 31 March 2021.

The 2020 Guaranteed Profit has been fulfilled. The contingent consideration receivable is measured at fair value on initial recognition 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 initial 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 were approximately HK$967,000. According to the audited consolidated financial statements of the Printing Group for the year ended 31 March 2021, the audited consolidated net profit (as defined in the Agreement) was approximately HK$2,722,000 and lower than the 2021 Guaranteed Profit by approximately HK$4,278,000 which shall be compensated to the Group by the Vendor and was recognised as guaranteed profit compensation receivable in Note 18 to the consolidated financial statements. Accordingly, a change in fair value of approximately HK$3,311,000 was credited to profit or loss during the year ended 31 March 2021.

The Group recognised a gain on bargain purchase of approximately HK$1,197,000 arising from the Acquisition in the consolidated statement of profit or loss for the year ended 31 March 2021. In the opinion of the directors of the Company, 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 and amount due from a shareholder with fair value of approximately HK$14,677,000. 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 and amount due from a shareholder, respectively.

The directors of the Company 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 31 March 2021, the Printing Group has contributed revenue of approximately HK$36,069,000 and contributed a profit of approximately HK$3,555,000 to the Group.

If the business combinations effected during the year ended 31 March 2021 had been taken place at 1 April 2020, the revenue and loss of the Group would have been approximately HK$100,652,000 and approximately HK$62,926,000, respectively.

29. 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 28 to the 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 an independent professional valuer. 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 20.10% per annum.

During the year ended 31 March 2021, the Group has exercised its right to early redeem the promissory note in full. Accordingly, settlement loss of approximately HK$4,512,000 was charged to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

30. 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.

(d) FVOCI reserve

FVOCI reserve comprises the accumulated gains and losses arising on the change in fair value of other long-term investments that have been recognised in other comprehensive income, net of the amounts reclassified to profit or loss when those financial assets are disposed of or are determined to be impaired (if any).

(e) Share option reserve

The share option reserve comprises the fair value of share-based payment transactions as set out in Note 31 to the consolidated financial statements and is dealt with in accordance with the accounting policy as set out in Note 2 to the consolidated financial statements.

31. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

31. SHARE-BASED PAYMENTS (continued)

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 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.

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.

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.

During the year ended 31 March 2021, 4,800,000 share options were forfeited and 33,600,000 share options were lapsed. There were no outstanding share options at 31 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

31. SHARE-BASED PAYMENTS (continued)

The following table discloses movements of the Company's share options during the year ended 31 March 2021:

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 forfeited/ lapsed during the year	Number of share options at 31 March 2021
DIRECTORS						
Ms. Cheung Lai Ming	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				14,400,000	(14,400,000)	–
OTHER GRANTEES	0.222	6 August 2019	6 August 2019 to 1 August 2020	24,000,000	(24,000,000)	–
Total				38,400,000	(38,400,000)	–
Exercisable at the end of the year						–
Weighted average exercise price						N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

31. SHARE-BASED PAYMENTS (continued)

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 the 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 2021

31. 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 Roma 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.

During the year ended 31 March 2021, 4,800,000 share options granted were forfeited after vesting period and 33,600,000 share options were lapsed, the share option reserve of approximately HK$1,577,000 has been transferred to accumulated losses within equity.

32. 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 2021, the Group recognised right-of-use assets by incurring lease liabilities of approximately HK$1,809,000 *(2020: HK$4,628,000)*.

(ii) During the year ended 31 March 2021, a promissory note in principal amount of HK$18,000,000 (Note 29) was issued by the Company as part of consideration of the Acquisition as detailed in Note 28 to the consolidated financial statements.

(iii) 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 2020 upon adoption of HKFRS 16.

(iv) 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.

