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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The Board of Directors (the “Board”) of Daisho Microline Holdings Limited (the “Company”) announces the preliminary consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2021 together with the comparative figures of the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
Continuing operations			
Revenue	3	67,886	1,185,407
Cost of sales		(55,605)	(1,179,676)
Gross profit		12,281	5,731
Other income	5	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	14	101	1,542
Impairment loss on trade receivables, net	10(b)	(2,859)	(22,504)
Impairment loss on other receivables		(1,780)	–
Impairment loss on property, plant and equipment	16(c)	(2,314)	(2,377)
Impairment loss on deposits paid for acquisition of property, plant and equipment	20(c)	–	(14,574)
Change in fair value of contingent consideration receivable	17	3,311	–
Gain on bargain purchase arising from the acquisition of subsidiaries	17	1,197	–
Loss on early redemption of a promissory note	18	(4,512)	–
Equity-settled share-based payment expenses		–	(1,577)
Finance costs	6	(7,655)	(17,864)

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i> <i>(Restated)</i>
Loss before taxation from continuing operations	6	(36,964)	(101,534)
Income tax (expense) credit	7	<u>(532)</u>	<u>11,227</u>
Loss for the year from continuing operations		(37,496)	(90,307)
Discontinued operation			
(Loss) Profit for the year from discontinued operation	11	<u>(29,480)</u>	<u>3,059</u>
Loss for the year		<u>(66,976)</u>	<u>(87,248)</u>
From continuing and discontinued operations			
Loss per share			
Basic (Hong Kong cents)	8	<u>(10.38)</u>	<u>(15.14)</u>
Diluted (Hong Kong cents)	8	<u>(10.38)</u>	<u>(15.14)</u>
From continuing operations			
Loss per share			
Basic (Hong Kong cents)		<u>(5.81)</u>	<u>(15.67)</u>
Diluted (Hong Kong cents)		<u>(5.81)</u>	<u>(15.67)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year		<u>(66,976)</u>	<u>(87,248)</u>
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	9	(9,782)	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of functional currency to presentation currency		<u>8,478</u>	<u>(10,453)</u>
Total other comprehensive loss for the year		<u>(1,304)</u>	<u>(10,453)</u>
Total comprehensive loss for the year		<u>(68,280)</u>	<u>(97,701)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		57,233	113,672
Intangible assets		1,027	–
Other long-term investments	9	20,158	–
Deferred tax assets		433	–
Refundable deposit paid for acquisition of subsidiaries	17	–	12,000
		78,851	125,672
Current assets			
Inventories		11,838	79
Trade and bills receivables	10	30,912	93,008
Other receivables, deposits and prepayments		27,373	8,208
Tax recoverable		115	–
Cash and cash equivalents		30,333	30,649
		100,571	131,944
Assets classified as held for sale	11	50,740	–
		151,311	131,944
Current liabilities			
Trade payables	12	17,754	5,873
Other payables and accruals		24,201	35,915
Interest-bearing borrowings	13	77,026	–
Derivative financial instruments	14	–	101
Convertible bonds	14	–	78,360
Lease liabilities		4,303	1,751
Tax payable		745	532
		124,029	122,532
Liabilities associated with assets classified as held for sale	11	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	13	8,534	–
Lease liabilities		302	1,751
Deferred tax liabilities		216	247
		9,052	1,998
NET ASSETS		95,122	133,086
Capital and reserves			
Share capital	15	80,664	57,624
Reserves		14,458	75,462
TOTAL EQUITY		95,122	133,086

NOTES

1. BASIS OF PREPARATION

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 2.

2. 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	<i>Definition of Material</i>
Amendments to HKAS 39, HKFRSs 7 and 9	<i>Interest Rate Benchmark Reform – Phase 1</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>

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.

3. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(Restated)</i>
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	<u>36,069</u>	<u>–</u>
	<u><u>67,886</u></u>	<u><u>1,185,407</u></u>

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 <i>HK\$'000</i>	Manufacturing and trading of printing and packaging products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Geographical region:</i>			
– 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	<u>28</u>	<u>–</u>	<u>28</u>
	<u><u>31,817</u></u>	<u><u>36,069</u></u>	<u><u>67,886</u></u>
<i>Timing of revenue recognition:</i>			
– at a point in time	<u><u>31,817</u></u>	<u><u>36,069</u></u>	<u><u>67,886</u></u>
<i>Type of transaction price:</i>			
– fixed price	<u><u>31,817</u></u>	<u><u>36,069</u></u>	<u><u>67,886</u></u>

3. REVENUE (CONTINUED)

Year ended 31 March 2020	Manufacturing and trading of printed circuit boards <i>HK\$'000</i>	Trading of petroleum and energy products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Geographical region:</i>			
– 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
	<u>37,009</u>	<u>1,148,398</u>	<u>1,185,407</u>
<i>Timing of revenue recognition:</i>			
– at a point in time	<u>37,009</u>	<u>1,148,398</u>	<u>1,185,407</u>
<i>Type of transaction price:</i>			
– fixed price	<u>37,009</u>	<u>1,148,398</u>	<u>1,185,407</u>

4. 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 11*).

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.

4. SEGMENT INFORMATION (CONTINUED)

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.

(A) By Business Segments

Year ended 31 March 2021

	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	-	-	20,221	-	20,221
Other customers	31,817	-	15,848	21,219	68,884
	<u>31,817</u>	<u>-</u>	<u>36,069</u>	<u>21,219</u>	<u>89,105</u>
Segment results	<u>(12,450)</u>	<u>(933)</u>	<u>4,907</u>	<u>(29,937)</u>	<u>(38,413)</u>
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					<u>(7,655)</u>
Loss before taxation					(66,901)
Income tax expense					<u>(75)</u>
Loss for the year					<u><u>(66,976)</u></u>

4. SEGMENT INFORMATION (CONTINUED)

(A) By Business Segments (Continued)

Year ended 31 March 2020 (*Restated*)

	Continuing operations		Discontinued operation	Consolidated <i>HK\$'000</i>
	Manufacturing and trading of printed circuit boards <i>HK\$'000</i>	Trading of petroleum and energy products and related business <i>HK\$'000</i>	Vessel chartering <i>HK\$'000</i>	
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
	<u>37,009</u>	<u>1,148,398</u>	<u>20,403</u>	<u>1,205,810</u>
Segment results	<u>(39,837)</u>	<u>5,230</u>	<u>3,498</u>	(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				<u>(17,864)</u>
Loss before taxation				(98,036)
Income tax credit				<u>10,788</u>
Loss for the year				<u><u>(87,248)</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.

4. 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	Unallocated	Consolidated
	Manufacturing and trading of printed circuit boards	Trading of petroleum and energy products and related business	Manufacturing and trading of printing and packaging products	Vessel chartering		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	59,192	3,592	80,252	55,020	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

4. SEGMENT INFORMATION (CONTINUED)

(A) By Business Segments (Continued)

At 31 March 2020

	Continuing operations		Discontinued operation	Unallocated HK\$'000	Consolidated HK\$'000
	Manufacturing and trading of printed circuit boards HK\$'000	Trading of petroleum and energy products and related business HK\$'000	Vessel chartering HK\$'000		
Segment assets	<u>63,939</u>	<u>77,094</u>	<u>86,327</u>	<u>30,256</u>	<u>257,616</u>
Segment liabilities	<u>20,106</u>	<u>595</u>	<u>14,198</u>	<u>89,631</u>	<u>124,530</u>
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	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,000</u>	<u>12,000</u>

4. SEGMENT INFORMATION (CONTINUED)

(B) Geographical Information

(i) Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(Restated)</i>
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
	<u>67,886</u>	<u>1,185,407</u>
Discontinued operation		
Singapore	21,219	20,403
	<u>21,219</u>	<u>20,403</u>
	<u><u>89,105</u></u>	<u><u>1,205,810</u></u>

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

(ii) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	29,116	4,611
Singapore	324	85,093
The PRC	28,820	23,968
	<u>58,260</u>	<u>113,672</u>
	<u><u>58,260</u></u>	<u><u>113,672</u></u>

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.

