



DAISHO MICROLINE HOLDINGS LIMITED

大昌微綫集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 0567

2022/2023 Interim Report



UNAUDITED INTERIM RESULTS

The board (the "Board") of Directors (the "Directors") of Daisho Microline Holdings Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2022 together with the comparative figures for the corresponding period in 2021 as follows. The interim results have not been audited by the external auditors but they have been reviewed by the Audit Committee of the Company.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		(Unaudited)	
		Six months ended	
		30 September	
		2022	2021
	Note	HK\$'000	HK\$'000
Continuing operations			
Revenue	3	46,756	49,911
Cost of sales		<u>(37,545)</u>	<u>(49,082)</u>
Gross profit		9,211	829
Other income	4	2,022	2,769
Selling and distribution expenses		(1,977)	(2,141)
Administrative expenses		(13,607)	(16,200)
Other operating expenses		(35)	(997)
Loss on de-consolidation of subsidiaries	16	(15,309)	–
(Provision for) Reversal of impairment loss on trade receivables, net		(292)	1,923
Finance costs	5	<u>(232)</u>	<u>(1,561)</u>
Loss before taxation from continuing operations	5	(20,219)	(15,378)
Income tax credit	6	<u>29</u>	<u>42</u>
Loss for the period from continuing operations		(20,190)	(15,336)
Discontinued operation			
Loss for the period from discontinued operation		<u>–</u>	<u>(1,537)</u>
Loss for the period		<u>(20,190)</u>	<u>(16,873)</u>
From continuing and discontinued operations			
Loss per share			
Basic and diluted (Hong Kong cents)	8	<u>(1.24)</u>	<u>(2.09)</u>
From continuing operations			
Loss per share			
Basic and diluted (Hong Kong cents)	8	<u>(1.24)</u>	<u>(1.90)</u>

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

		(Unaudited)	
		Six months ended	
		30 September	
		2022	2021
	Note	HK\$'000	HK\$'000
Loss for the period		<u>(20,190)</u>	<u>(16,873)</u>
Other comprehensive income (loss):			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of other long-term investments	10	3,969	(3,814)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of functional currency to presentation currency		<u>(3,011)</u>	<u>1,513</u>
Total other comprehensive income (loss) for the period		<u>958</u>	<u>(2,301)</u>
Total comprehensive loss for the period		<u><u>(19,232)</u></u>	<u><u>(19,174)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	9	30,279	43,660
Intangible assets		565	719
Other long-term investments	10	–	5,721
Other receivables	12	19,844	–
Deferred tax assets		418	443
		<u>51,106</u>	<u>50,543</u>
Current assets			
Inventories		7,962	10,209
Trade receivables	11	28,470	29,810
Other receivables, deposits and prepayments	12	21,639	29,999
Tax recoverable		35	35
Cash and cash equivalents		44,404	55,012
		<u>102,510</u>	<u>125,065</u>
Current liabilities			
Trade payables	13	23,868	14,821
Other payables and accruals		14,522	18,137
Interest-bearing borrowings	14	–	8,880
Lease liabilities		578	302
Tax payable		661	661
		<u>39,629</u>	<u>42,801</u>
Net current assets		<u>62,881</u>	<u>82,264</u>
Total assets less current liabilities		<u>113,987</u>	<u>132,807</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
	Note		
Non-current liabilities			
Lease liabilities		441	–
Deferred tax liabilities		<u>117</u>	<u>146</u>
		<u>558</u>	<u>146</u>
NET ASSETS		<u><u>113,429</u></u>	<u><u>132,661</u></u>
Capital and reserves			
Share capital	15	161,328	161,328
Reserves		<u>(47,899)</u>	<u>(28,667)</u>
TOTAL EQUITY		<u><u>113,429</u></u>	<u><u>132,661</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves								
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange translation reserve HK\$'000	FVOCI reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Total HK\$'000
At 1 April 2022	161,328	134,154	9,379	88,757	(24,219)	-	(236,738)	(28,667)	132,661
Loss for the period	-	-	-	-	-	-	(20,190)	(20,190)	(20,190)
Other comprehensive income (loss)									
<i>Item that will not be reclassified to profit or loss:</i>									
Change in fair value of other long-term investments	-	-	-	-	3,969	-	-	3,969	3,969
Transfer to accumulated losses upon disposal of other long term investments (Note 10)	-	-	-	-	20,250	-	(20,250)	-	-
<i>Item that may be reclassified subsequently to profit or loss:</i>									
Exchange difference on translation of functional currency to presentation currency	-	-	-	(3,011)	-	-	-	(3,011)	(3,011)
Total other comprehensive income for the period	-	-	-	(3,011)	24,219	-	(20,250)	958	958
At 30 September 2022	<u>161,328</u>	<u>134,154</u>	<u>9,379</u>	<u>85,746</u>	<u>-</u>	<u>-</u>	<u>(277,178)</u>	<u>(47,899)</u>	<u>113,429</u>
At 1 April 2021	80,664	135,768	9,379	86,703	(9,782)	-	(207,610)	14,458	95,122
Loss for the period	-	-	-	-	-	-	(16,873)	(16,873)	(16,873)
Other comprehensive (loss) income									
<i>Item that will not be reclassified to profit or loss:</i>									
Change in fair value of other long-term investments	-	-	-	-	(3,814)	-	-	(3,814)	(3,814)
<i>Item that may be reclassified subsequently to profit or loss:</i>									
Exchange difference on translation of functional currency to presentation currency	-	-	-	1,513	-	-	-	1,513	1,513
Total other comprehensive loss for the period	-	-	-	1,513	(3,814)	-	(16,873)	(19,174)	(19,174)
At 30 September 2021	<u>80,664</u>	<u>135,768</u>	<u>9,379</u>	<u>88,216</u>	<u>(13,596)</u>	<u>-</u>	<u>(224,483)</u>	<u>(4,716)</u>	<u>75,948</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		(Unaudited)	
		Six months ended	
		30 September	
		2022	2021
	Note	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Loss before taxation			
– Continuing operations		(20,219)	(15,378)
– Discontinued operation		–	(1,537)
Adjustments for:			
Interest income		(25)	(6)
Depreciation		3,311	5,440
Amortisation of intangible assets		154	154
Loss on disposal of property, plant and equipment		35	476
Loss on de-consolidation of subsidiaries		15,309	–
Provision for (Reversal of) impairment loss on trade receivables, net		292	(1,923)
Finance costs		232	1,561
Operating cash flows before changes in working capital		(911)	(12,016)
Changes in working capital:			
Inventories		1,427	(7,107)
Trade and bills receivables		(9,989)	(2,095)
Other receivables, deposits and prepayments		(1,857)	(7,193)
Trade payables		10,203	7,177
Other payables and accruals		1,509	(3,794)
Cash from (used in) operations		382	(25,028)
Income tax paid		–	(1,078)
Interest received		25	6
Net cash from (used in) operating activities		407	(26,100)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		(Unaudited)	
		Six months ended	
		30 September	
		2022	2021
	Note	HK\$'000	HK\$'000
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment, including deposits paid		(230)	(1,257)
Proceeds from disposal of assets classified as held for sale		–	48,781
Proceeds from disposal of property, plant and equipment		–	206
Proceeds from disposal of other long-term investments	10	9,690	–
Cash outflow arising from de-consolidation of subsidiaries	16	(67)	–
Provision of loan	12	(19,844)	–
Repayment of guaranteed profit compensation receivable		–	4,278
Net cash (used in) from investing activities		<u>(10,451)</u>	<u>52,008</u>
FINANCING ACTIVITIES			
Repayment of bank loans		–	(40,000)
Repayment of lease liabilities		(260)	(734)
Interest paid		(231)	(794)
Net cash used in financing activities		<u>(491)</u>	<u>(41,528)</u>
Net decrease in cash and cash equivalents		(10,535)	(15,620)
Cash and cash equivalents at beginning of period		55,012	30,333
Effect of foreign exchange rate changes, net		(73)	987
Cash and cash equivalents at end of period, represented by bank balances and cash		<u>44,404</u>	<u>15,700</u>