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

32. 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 2021

	Interest bearing borrowings HK$'000	Lease liabilities HK$'000	Promissory note HK$'000	Derivative financial instruments HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 April 2020	–	3,502	–	101	78,360	81,963
Fair value gain on derivative financial instruments	–	–	–	(101)	–	(101)
Loss on early redemption of a promissory note	–	–	4,512	–	–	4,512
Finance costs	2,942	233	–	–	4,480	7,655
Additions	–	1,809	–	–	–	1,809
Acquisition of subsidiaries (Note 28)	37,026	368	13,488	–	–	50,882
Exchange realignment	–	(22)	–	–	–	(22)
Cash inflow (outflow) in financing activities:						
New other loans raised	48,534	–	–	–	–	48,534
Redemption of a promissory note	–	–	(18,000)	–	–	(18,000)
Repayment of lease liabilities	–	(1,193)	–	–	–	(1,193)
Redemption of convertible bonds	–	–	–	–	(80,000)	(80,000)
Interest paid	(2,942)	(92)	–	–	(2,840)	(5,874)
At 31 March 2021	85,560	4,605	–	–	–	90,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

32. OTHER CASH FLOW INFORMATION (continued)

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

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

33. SIGNIFICANT RELATED PARTY/CONNECTED TRANSACTIONS

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

	2021 HK$'000	2020 HK$'000
(a) Related party transactions		
Discontinued operation		
Vessel chartering income (Note)	–	7,670

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

33. SIGNIFICANT RELATED PARTY/CONNECTED TRANSACTIONS (continued)

(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:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits-in-kind	4,522	4,269
Share-based payment expenses	–	973
Contribution to defined contribution plans	93	115
	4,615	5,357

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

(c) Connected transaction

During the year ended 31 March 2021, the Group completed the acquisition of the Printing Group from the Vendor which is wholly-owned by Mr. Ng, a then substantial shareholder of the Company at the date of the Acquisition. Details of which are set out in Note 28 to the consolidated financial statements.

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

34. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise other long-term investments, 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$'000	Designated FVOCI HK$'000	Total HK$'000
At 31 March 2021			
Assets as per consolidated statement of financial position			
Trade and bills receivables	30,912	–	30,912
Other long-term investments	–	20,158	20,158
Financial assets included in other receivables, deposits and prepayments	19,285	–	19,285
Cash and cash equivalents	30,333	–	30,333
Total	80,530	20,158	100,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

34. FINANCIAL RISK MANAGEMENT (continued)

	Financial liabilities at amortised costs HK$'000
Liabilities as per consolidated statement of financial position	
Trade payables	**17,754**
Financial liabilities included in other payables and accruals	**14,489**
Lease liabilities	**4,605**
Interest-bearing borrowings	**85,560**
Total	**122,408**

	Financial assets at amortised cost HK$'000
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

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk and equity price risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

34. 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 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 HK$'000**	**Increase (Decrease) in equity* HK$'000**
At 31 March 2021			
If HK$ weakens against RMB	**1.0**	**903**	**–**
If HK$ strengthens against RMB	**(5.0)**	**(4,517)**	**–**

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

* 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 2021

34. 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 23% *(2020: 78%)* and 53% *(2020: 95%)* 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 2021 and 2020.

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix at 31 March 2021 and 2020 is summarised below.

At 31 March 2021

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Not past due	**0.00**	**18,793**	**–**
Less than 1 month past due	**0.00**	**2,946**	**–**
1 to 2 months past due	**0.00**	**797**	**–**
2 to 3 months past due	**0.00**	**299**	**–**
More than 3 months past due	**49.72**	**15,524**	**7,718**
		38,359	**7,718**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

34. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables (continued)

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

The Group does not hold any collateral over trade receivables at 31 March 2021 and 2020.

At 31 March 2021 and 2020, 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 US$12,426,000 (equivalent to HK$96,344,000) at 31 March 2020. An impairment loss of approximately US$2,998,000 (equivalent to HK$23,248,000) was made in respect of the trade receivable from this debtor and the remaining balance of US$9,428,000 (equivalent to HK$73,096,000) was subsequently settled in July 2020. At 31 March 2021, the management had written off the impairment loss of approximately US$2,998,000 (equivalent to HK$23,309,000).

At the end of the reporting period, the Group recognised loss allowance of approximately HK$3,616,000 *(2020: HK$27,712,000)* on the trade receivables. The movement in the loss allowance for trade receivables during the year is summarised below:

	2021 HK$'000	2020 HK$'000
At the beginning of the reporting period	**27,712**	5,642
Acquisition of subsidiaries (Note 28)	**48**	–
Change in allowance, net	**2,859**	22,504
Amount written off as uncollectible	**(23,309)**	–
Exchange realignment	**408**	(434)
At the end of the reporting period	**7,718**	27,712

During the year ended 31 March 2021, the significant changes in loss allowance on trade receivables were due to the decrease in gross balance of trade receivables.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

34. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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 debtors determined to be credit impaired as disclosed below, there was no change in the estimation techniques or significant assumptions made during the years ended 31 March 2021 and 2020.