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(Restated)</i>
Continuing operations		
Bank interest income	49	860
Exchange gain, net	402	–
Rental income	1,121	–
Government subsidies <i>(Note)</i>	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
	<u>4,616</u>	<u>7,162</u>
Discontinued operation		
Government subsidies <i>(Note)</i>	255	–
Exchange gain, net	86	–
Others	381	–
	<u>722</u>	<u>–</u>
	<u><u>5,338</u></u>	<u><u>7,162</u></u>

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

6. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	2021	2020
	HK\$'000	<i>HK\$'000</i>
		<i>(Restated)</i>
Finance costs		
Continuing operations		
Interest on bank borrowings	956	8,521
Interest on other borrowings	1,986	–
Interest on convertible bonds (<i>Note 14</i>)	4,480	9,174
Interest on lease liabilities	233	169
	<u>7,655</u>	<u>17,864</u>
	<u>7,655</u>	<u>17,864</u>
Staff costs (excluding directors' emoluments)		
Continuing operations		
Salaries, allowances and benefits-in-kind	19,002	9,438
Contribution to defined contribution plans (<i>Note (i)</i>)	792	682
Share-based payment expenses	–	805
	<u>19,794</u>	<u>10,925</u>
	<u>19,794</u>	<u>10,925</u>
Discontinued operation		
Salaries, allowances and benefits-in-kind	6,811	–
Contribution to defined contribution plans	701	–
	<u>7,512</u>	<u>–</u>
	<u>7,512</u>	<u>–</u>
	<u>27,306</u>	<u>10,925</u>
	<u>27,306</u>	<u>10,925</u>

6. LOSS BEFORE TAXATION (CONTINUED)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> <i>(Restated)</i>
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 (<i>Note (ii)</i>)	55,605	1,179,676
Depreciation	10,695	6,933
Exchange (gain) loss, net (included in other income or other operating expenses, as appropriate)	(402)	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)
	<u> </u>	<u> </u>
Discontinued operation		
Auditor's remuneration		
– Audit services	126	97
Depreciation	6,595	6,206
Exchange gain, net	(86)	–
Legal and professional fee	313	198
Repair and maintenance	2,651	2,939
	<u> </u>	<u> </u>

6. LOSS BEFORE TAXATION (CONTINUED)

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.

7. INCOME TAX

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

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.

8. 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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss:		
Loss attributable to owners of the Company, used in basic loss per share calculation	<u><u>(66,976)</u></u>	<u><u>(87,248)</u></u>
	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><u>645,363,785</u></u>	<u><u>576,243,785</u></u>

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.

9. 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)
	<hr/>
At 31 March 2021	20,158
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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 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.

10. TRADE AND BILLS RECEIVABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from third parties	<i>10(a)</i>	38,359	120,720
Less: Loss allowance	<i>10(b)</i>	<u>(7,718)</u>	<u>(27,712)</u>
	<i>10(a)</i>	30,641	93,008
Bills receivables	<i>10(c)</i>	<u>271</u>	<u>–</u>
		<u>30,912</u>	<u>93,008</u>

10(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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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	<u>18,573</u>	<u>115,505</u>
	<u>38,359</u>	<u>120,720</u>

10. TRADE AND BILL RECEIVABLES (CONTINUED)

10(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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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
	<u>30,641</u>	<u>93,008</u>

10(b) Loss allowance

The movement in the loss allowance for trade receivables during the year is summarised below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the reporting period	27,712	5,642
Acquisition of subsidiaries (<i>Note 17</i>)	48	–
Changes in allowance, net	2,859	22,504
Amount written off as uncollectible	(23,309)	–
Exchange realignment	408	(434)
	<u>7,718</u>	<u>27,712</u>

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.

10(c) 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.

11. 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.

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	5	722	–
Administrative expenses		(19,583)	(16,905)
Impairment loss on property, plant and equipment	16(b)	<u>(32,295)</u>	<u>–</u>
(Loss) Profit before taxation	6	(29,937)	3,498
Income tax credit (expense)	7	<u>457</u>	<u>(439)</u>
(Loss) Profit for the year		<u>(29,480)</u>	<u>3,059</u>

11. DISCONTINUED OPERATION (CONTINUED)

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	<u><u>50,740</u></u>
Liabilities associated with assets classified as held for sale	
Security deposits	<u><u>1,959</u></u>

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

	2021	2020
(Loss) Profit per share for the Discontinued Operation		
Basic (Hong Kong cents)	<u><u>(4.57)</u></u>	<u><u>0.53</u></u>
Diluted (Hong Kong cents)	<u><u>(4.57)</u></u>	<u><u>0.53</u></u>

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 8.