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

The unaudited condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by HKICPA. They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2022 (the “Annual Financial Statements”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for other long-term investments, which are measured at fair value.

The accounting policies and methods of computation applied in the preparation of the unaudited condensed consolidated financial statements are the same as those adopted in preparing the Annual Financial Statements except for the adoption of the new/revised HKFRSs, HKASs and Interpretations as detailed in note 2 below (hereinafter collectively referred to as the “new/revised HKFRSs”) which are effective for current interim period.

2. ADOPTION OF NEW/REVISED HKFRSs

In the current interim period, the Group has adopted, for the first time, the following new/revised HKFRSs issued by the HKICPA which are effective for the current period:

Amendments to HKAS 16	<i>Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Annual Improvements to HKFRSs	<i>2018–2021 Cycle</i>

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

3. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are investment holdings, manufacturing and trading of printed circuit boards, trading of petroleum and energy products and related business, manufacturing and trading of printing and packaging products and vessel chartering (reclassified as a discontinued operation).

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Continuing operations		
Revenue from contracts with customers within HKFRS 15		
Manufacturing and trading of printed circuit boards	14,545	19,046
Manufacturing and trading of printing and packaging products	32,211	30,865
	46,756	49,911

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

- (i) Manufacturing and trading of printed circuit boards;
- (ii) Trading of petroleum and energy products and related business;
- (iii) Manufacturing and trading of printing and packaging products; and
- (iv) Vessel chartering which was reclassified as a discontinued operation.

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, loss on de-consolidation of subsidiaries and finance costs.

3. REVENUE AND SEGMENT INFORMATION (continued)

All assets are allocated to reportable segments other than unallocated assets which are mainly other long-term investments, cash and cash equivalents and other corporate assets. All liabilities are allocated to reportable segments other than interest-bearing borrowings and other corporate liabilities.

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

(A) By Business Segments
Six months ended 30 September 2022 (Unaudited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	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	
Segment revenue					
Major customer A	-	-	16,306	-	16,306
Major customer B	7,096	-	-	-	7,096
Major customer C (Note)	-	-	3,985	-	3,985
Other customers	7,449	-	11,920	-	19,369
	<u>14,545</u>	<u>-</u>	<u>32,211</u>	<u>-</u>	<u>46,756</u>
Segment results	<u>(273)</u>	<u>(60)</u>	<u>(765)</u>	<u>-</u>	<u>(1,098)</u>
Unallocated other income					1,153
Unallocated administrative expenses					(4,637)
Unallocated other operating expenses					(96)
Loss on de-consolidation of subsidiaries					(15,309)
Finance costs					(232)
Loss before taxation					(20,219)
Income tax credit					29
Loss for the period					<u>(20,190)</u>

3. REVENUE AND SEGMENT INFORMATION (continued)**(A) By Business Segments** (continued)

Six months ended 30 September 2021 (Unaudited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	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	
Segment revenue					
Major customer A	-	-	11,565	-	11,565
Major customer B	7,889	-	-	-	7,889
Major customer D	-	-	7,000	-	7,000
Other customers	11,157	-	12,300	2,780	26,237
	<u>19,046</u>	<u>-</u>	<u>30,865</u>	<u>2,780</u>	<u>52,691</u>
Segment results	<u>(2,768)</u>	<u>(121)</u>	<u>(3,500)</u>	<u>(1,537)</u>	<u>(7,926)</u>
Unallocated other income					807
Unallocated administrative expenses					(7,238)
Unallocated other operating expenses					(997)
Finance costs					<u>(1,561)</u>
Loss before taxation					(16,915)
Income tax credit					<u>42</u>
Loss for the period					<u><u>(16,873)</u></u>

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

Note: The customer contributed less than 10% of the total revenue of the Group for the six months ended 30 September 2021.