At 31 March 2021, the Group recognised an impairment loss on other receivables of approximately HK$1,780,000 *(2020: 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 ended 31 March 2021.

Cash and cash equivalents

The credit risk on cash and cash equivalent is limited because the counterparties are banks and other financial institution with high credit ratings assigned by international credit-rating agencies.

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
At 31 March 2021			
Trade payables	17,754	–	17,754
Financial liabilities included in other payables and accruals	14,489	–	14,489
Interest-bearing borrowings	77,026	9,387	86,413
Lease liabilities	4,527	305	4,832
	113,796	9,692	123,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

34. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	Total HK$'000
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

The amounts repayable under a loan agreement that includes a clause that gives the lender the unconditional right to call the loan at any time are classified under the "on demand" bracket. In this regard, interest-bearing borrowings of approximately HK$77,026,000 *(2020: Nil)* as at the end of the reporting period have been so classified even though the director do not expect that the lenders would exercise their rights to demand repayment and thus these borrowings would be repaid according to the following schedule as set out in the loan agreement:

	2021 HK$	2020 HK$
Interest-bearing borrowings		
Within 1 year	**77,026**	–

Equity price risk

The Group is exposed to price risks arising from equity investments held under other long-term investments amounted to approximately HK$20,158,000 *(2020: Nil)*. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The sensitivity analysis has been determined based on the exposure to equity price risk.

At the end of the reporting period, if the equity price to the valuation model had been 5% *(2020: Nil)* higher/lower while all other variables were held constant, the Group's FVOCI reserve would be increased/decreased by approximately HK$1,008,000 *(2020: Nil)* as a result of changes in fair value of other long-term investments.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock price had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant stock price, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock price over the period until the next annual end of the reporting period.

In the opinion of the Group's management, the sensitivity analysis is unrepresentative of the inherent equity price risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

34. 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 at the end of the reporting period were as follows:

	2021 **HK$'000**	2020 HK$'000
Interest-bearing borrowings	**85,560**	–
Lease liabilities	**4,605**	3,502
Liability component of convertible bonds	**–**	78,360
	90,165	81,862
Equity attributable to owners of the Company	**95,122**	133,086
Gearing ratio	**95%**	62%

35. 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 at 31 March 2021 and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

35. FAIR VALUE MEASUREMENTS (continued)

Financial assets/liabilities measured at fair value

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets measured at fair value				
Other long-term investments	**20,158**	**–**	**–**	**20,158**

	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

During the years ended 31 March 2021 and 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 of the Company, no financial assets and liabilities of the Group are carried at amount materially different from their fair values at 31 March 2021 and 2020.

The details of the movements of the recurring fair value measurements categorised as Level 1 and Level 3 of the fair value hierarchy are as follows:

Financial assets	**Other long-term investments HK$'000**
At 1 April 2019, 31 March 2020 and 1 April 2020	–
Additions	29,940
Change in fair value recognised in other comprehensive loss during the year	(9,782)
At 31 March 2021	**20,158**
Change in unrealised loss for the year included in other comprehensive loss at 31 March 2021	**(9,782)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

35. FAIR VALUE MEASUREMENTS (continued)

Financial assets/liabilities measured at fair value (continued)

Financial liabilities	**Derivative financial instruments HK$'000**
At 1 April 2019	1,643
Changes in fair value recognised in profit or loss during the year	(1,542)
At 31 March 2020 and 1 April 2020	101
Change in fair value recognised in profit or loss during the year	(101)
At 31 March 2021	**–**
Change in realised gain for the year included in profit or loss for the net liabilities held at 31 March 2021	**101**

The description of sensitivity of changes in unobservable input for recurring Level 1 and Level 3 fair value measurement is as follows:

Asset/Liability	**Fair value hierarchy**	**Valuation technique**	**Unobservable input**	**Relationship of unobservable inputs to fair value**
Other long-term investments	Level 1	Quoted bid prices in an active market	N/A	N/A
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 Notes 14 and 24 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

36. COMMITMENTS

(a) Capital commitments

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

	2021 **HK$'000**	2020 HK$'000
Contracted but not provided for, net of deposits paid in respect of acquisition of subsidiaries (Note 28)	–	23,000

(b) Operating leases commitments

As Lessee

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

	2021 **HK$'000**	2020 HK$'000
Within one year	–	180

At 31 March 2020, the balance only represented commitment for short-term leases and leases of low-value assets.