12. TRADE PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables to third parties	<u>17,754</u>	<u>5,873</u>

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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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	<u>6,154</u>	<u>1,468</u>
	<u>17,754</u>	<u>5,873</u>

13. INTEREST-BEARING BORROWINGS

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

13. INTEREST-BEARING BORROWINGS (CONTINUED)

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, are unsecured and repayable on demand. The amount was fully settled in May 2021.

14. 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.

14. CONVERTIBLE BONDS (CONTINUED)

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

14. CONVERTIBLE BONDS (CONTINUED)

The movement of the convertible bonds is as follows:

Derivative components, classified as net financial liabilities at FVPL

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

Liability component, classified as financial liability at amortised costs

	<i>HK\$'000</i>
At 1 April 2019	73,548
Effective interest expenses	9,174
Interest paid	<u>(4,362)</u>
At 31 March 2020 and at 1 April 2020	78,360
Effective interest expenses	4,480
Interest paid	(2,840)
Redemption of convertible bonds	<u>(80,000)</u>
At 31 March 2021	<u><u>-</u></u>

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

15. SHARE CAPITAL

	2021		2020	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
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 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”.

16. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations			
Machinery and equipment	<i>16(a)</i>	–	2,377
Right-of-use assets	<i>16(b)</i>	<u>2,314</u>	<u>–</u>
		2,314	2,377
Discontinued operation			
Vessels	<i>16(c)</i>	<u>32,295</u>	<u>–</u>
		<u>34,609</u>	<u>2,377</u>

- (a) During the years ended 31 March 2021 and 2020, the directors estimated the recoverable amount of a cash-generating unit 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 printed circuit boards manufacturing facility, which is composed of property, plant and equipment (the "PCB CGU"). 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.
- (b) The impairment of the right-of-use assets of approximately HK\$2,314,000 (2020: Nil) 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 20(d).
- (c) For the year ended 31 March 2021, the Vessel I and Vessel II were reclassified to assets classified as held for sale and impairment loss of approximately HK\$32,295,000 (2020: Nil) was charged to profit or loss and included in the results of the Discontinued Operation. Details of which are set out in Note 11.

17. ACQUISITION OF SUBSIDIARIES

On 23 March 2020, Perfect Design Limited (“Perfect Design”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) with Sky Will Printing & Packaging (Holdings) Limited (the “Vendor”) and a guarantor (the “Guarantor”), pursuant to which Perfect Design conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest of Sky Will Printing & Packaging Limited 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”), while 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 8.62% 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.

17. 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:

	<i>HK\$'000</i>
Consideration paid/payable, satisfied by:	
Cash	12,000
Promissory note (<i>Note 18</i>)	13,488
	<hr/>
Total consideration, at fair value	25,488
Less: Contingent consideration receivable	(967)
	<hr/>
Net consideration, at fair value	24,521
	<hr/> <hr/>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
	<i>HK\$'000</i>
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)
	<hr/>
Total identifiable net assets	25,718
Gain on bargain purchase arising from the acquisition of subsidiaries	(1,197)
	<hr/>
	24,521
	<hr/> <hr/>
	<i>HK\$'000</i>
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)
	<hr/>
	14,773
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17. 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 the consolidated statement of financial position as at 31 March 2021. 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 and fair value of consideration, including contingent consideration receivable, in accordance with HKFRS 13. Roma has reviewed the methodologies, the key valuation parameters and business assumptions adopted.

18. PROMISSORY NOTE

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

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.

19. 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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted but not provided for, net of deposits paid in respect of acquisition of subsidiaries (<i>Note 17</i>)	–	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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	–	180

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

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 5*) 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 leasees 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 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	1,854	–

20. 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 華鋒微綫電子(惠州)工業有限公司 (Huafeng Microline (Huizhou) Circuits Limited*) (“Huafeng”) as first and second plaintiffs filed a statement of claim to the High Court in High Court Action No. 818/2018 against Mr. Harry Chan for his breaches (i) under the terms of his service agreement; and/or (ii) of his fiduciary and statutory duties to both the Company and Huafeng as an executive director (the “2nd Action”). The ultimate liability or amount is to be assessed. Pursuant to the order made by the 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 announcement, there is no further update from the Courts for the above cases.