3. REVENUE AND SEGMENT INFORMATION (continued)**(A) By Business Segments** (continued)

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

As at 30 September 2022 (Unaudited)

	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	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	<u>25,772</u>	<u>3,488</u>	<u>85,720</u>	<u>38,636</u>	<u>153,616</u>
Segment liabilities	<u>16,907</u>	<u>290</u>	<u>20,840</u>	<u>2,150</u>	<u>40,187</u>

As at 31 March 2022 (Audited)

	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	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	<u>50,004</u>	<u>3,577</u>	<u>82,198</u>	<u>39,829</u>	<u>175,608</u>
Segment liabilities	<u>14,945</u>	<u>290</u>	<u>17,516</u>	<u>10,196</u>	<u>42,947</u>

3. REVENUE AND SEGMENT INFORMATION (continued)

(B) Geographical Information

(i) Revenue from external customers

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Continuing operations		
Hong Kong	28,580	27,152
North America	7,096	7,889
Europe	5,122	4,730
The People's Republic of China (the "PRC")	4,151	8,994
South Korea	1,686	788
Japan	121	215
Other countries	–	143
	46,756	49,911
Discontinued operation		
Singapore	–	2,780
	46,756	52,691

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

(ii) Non-current assets

	(Unaudited)	(Audited)
	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
The PRC	28,409	42,513
Hong Kong	2,435	1,840
Singapore	–	26
	30,844	44,379

The non-current assets information above is based on the locations of assets and excluded other receivables (classified under non-current assets), other long-term investments and deferred tax assets.

4. OTHER INCOME

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Continuing operations		
Bank interest income	25	6
Exchange gain, net	132	–
Factory rental income	1,065	874
Gain on disposal of scrap materials	248	376
Government subsidies (Note)	388	249
Write off of other payables	–	803
Others	164	461
	2,022	2,769
Discontinued operation		
Others	–	110
	2,022	2,879
	2,022	2,879

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

5. LOSS BEFORE TAXATION

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

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Finance costs		
Continuing operations		
Interest on bank borrowings	–	687
Interest on other loans	216	767
Finance charges on lease liabilities	16	107
	232	1,561
Other items		
Continuing operations		
Amortisation of intangible assets	154	154
Cost of inventories (Note)	37,545	49,082
Depreciation	3,311	5,440
Exchange (gain) loss, net	(132)	193
Loss on disposal of property, plant and equipment, net	35	476
Other rental and related expenses	219	198
Staff costs (including directors' emoluments)	14,441	17,775
	14,441	17,775
Discontinued operation		
Exchange loss, net	–	328
Staff costs (including directors' emoluments)	–	2,736
Voluntary termination benefits	–	96
	–	96

Note:

Cost of inventories includes approximately HK\$10,268,000 (six months ended 30 September 2021: approximately HK\$14,959,000) relating to aggregate amount of certain staff costs and depreciation which are included in the respective total amounts disclosed separately above.

6. INCOME TAX CREDIT

	(Unaudited)	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Current tax	–	–
Deferred tax		
Reversal of temporary difference	(29)	(42)
Total income tax credit for the period	<u>(29)</u>	<u>(42)</u>

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

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

Singapore corporate income tax has not been provided as the Group's entities in Singapore incurred a loss for taxation purposes during both periods.

7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2022 to the shareholders of the Company (*six months ended 30 September 2021: Nil*).

8. LOSS PER SHARE

(a) Basic loss per share

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

	(Unaudited) Six months ended 30 September	
	2022	2021
Loss attributable to owners of the Company (HK\$'000)	<u>(20,012)</u>	<u>(16,873)</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>1,613,287,570</u>	<u>806,643,785</u>
Basic loss per share (HK cents)	<u>(1.24)</u>	<u>(2.09)</u>

(b) Diluted loss per share

There were no potential dilutive ordinary shares in issue during the six months ended 30 September 2022 and 2021. The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2022 and 2021.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK\$22,000 (*six months ended 30 September 2021: approximately HK\$1,257,000*). During the six months ended 30 September 2022, the Group has disposed of /written off certain property, plant and equipment of approximately HK\$35,000 (*six months ended 30 September 2021: HK\$682,000*) and derecognised certain property, plant and equipment of approximately HK\$9,422,000 (*six months ended 30 September 2021: Nil*) upon de-consolidation of subsidiaries (Note 16).

10. OTHER LONG-TERM INVESTMENTS

	Listed equity securities HK\$'000
At 1 April 2021 (Audited)	20,158
Change in fair value recognised in other comprehensive loss	<u>(14,437)</u>
At 31 March 2022 and 1 April 2022 (Audited)	5,721
Change in fair value recognised in other comprehensive income	3,969
Disposal	<u>(9,690)</u>
At 30 September 2022 (Unaudited)	<u><u>–</u></u>

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 (“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 was determined on the basis of quoted market price available on the Stock Exchange at the end of reporting period.

During the period between 14 July 2022 and 25 July 2022, the Group completed a series of open market disposals of an aggregate of 7,524,000 Allocated Shares on the Stock Exchange, representing approximately 0.8333% of the entire issued share capital of Pine Care at the price range between HK\$0.48 and HK\$0.52 per share for an aggregate consideration of approximately HK\$3.8 million.