37. LITIGATIONS

(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 2021

37. LITIGATIONS (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) 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 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.

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 the Court 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.

In November 2020, DML has paid the amount of approximately HK$6,783,000 into the Court. The injunction order was discharged against DML by order of the Court dated 14 December 2020 and therefore the bank balances held by DML were released from restriction of use.

At 31 March 2021, Pacific Dragon has the bank balances of approximately HK$2,684,000 which are restricted to use.

In April 2021, Pacific Dragon has paid the amount of approximately HK$3,446,000 into the Court. The injunction order was discharged against Pacific Dragon by order of the Court dated 18 May 2021 and therefore the bank balances held by Pacific Dragon were released from restriction of use.

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 potential cost to be incurred for the case, the directors of the Company are considering all possible alternative solutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

37 LITIGATIONS (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.

(d) Litigation with the Landlord

On 9 June 2021, the Landlord lodged a statement of claim to the District Court against DML claiming an amount of approximately HK$1,585,000 together with interest on the outstanding rent, service charges and rates for the period from 1 April 2020 to 15 July 2020 and the loss and damages suffered by the Landlord arising as a result of DML's breaching of the lease agreement entered into between DML and the Landlord on 23 April 2019 on the Said Premises (the "Said Lease").

At 31 March 2021, lease liabilities of approximately HK$2,904,000 for the remaining lease term of the Said Lease were included and recognised in the Group's consolidated statement of financial position. With reference to the opinion of the Group's lawyer, the directors of the Company are of view that no further provision is needed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2021

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Interest in subsidiaries		–	–
Current assets			
Amounts due from subsidiaries		**130,690**	203,349
Prepayments		**852**	604
Cash and cash equivalents		**5,180**	1,139
		136,722	205,092
Current liabilities			
Other payables and accruals		**1,753**	2,547
Interest-bearing borrowings		**40,000**	–
Derivative financial instruments		–	101
Convertible bonds		–	78,360
		41,753	81,008
Net current assets		**94,969**	124,084
Total assets less current liabilities		**94,969**	124,084
NET ASSETS		**94,969**	124,084
Capital and reserves			
Share capital	27	**80,664**	57,624
Reserves	38(a)	**14,305**	66,460
TOTAL EQUITY		**94,969**	124,084

This statement of financial position was approved and authorised for issue by the Board of Directors on 25 June 2021 and signed on its behalf by

Lee Man Kwong	**Wong Siu Hung, Patrick**
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)
38(a) Movement of the reserves

	Share premium HK$'000 (Note 30(a))	Contributed surplus HK$'000 (Note 30(b))	Share option reserve HK$'000 (Note 31)	Accumulated losses HK$'000	Total HK$'000
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
At 1 April 2020	**128,492**	**38,295**	**1,577**	**(101,904)**	**66,460**
Loss and total comprehensive loss for the year	–	–	–	**(59,431)**	**(59,431)**
Transactions with owners					
Contributions and distributions					
Shares issued upon placings (Note 27)	**8,294**	–	–	–	**8,294**
Transaction costs attributable to shares issued upon placings (Note 27)	**(1,018)**	–	–	–	**(1,018)**
Forfeit of share options after vesting period/lapse of share options (Note 31)	–	–	**(1,577)**	**1,577**	–
Total transactions with owners	**7,276**	–	**(1,577)**	**1,577**	**7,276**
At 31 March 2021	**135,768**	**38,295**	–	**(159,758)**	**14,305**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2021

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

38(a) Movement of the reserves (continued)

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 30(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 2021 *(2020: Nil)*.

39. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2021, save as disclosed elsewhere in the consolidated financial statements, the Group has no any significant subsequent events.