(b) Litigation with Societe Generale

On 17 September 2019, the Group received an amended writ of summons (the “Writ”) issued by Societe Generale, Singapore Branch (the “Plaintiff”) in which, among others, Pacific Dragon (Hong Kong) Energy Limited (“Pacific Dragon”) and Daisho Microline Limited (“DML”), two wholly-owned subsidiaries of the Company, have been joined as additional defendants to the proceedings of the High Court (case number HCA 1617/2019) which were originally issued against, among others, (1) Ms. Cheung Lai Na, 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. Limited (“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.

* *English name for identification purpose only*

20. LITIGATIONS (Continued)

(b) Litigation with Societe Generale (Continued)

In connection with the Writ, the Plaintiff obtained an injunction order against, among others, Pacific Dragon and DML, pursuant to which (1) Pacific Dragon is restricted from disposing of or dealing with the sum of approximately US\$24,963,000 paid into its bank account during the period from 1 June 2019 to 31 August 2019 and any of its assets whether within or outside Hong Kong up to the same value; and (2) DML is restricted from disposing of or dealing with the sum of approximately US\$6,653,000 paid into its bank account during the period from 1 June 2019 to 31 August 2019 and any of its assets whether within or outside Hong Kong up to the same value. The injunction order was continued on the return hearing held on 20 September 2019. The hearing has been adjourned to be heard on 5 February 2020. The above details have been disclosed in the Company's announcements dated 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 High Court of Hong Kong dated 10 July 2020, the aggregate amount injuncted against Pacific Dragon and DML should be reduced to approximately HK\$10,229,000 and the injunction is permitted to be discharged if the same amount injuncted is paid into the Court. Pacific Dragon and DML were also awarded costs to be paid by the Plaintiff.

In November 2020, DML has paid the amount of approximately HK\$6,780,000 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 announcement.

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.

20. 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 announcement, 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.

20. LITIGATIONS (Continued)

(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 between into 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.

21. 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.

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 temporarily 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 Societe Generale, Singapore Branch in August 2019. In September 2019, the Company received an injunction obtained by the bank restricting the Company's two subsidiaries from disposing of or dealing with the claimed sums pursuant to the injunction order. As such, the two subsidiaries of the Company would not be able to place purchase orders to suppliers or take new orders from customers, causing the Company to 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 11 in this announcement. 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 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 income 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) increase in loss on early redemption of a promissory note of HK\$4.5 million; (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 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 detected in Note 20(b) in this announcement. The Group's total interest-bearing borrowings, comprise bank borrowings, other borrowings and shareholder's loan, were approximately HK\$85.6 million (2020: Nil).

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\$85,560,000 (2020: Nil) as at 31 March 2021 are detailed in Note 13 in this announcement.

Convertible bonds

As at 31 March 2021, the balance of the convertible bonds was Nil (2020: approximately HK\$78,360,000). The convertible bonds were matured on 21 September 2020 and fully redeemed during the year. Details are set out in Note 14 in this announcement 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 17 in this announcement.

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

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 20 in this announcement, 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: HK\$23.0 million for acquisition of subsidiaries, net of deposits paid).

Pledge of Assets

As at 31 March 2021, the other borrowings were secured by the property, plant and equipment of the Group located in the PRC with an aggregate net carrying amount of approximately HK\$21.9 million (2020: Nil).

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).

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”).

The 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.

(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 our 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.

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 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 and discharge of the injunction would be permitted if such amount is paid into the Court.

In November 2020, a subsidiary 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, another 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 20(b) in this announcement.

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 partner 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 on 24 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 11 in this announcement.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2021.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed with 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 year ended 31 March 2021 and agreed with all the accounting treatments which have been adopted therein.

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 enquiries with all directors and they have confirmed that they have complied with the Code of Conduct and Model Code throughout the year ended 31 March 2021. No incident of non-compliance of the Code of Conduct and Model Code by the relevant employees was noted by the Company.

SCOPE OF WORK PERFORMED BY MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2021 have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The Company's Annual Report for the year ended 31 March 2021 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of the Stock Exchange at "www.hkexnews.hk" and the Company's website at "www.irasia.com/listco/hk/daisho" in due course.

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

Hong Kong, 25 June 2021

As at the date of this announcement, the Board consists of two executive Directors, namely, LEE Man Kwong and WONG Siu Hung, Patrick, one non-executive Director, namely, YAU Pak Yue and three independent non-executive Directors, namely, LEUNG King Fai, CHAN Yau Ching, Bob and LEUNG Hoi Ming.