On 3 August 2022, the Group entered into an instrument of transfer for the disposal of 10,636,000 Allocated Shares to an independent third party at the consideration of approximately HK\$5.8 million, representing an average price of HK\$0.55 per share. Completion of which took place on the same day.

As a result of the above disposals, the Group recorded a gain on change in fair value of approximately HK\$3.9 million in other comprehensive income for the six months ended 30 September 2022, representing the difference between the aggregate consideration of approximately HK\$9.6 million and the fair value of the Allocated Shares of approximately HK\$5.7 million at 31 March 2022 and the cumulative loss in FVOCI reserve was transferred directly to accumulated losses as equity movement under the relevant applicable accounting standards.

Details of the disposals are disclosed in the Company’s announcement dated 3 August 2022.

11. TRADE RECEIVABLES

		(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
	Note		
Trade receivables from third parties	11(a)	29,300	36,021
Less: Loss allowance		<u>(830)</u>	<u>(6,211)</u>
	11(a)	<u><u>28,470</u></u>	<u><u>29,810</u></u>

11(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 (31 March 2022: 30 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:

	(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
Less than 1 month	14,258	6,139
1 to 2 months	8,470	7,031
2 to 3 months	2,689	6,563
Over 3 months	<u>3,883</u>	<u>16,288</u>
	<u><u>29,300</u></u>	<u><u>36,021</u></u>

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

	(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
Not past due	19,778	17,883
Less than 1 month past due	6,018	2,437
1 to 2 months past due	889	3,243
2 to 3 months past due	29	19
Over 3 months past due	<u>1,756</u>	<u>6,228</u>
	<u><u>28,470</u></u>	<u><u>29,810</u></u>

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
Current		
Deposits and other receivables	19,263	27,379
Less: loss allowance	<u>(13,049)</u>	<u>(14,079)</u>
	<u>6,214</u>	<u>13,300</u>
Prepayments	7,021	4,578
Security deposit paid in respect of an injunction order	6,783	10,229
Value-added tax recoverable	1,078	1,026
Other prepaid expense	<u>543</u>	<u>866</u>
	<u>15,425</u>	<u>16,699</u>
	<u>21,639</u>	<u>29,999</u>
Non-current		
Other receivables (Note)	<u>19,844</u>	<u>–</u>
	<u>41,483</u>	<u>29,999</u>

Note:

On 13 July 2022, Digital Mind Investments Limited (“Digital Mind”), a wholly-owned subsidiary of the Company entered into the agreement (the “Agreement”) with LBG Equity Investments (HK) Co., Limited (“LBG”), a company incorporated in Hong Kong, pursuant to which, among others, (i) Digital Mind and LBG will subscribe for 40% and 60% of the total issued share capital of Noricap Fund G. P. Ltd. at consideration of US\$20,000 and US\$30,000, respectively (the “Subscriptions”) and (ii) Digital Mind and LBG shall provide to Noricap Fund G. P. Ltd. financing in proportion to their respective shareholding in Noricap Fund G. P. Ltd. in the principal amount of HK\$19,844,000 and HK\$29,766,000, respectively, which are unsecured, carry interest rate of 1% per annum and will be repayable after 3 years from commencing of the loan. The Subscriptions were completed in November 2022. Details of the entering into the Agreement are set out in the Company’s announcements dated 8 June 2022 and 13 July 2022.

13. TRADE PAYABLES

The trade payables are non-interest-bearing and the Group is normally granted with credit terms in range of 30 to 90 days (31 March 2022: 30 to 90 days).

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

	(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
Less than 1 month	2,133	833
1 to 2 months	4,611	4,619
2 to 3 months	3,252	2,170
Over 3 months	<u>13,872</u>	<u>7,199</u>
	<u><u>23,868</u></u>	<u><u>14,821</u></u>

14. INTEREST-BEARING BORROWINGS

	(Unaudited) 30 September 2022 HK\$'000	(Audited) 31 March 2022 HK\$'000
Secured – current portion		
Other borrowings (Note)	<u>–</u>	<u>8,880</u>
Denominated in:		
Renminbi	<u>–</u>	<u>8,880</u>

Note:

The other borrowings of RMB7,200,000 bear fixed interest rate of 10% per annum, are repayable after 2 years from drawdown date and secured by the property, plant and equipment of the Group located in the PRC. It matured on 9 April 2022 and was further extended which was repayable on demand. The other borrowings were derecognised upon de-consolidation of subsidiaries (Note 16).

15. SHARE CAPITAL

	(Unaudited) 30 September 2022		(Audited) 31 March 2022	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary share of HK\$0.1 each				
Issued and fully paid:				
At beginning of the reporting period	1,613,287,570	161,328	806,643,785	80,664
Issue of new shares upon the right issue	—	—	806,643,785	80,664
At the end of the reporting period	<u>1,613,287,570</u>	<u>161,328</u>	<u>1,613,287,570</u>	<u>161,328</u>

On 2 September 2021, the Company proposed to implement the rights issue on the basis of one rights share for every one existing share held on 23 November 2021 (the "Rights Issue"), being the record date, at the subscription price of HK\$0.1 per rights share. The Rights Issue was approved by the shareholders of the Company at the special general meeting held on 11 November 2021 and was completed on 16 December 2021. As such, 806,643,785 shares, with par value of HK\$0.1 each, were issued and allotted under the Rights Issue with net proceeds of approximately HK\$79,050,000 after deducting direct cost of approximately HK\$1,614,000 were charged to the Company's equity under "Share premium".

