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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 2022

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 2022 together with the comparative figures of the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations			
Revenue	<i>3</i>	106,471	67,886
Cost of sales		<u>(98,670)</u>	<u>(55,605)</u>
Gross profit		7,801	12,281
Other income	<i>5</i>	7,341	4,616
Selling and distribution expenses		(5,083)	(3,401)
Administrative expenses		(31,157)	(35,422)
Other operating expenses		(480)	(527)
Fair value gain on derivative financial instruments		–	101
Reversal of (Provision for) impairment loss on trade receivables, net	<i>10(b)</i>	1,808	(2,859)
Impairment loss on other receivables		–	(1,780)
Impairment loss on property, plant and equipment	<i>15</i>	(5,010)	(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)
Finance costs	<i>6</i>	(2,244)	(7,655)

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Loss before taxation from continuing operations	6	(27,024)	(36,964)
Income tax expense	7	<u>(444)</u>	<u>(532)</u>
Loss for the year from continuing operations		(27,468)	(37,496)
Discontinued operation			
Loss for the year from discontinued operation	11	<u>(1,660)</u>	<u>(29,480)</u>
Loss for the year		<u>(29,128)</u>	<u>(66,976)</u>
From continuing and discontinued operations			
Loss per share			
Basic (Hong Kong cents)	8	<u>(2.80)</u>	<u>(10.38)</u>
Diluted (Hong Kong cents)	8	<u>(2.80)</u>	<u>(10.38)</u>
From continuing operations			
Loss per share			
Basic (Hong Kong cents)	8	<u>(2.64)</u>	<u>(5.81)</u>
Diluted (Hong Kong cents)	8	<u>(2.64)</u>	<u>(5.81)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year		<u>(29,128)</u>	<u>(66,976)</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	(14,437)	(9,782)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		<u>2,054</u>	<u>8,478</u>
Total other comprehensive loss for the year		<u>(12,383)</u>	<u>(1,304)</u>
Total comprehensive loss for the year		<u><u>(41,511)</u></u>	<u><u>(68,280)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		43,660	57,233
Intangible assets		719	1,027
Other long-term investments	9	5,721	20,158
Deferred tax assets		443	433
		<u>50,543</u>	<u>78,851</u>
Current assets			
Inventories		10,209	11,838
Trade and bills receivables	10	29,810	30,912
Other receivables, deposits and prepayments		29,999	27,373
Tax recoverable		35	115
Cash and cash equivalents		55,012	30,333
		<u>125,065</u>	<u>100,571</u>
Assets classified as held for sale	11	<u>–</u>	<u>50,740</u>
		<u>125,065</u>	<u>151,311</u>
Current liabilities			
Trade payables	12	14,821	17,754
Other payables and accruals		18,137	24,201
Interest-bearing borrowings	13	8,880	77,026
Lease liabilities		302	4,303
Tax payable		661	745
		<u>42,801</u>	<u>124,029</u>
Liabilities associated with assets classified as held for sale	11	<u>–</u>	<u>1,959</u>
		<u>42,801</u>	<u>125,988</u>
Net current assets		<u>82,264</u>	<u>25,323</u>
Total assets less current liabilities		<u>132,807</u>	<u>104,174</u>
Non-current liabilities			
Interest-bearing borrowings	13	–	8,534
Lease liabilities		–	302
Deferred tax liabilities		146	216
		<u>146</u>	<u>9,052</u>
NET ASSETS		<u>132,661</u>	<u>95,122</u>
Capital and reserves			
Share capital	14	161,328	80,664
Reserves		(28,667)	14,458
TOTAL EQUITY		<u>132,661</u>	<u>95,122</u>

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 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 2021 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 HKAS 39, HKFRSs 4, 7, 9 and 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions Beyond 30 June 2021</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

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Continuing operations		
Revenue from contracts with customers within HKFRS 15		
Manufacturing and trading of printed circuit boards	35,654	31,817
Manufacturing and trading of printing and packaging products	70,817	36,069
	<u>106,471</u>	<u>67,886</u>