16. LOSS ON DE-CONSOLIDATION OF SUBSIDIARIES

Daisho Microline Limited (“DML”), an indirectly wholly owned subsidiary of the Company, received a winding-up petition dated 12 January 2022 filed by a creditor, Tak Shing Investment Company Limited as petitioner against DML in the Court of First Instance of the High Court of Hong Kong in the sum of approximately HK\$418,000. The winding-up petition was heard on 29 June 2022.

DML received a sealed order dated 29 June 2022 for winding-up (the “Winding-up Order”) made by the Court of First Instance of the High Court of Hong Kong, pursuant to which DML was ordered to be wound up on the basis of its failure to settle the judgement debt in the sum of approximately HK\$418,000. Messrs Lai Kar Yan (Derek) and Kam Chung Hang (Forrest), both of Deloitte Touche Tohmatsu were appointed as joint and several liquidators of DML on 26 August 2022 made by the Court of First Instance of the High Court of Hong Kong. By virtue of the Winding-up Order, DML ceased to be controlled by the Company with effect from 29 June 2022. Details of the Winding-up Order are disclosed in the Company’s announcements dated 21 January 2022, 19 May 2022 and 15 July 2022. Accordingly, a loss on de-consolidation of DML and its subsidiaries of approximately HK\$15,309,000 was charged to profit or loss during the six months ended 30 September 2022.

Details of loss on de-consolidation of DML and its subsidiaries are summarised as follows:

	HK\$'000
Property, plant and equipment	9,422
Trade receivables	9,767
Other receivables, deposits and prepayments	8,764
Cash and cash equivalents	67
Other payables and accruals	(4,235)
Interest-bearing borrowings	(8,476)
Net assets of DML and its subsidiaries at the date of de-consolidation and loss on de-consolidation of subsidiaries	15,309
Net cash outflow arising from de-consolidation of subsidiaries	67

17. LITIGATIONS

(a) Litigation with Mr. Harry Chan

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

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

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

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

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

17. 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 (Hong Kong) Energy Limited ("Pacific Dragon") and DML, two then wholly-owned subsidiaries of the Company, have been joined as additional defendants to the proceedings of the High Court (case number HCA1617/2019) (the "Proceedings") which were originally issued against, among others, (1) Ms. Cheung Lai Na ("Ms. Cheung"), an ex-director of the Company who resigned on 4 September 2019 and an ex-shareholder of the Company holding approximately 20.84% interest in the Company on trust for her family until she ceased to hold any of the interest on trust for her family on 14 August 2019, and (2) Inter-Pacific Petroleum Pte Ltd ("Inter-Pacific Petroleum"), a wholly-owned subsidiary of Inter-Pacific Group Pte Ltd ("Inter-Pacific Group"), a company incorporated in Singapore with limited liability which is principally engaged in trading of petrochemical products and owned as to 85% by Ms. Cheung, and 15% by an independent third party. Pursuant to the Writ, the Plaintiff claims, among other things, against Inter-Pacific Petroleum for payment for breach of certain trade finance facilities granted to Inter-Pacific Petroleum in the outstanding sum as at 28 August 2019 of approximately US\$89,849,000.

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 and the Company's Annual Financial Statements.

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.

DML and Pacific Dragon have paid the injuncted amounts of approximately HK\$6,783,000 and HK\$3,446,000 to the Court in November 2020 and in April 2021, respectively. Accordingly, the injunction order was discharged against DML and Pacific Dragon by order of the Court.

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

17. LITIGATIONS (continued)

(b) Litigation with Societe Generale (continued)

On 29 June 2022, DML ceased to be subsidiary of the Group under the Winding-up Order and the injunction amount of HK\$6,783,000 paid by DML was derecognised upon de-consolidation of DML (Note 16).

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

(c) Litigation with Inter-Pacific Group

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the period ended 30 September 2022, the Group's total revenue was approximately HK\$46.8 million, representing a decrease of 6.2% as compared with approximately HK\$49.9 million for the corresponding period in 2021 due to the decrease in revenue by approximately HK\$4.5 million of the Group's printed circuit boards ("PCB") business as compared to the corresponding period in 2021.

Due to the suspension of petroleum trading business, there has been no revenue generated from petroleum trading business since 2019.

During the period, there was no revenue generated from its vessel chartering business as compared with the revenue of approximately HK\$2.8 million in the same corresponding period of last year. The decrease in revenue was due to the completion of disposal of the vessels in May 2021.

During the period, the Group recorded the revenue of approximately HK\$14.5 million for the PCB business, representing a decrease of 23.7% as compared with the revenue of approximately HK\$19.0 million in the corresponding period of last year. The decrease in revenue was mainly due to the decrease in customers' demand as a result of the recurring COVID-19 pandemic in 2022.

During the period, the Group recorded the revenue of approximately HK\$32.2 million for its printing and packaging products business, representing an increase of 4.2% as compared with the revenue of approximately HK\$30.9 million in the corresponding period of last year. The increase in revenue was mainly due to the increase in customers' demand from the effort of expanding the customer base.

During the period, the Group's petroleum trading business recorded a segment loss of approximately HK\$0.1 million, essentially flat as compared to a segment loss of approximately HK\$0.1 million for the same period of last year.

The PCB business recorded a segment loss of approximately HK\$0.3 million during the period, representing a decrease in segment loss as compared to that in the same period of last year with a segment loss of approximately HK\$2.8 million. Such decrease in segment loss was mainly due to (i) the increase in gross profit by approximately HK\$4.2 million as compared with the corresponding period in 2021 net off with (ii) the decrease in reversal of impairment loss on trade receivables by approximately HK\$1.6 million as compared with the corresponding period in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Financial Review (continued)

The Group's printing and packaging products business recorded a segment loss of approximately HK\$0.8 million during the period, representing a decrease in segment loss as compared to that in the same period of last year with a segment loss of approximately HK\$3.5 million. The decrease in segment loss was mainly due to (i) the increase in gross profit by approximately HK\$4.2 million as compared with the corresponding period in 2021, net off with (ii) the increase in administrative expenses by approximately HK\$0.3 million as compared with corresponding period in 2021.

During the period, there was no segment gain or loss in the Group's vessel chartering business, while a segment loss of approximately HK\$1.5 million was recorded for the same period of last year.

As a result of the aforementioned factors, the Group's gross profit margin of continuing operation during the period increased to approximately 19.7% from approximately 1.6% in the corresponding period of last year.

The Group's total net loss for the period increased to approximately HK\$20.2 million from approximately HK\$16.9 million in the corresponding period of last year. The increase was mainly due to the following factors: (1) the Group recorded a loss on de-consolidation of subsidiaries of approximately HK\$15.3 million as set out in the section headed "Significant Investment and Material Acquisitions and Disposals" below and note 16 to the unaudited condensed consolidated financial statements in this report; (2) the Group's gross profit increased to approximately HK\$9.2 million, representing an increase of approximately HK\$8.4 million as compared with approximately HK\$0.8 million in the same period of last year; and (3) the Group's administrative expenses decreased to approximately HK\$13.6 million, representing a decrease of approximately 16.0% as compared with approximately HK\$16.2 million in the same period of last year and such decrease in the administrative expenses was mainly due to the decrease in legal and professional fees by approximately HK\$1.6 million in the current period.

The equity attributable to the owners of the Company amounted to approximately HK\$113.4 million as at 30 September 2022, representing a decrease of approximately HK\$19.3 million as compared to approximately HK\$132.7 million as at 31 March 2022. The decrease in the equity was mainly due to the reported loss for the period.

The Group's gearing ratio (defined as interest-bearing borrowings and lease liabilities, divided by total capital) as at 30 September 2022 was 0.9% (31 March 2022: 6.9%).

The Group's current ratios (defined as total current assets divided by total current liabilities) as at 30 September 2022 and 31 March 2022 were 2.59 times and 2.92 times respectively.

Capital Structure

The capital structure of the Group during the six months ended 30 September 2022 is summarised as follows:

Interest-bearing Borrowings

The Group's interest-bearing borrowings as at 30 September 2022 are detailed in note 14 to the unaudited condensed consolidated financial statements in this report.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Rights Issue

On 16 December 2021, the Group issued and allotted 806,643,785 ordinary shares by way of rights issue (the "Rights Issue") on the basis of one rights share for every one existing share held on 23 November 2021 at a subscription price of HK\$0.1 per rights share. The reasons for the Rights Issue were (i) to reduce the debt level; (ii) to invest in appropriate investment opportunities; and (iii) as additional working capital to the Group. The net proceeds from the Rights Issue were approximately HK\$79.1 million after deducting direct cost of approximately HK\$1.6 million. As at the date of this report, all the net proceeds from the Rights Issue have been fully used as intended and there was no difference between the intended use of the net proceeds and its actual use. An analysis of the use of net proceeds up to the date of this report are as follows:

Date of particulars of the Rights Issue	Net proceeds raised (approximately) (HK\$)	Intended use of proceeds (approximately)	Actual use of proceeds (approximately)
Issue of 806,643,785 shares under prospectus on 24 November 2021	79.1 million	(1) Repayment of bank revolving loan of approximately HK\$37.0 million	(1) Used as intended
		(2) Investments in appropriate opportunities of approximately HK\$20.0 million	(2) Used as intended, detailed in the section headed "Formation of Joint Venture" under "Significant Investment and Material Acquisitions and Disposals" below.
		(3) Remaining of the net proceeds will be used as general working capital	(3) Used as intended

Foreign Exchange Exposure

The Group's transaction and monetary assets are principally denominated in Renminbi, Hong Kong dollars and United States dollars. The Group did not experience any difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the six months ended 30 September 2022. 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 against Hong Kong dollars during the six months ended 30 September 2022, but the Group continues to monitor and review its foreign exchange exposure regularly and considers using financial instruments to hedge against foreign exchange exposure at appropriate time.

Pledge of Assets

Details of the pledge of assets of the Group as at 30 September 2022 are set out in note 14 to the unaudited condensed consolidated financial statements in this report.

Contingent Liabilities

The Group did not have any material contingent liability as at 30 September 2022 (31 March 2022: Nil).

Litigations

Save as disclosed in note 17 to the unaudited condensed consolidated financial statements in this report, the Group did not have any material outstanding litigations as at 30 September 2022 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employees and Remuneration Policy

As at 30 September 2022, the Group had 284 (31 March 2022: 295) employees, including the Directors, working mainly in Hong Kong and PRC. For the six months ended 30 September 2022, the Group's total staff costs including directors' emoluments were approximately HK\$14.4 million (six months ended 30 September 2021: approximately HK\$20.5 million).

The Group actively recruits skilled and qualified personnel in local markets through various channels, such as internal referrals and advertisement on the internet. 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 leave, sick leave, maternity leave, funeral leave, injury leave and breast-feeding leave), insurance, housing provident fund, allowance, subsidy and bonus to its employees.

Under the applicable PRC laws and regulations, the Group is subject to social insurance contribution plans. The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Scheme") for all employees in Hong Kong.

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 the "Training Management Policy" in its "Employee Handbook" to regulate the processes of training planning, preparation, execution, evaluation and feedback.

Share Option Scheme

A share option scheme (the "Share Option Scheme") was approved and adopted by the passing of an ordinary resolution at a special general meeting of the Company held on 22 November 2016 (the "Date of Adoption") and further approved by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2017, under which, options may be granted by the Company to any eligible participants (including executive and non-executive Directors) to subscribe for shares of the Company, subject to the terms and conditions as 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. An option must be exercised within 10 years from the date on which it is granted or such shorter period as the Board may specify at the time of grant. An offer of grant of an option may be accepted by an eligible person within 28 days from the date of the offer of grant of the option.

The scheme mandate limit under the Share Option Scheme was refreshed by the passing of an ordinary resolution at the annual general meeting of the Company held on 23 September 2022 (the "2022 AGM"), following which the maximum number of shares that may be issued by the Company upon exercise of all the share options granted under the Share Option Scheme is 161,328,757 shares of the Company, representing 10% of the total number of issued shares of the Company as at the date of the 2022 AGM. The details of the refreshment of the scheme mandate limit under the Share Option Scheme are set out in the circular of the Company dated 27 July 2022.

During the six months ended 30 September 2022, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme. As at 30 September 2022, there were no outstanding share options under the Share Option Scheme.

As at 30 September 2022 and the date of this report, the total number of share options available for granting by the Company under the Share Option Scheme was 161,328,757, representing 10% of the shares of the Company in issue.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

Significant Investment and Material Acquisitions and Disposals

Disposals of Listed Securities

During the period between 14 July 2022 and 3 August 2022, the Group completed a series of disposals of an aggregate of 18,160,000 shares in Pine Care Group Limited (its shares are listed on the Main Board of the Stock Exchange (Stock Code: 1989), "Pine Care") (the "Pine Care Shares"), of which (i) 7,524,000 Pine Care Shares were disposed of on the Stock Exchange at the price range between HK\$0.48 and HK\$0.52 per Pine Care Share for an aggregate consideration of approximately HK\$3.8 million (the "On-Market Disposals"); and (ii) 10,636,000 Pine Care Shares were disposed of off-market to Prism International Development Limited, an independent third party, at the consideration of approximately HK\$5.8 million (the "Off-Market Disposal", together with the On-Market Disposals, the "Disposals").

As a result of the Disposals, the Company recognised a gain in other comprehensive income of approximately HK\$3.9 million for the Disposals during the reporting period, which is the difference between the aggregate consideration for the Disposals of approximately HK\$9.6 million and the fair value of the disposed Pine Care Shares of approximately HK\$5.7 million as at 31 March 2022. Upon the completion of the Disposals, the cumulative loss of approximately HK\$20.3 million in fair value through other comprehensive income reserve was transferred directly to accumulated losses as equity movement under relevant applicable accounting standards. Accordingly, the Disposals have no significant impact on profit or loss of the Group for the period ended 30 September 2022.

Further details of the Disposals is set out in the announcement dated 3 August 2022 issued by the Company.

Winding Up of a Subsidiary of the Company

Daisho Microline Limited (an indirect wholly-owned subsidiary of the Company, "DML") received a winding-up petition dated 12 January 2022 filed by the Tak Shing Investment Company Limited as petitioner against DML in the Court of First Instance of the High Court of Hong Kong in the sum of approximately HK\$418,000. The winding-up petition was heard on 29 June 2022.

On 12 July 2022, DML received a sealed order for winding-up (the "Winding-up Order") made by the Court of First Instance of the High Court of Hong Kong, pursuant to which DML was ordered to be wound up on the basis of its failure to settle the judgement debt in the sum of approximately HK\$418,000. Messrs Lai Kar Yan (Derek) and Kam Chung Hang (Forrest), both of Deloitte Touche Tohmatsu, were appointed as the joint and several liquidators of DML by virtue of an order dated 26 August 2022 made by the Court of First Instance of the High Court of Hong Kong.

By virtue of the Winding-up Order, DML ceased to be a subsidiary of the Company. The control over the net assets of DML and its subsidiaries of approximately HK\$15.3 million was lost, resulting in loss on de-consolidation of subsidiaries of approximately HK\$15.3 million. The Board is not aware that the Winding-up Order has any material adverse impact on the daily business operations and solvency of the Group as a whole. Details of the financial effect resulting from the Winding-up Order is set out in note 16 to the unaudited condensed consolidated financial statements and further details of the Winding-up Order is set out in the announcements dated 21 January 2022, 19 May 2022 and 15 July 2022 issued by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Significant Investment and Material Acquisitions and Disposals (continued)

Formation of Joint Venture

On 13 July 2022, Digital Mind Investments Limited (a wholly-owned subsidiary of the Company, "Digital Mind") entered into a joint venture agreement (the "JV Agreement") with LBG Equity Investments (HK) Co., Limited ("LBG"), in relation to, among other matters, (i) the subscription of the ordinary shares of USD1.00 each in the share capital of Noricap Fund G. P. Ltd. (the subject joint venture company under the JV Agreement, the "JV") (the "JV Shares") and (ii) the provision of shareholder's loan to the JV. Completion of the subscription of the JV Shares have taken place. Upon completion of the subscription of the JV Shares, the JV is owned as to 60% by LBG and 40% by Digital Mind, and the financial results of the JV would not be consolidated into the financial statements of the Group.

Pursuant to the JV Agreement, for the purpose of subscribing the SP Fund (an exempted company to be incorporated in the Cayman Islands and registered as a segregated portfolio company, the management shares of which are entirely owned by the JV) by the JV, each of LBG and Digital Mind shall provide to the JV financing in proportion to their respective shareholding in the JV, either by way of shareholder's loan funded with internal resources or to procure third parties to provide financing. The shareholder's loan committed by Digital Mind shall be in the principal amount of approximately HK\$19.8 million funded with internal resources of the Company.

Further details of the formation of the JV is set out in the announcement dated 8 June 2022 and 13 July 2022 issued by the Company.

Except for the above, the Group had no other significant investment and material acquisitions and disposals for the six months ended 30 September 2022.

Outlook

Printed Circuit Boards Business Segment

The recurring COVID-19 pandemic affected the downstream demand and the lockdown measures in major cities causes disruption in the PCB industry chain. The Board expects the demand for the PCB will remain under pressure. The Group will continue to implement cost control measures and improve our own technology to develop high technology business.

Printing Business Segment

The resurgence of COVID-19 pandemic and the Russia-Ukraine war have disrupted the global supply chain and led to the soaring of raw materials and commodity prices and the inflationary macroeconomic environment has further intensified the tension. The Board expects the profitability will remain under pressure. The Group will continue to implement cost control measures, expand the customer base and product mix. With the recent economic stimulation measures being in place in PRC, we hope this business segment will improve in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Outlook (continued)

Trading of Petroleum and Energy Products and Related Business Segment

The legal proceedings against the two subsidiaries of the Company (including Pacific Dragon and DML) initiated by Societe Generale, Singapore Branch in August 2019 have been vigorously defended by the Company. On July 2020, the Hong Kong High Court handed down its decision that the injunction 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 was paid into the Court.

In November 2020, DML paid the injunctioned amount of approximately HK\$6.8 million to the Court. The injunction order against DML was discharged by the order of the Court dated 14 December 2020 and therefore the bank balances held by DML were released from restriction of use. On 29 June 2022, DML ceased to be a subsidiary of the Company under the Winding-up Order and the injunctioned amount paid by DML was derecognised upon de-consolidation as set out in the section headed "Significant Investment and Material Acquisitions and Disposals" above and note 16 to the unaudited condensed consolidated financial statements in this report.

At 31 March 2021, Pacific Dragon had the bank balances of approximately HK\$2.7 million which were restricted from being used. In April 2021, Pacific Dragon paid the injunctioned amount of approximately HK\$3.5 million to the Court. The injunction order against Pacific Dragon was discharged by the order of the Court dated 18 May 2021 and therefore the bank balances held by Pacific Dragon were released from restriction of use.

The demand of the energy commodities remained stable during the period, and the international crude oil price rose to a record high level and fluctuated widely. The resumption of the trading of petroleum and energy products remained difficult, but it is anticipated that the global commodity demand will maintain growth. The Group will continue to seek for trading opportunities with reliable trading partners in energy products.

Other Investments

As detailed in the section headed "Significant Investment and Material Acquisitions and Disposals" above, the Group, through Digital Mind, entered into the JV Agreement in July 2022, in relation to the subscription of the JV Shares and provision of shareholder's loan of approximately HK\$19.8 million to the JV funded with internal resources of the Company. The Board is of the view that the formation of the JV and the provision of the shareholder loans for the purpose of subscribing the SP Fund will present an investment opportunity to maximise return on the Group's funds by making investments in emerging sectors such as energy and technology, and allow the Group to diversify its business and sources of revenue which in turn will bring positive impact to the Group's financial position in terms of cash flow and gearing ratio.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Part 2 of Appendix 14 to the Listing Rules throughout the six months ended 30 September 2022, except for the code provision of the CG Code as noted hereunder.

Chairman and Chief Executive Officer

Code provision C.2.1 (equivalent to previous code provision A.2.1) of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LEE Man Kwong is the chairman of the Board and the Company has not appointed a chief executive officer. The daily operations of the Group are delegated to the executive Directors and the senior management. The Board is of the view that the current management structure can effectively facilitate the Company’s operations and business developments.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2022, 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 set out in Appendix 10 to the Listing Rules (the “Model Code”), were as follows:

Name of Director	Nature of Interest	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	0.0006%

Note:

The approximate percentages were calculated based on 1,613,287,570 shares of the Company in issue as at 30 September 2022.

Save as disclosed above, as at 30 September 2022, 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.

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

As at 30 September 2022, 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 (Note 3)
Spring Global Enterprises Limited (Note 1)	Beneficial owner	280,000,000	17.36%
Ng Man Chan (Note 1)	Interest in controlled corporation	280,000,000	17.36%
Cheung Ling Mun	Beneficial owner	120,068,000	7.44%
Kingston Finance Limited (Note 2)	Person having a security interest in shares	120,068,000	7.44%
Ample Cheer Limited (Note 2)	Interest in controlled corporation	120,068,000	7.44%
Chu Yuet Wah (Note 2)	Interest in controlled corporation	120,068,000	7.44%
Apact Consultancy (Hong Kong) Company Limited	Investment manager	103,826,000	6.44%

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"). ACL is wholly-owned by Chu Yuet Wah. Accordingly, ACL and Chu Yuet Wah are deemed to be interested in all the shares in which KFL is interested under Part XV of the SFO.
- (3) The approximate percentages were calculated based on 1,613,287,570 shares of the Company in issue as at 30 September 2022.

Save as disclosed above, as at 30 September 2022, no other persons had any interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register maintained by the Company pursuant to section 336 of the SFO.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2022.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The interim results of the Group for the six months ended 30 September 2022 have not been audited by the external auditor but the Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group, discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the six months ended 30 September 2022 and agreed with all the accounting treatments which have been adopted therein.

By Order of the Board
Daisho Microline Holdings Limited
LEE Man Kwong
Chairman

Hong Kong, 25 November 2022

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

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

Non-executive director:
YAU Pak Yue

Independent non-executive directors:
LEUNG King Fai
CHAN Yau Ching, Bob
LEUNG Hoi Ming