3. REVENUE (CONTINUED)

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

Year ended 31 March 2022	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	3,296	57,202	60,498
– The People Republic of China (the “PRC”)	15,504	5,610	21,114
– North America	12,537	–	12,537
– Europe	1,723	8,005	9,728
– South Korea	2,194	–	2,194
– Japan	257	–	257
– Other countries	143	–	143
	<u>35,654</u>	<u>70,817</u>	<u>106,471</u>
<i>Timing of revenue recognition:</i>			
– at a point in time	<u>35,654</u>	<u>70,817</u>	<u>106,471</u>
<i>Type of transaction price:</i>			
– fixed price	<u>35,654</u>	<u>70,817</u>	<u>106,471</u>

3. REVENUE (CONTINUED)

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	28	–	28
	<u>31,817</u>	<u>36,069</u>	<u>67,886</u>
<i>Timing of revenue recognition:</i>			
– at a point in time	<u>31,817</u>	<u>36,069</u>	<u>67,886</u>
<i>Type of transaction price:</i>			
– fixed price	<u>31,817</u>	<u>36,069</u>	<u>67,886</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 other receivables, impairment loss on property, plant and equipment, fair value gain on derivative financial instruments, change in fair value of contingent consideration receivable, gain on bargain purchase arising from acquisition of subsidiaries, loss on early redemption of a promissory note and finance costs.

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

4. SEGMENT INFORMATION (CONTINUED)

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 2022

	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	-	-	32,803	-	32,803
Major customer B <i>(Note)</i>	12,537	-	-	-	12,537
Other customers	23,117	-	38,014	2,767	63,898
	<u>35,654</u>	<u>-</u>	<u>70,817</u>	<u>2,767</u>	<u>109,238</u>
Segment results	<u>(9,001)</u>	<u>(240)</u>	<u>(5,146)</u>	<u>(2,125)</u>	<u>(16,512)</u>
Unallocated other income					3,339
Unallocated administrative expenses					(13,252)
Unallocated other operating expenses					(480)
Finance costs					(2,244)
Loss before taxation					(29,149)
Income tax credit					21
Loss for the year					<u>(29,128)</u>

4. SEGMENT INFORMATION (CONTINUED)

(A) By Business Segments (Continued)

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>

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 year ended 31 March 2021.

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 2022

	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	Manufacturing and trading of printing and packaging products HK\$'000	Vessel chartering HK\$'000		
Segment assets	50,004	3,577	82,198	-	39,829	175,608
Segment liabilities	14,945	290	17,516	-	10,196	42,947
Other segment information:						
Amortisation of intangible assets	-	-	(308)	-	-	(308)
Depreciation	(5,028)	(145)	(3,732)	(286)	(1,197)	(10,388)
Impairment loss on property, plant and equipment	(5,010)	-	-	-	-	(5,010)
Reversal of (Provision for) impairment loss on trade receivables, net	2,193	-	(385)	-	-	1,808
Loss on disposal of property, plant and equipment, net	-	-	-	-	(480)	(480)
Write-back of other payables	-	337	-	-	467	804
Write-back of lease liabilities	-	-	-	-	2,486	2,486
Additions to property, plant and equipment (including right-of-use assets)	-	-	1,271	-	-	1,271

4. SEGMENT INFORMATION (CONTINUED)

(A) By Business Segments (Continued)

At 31 March 2021

	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	Manufacturing and trading of printing and packaging products HK\$'000	Vessel chartering HK\$'000		
Segment assets	<u>59,192</u>	<u>3,592</u>	<u>80,252</u>	<u>55,020</u>	<u>32,106</u>	<u>230,162</u>
Segment liabilities	<u>28,033</u>	<u>513</u>	<u>60,414</u>	<u>3,198</u>	<u>42,882</u>	<u>135,040</u>
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)	<u>1,441</u>	<u>-</u>	<u>244</u>	<u>-</u>	<u>1,831</u>	<u>3,516</u>

4. SEGMENT INFORMATION (CONTINUED)

(B) Geographical Information

(i) Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Hong Kong	60,498	34,515
The PRC	21,114	21,463
North America	12,537	8,248
Europe	9,728	3,317
South Korea	2,194	–
Japan	257	315
Other countries	143	28
	<u>106,471</u>	<u>67,886</u>
Discontinued operation		
Singapore	2,767	21,219
	<u>109,238</u>	<u>89,105</u>

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

(ii) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC	42,513	53,653
Hong Kong	1,840	4,283
Singapore	26	324
	<u>44,379</u>	<u>58,260</u>

The non-current assets information above is based on the locations of assets and excluded other long-term investments and deferred tax assets.

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Bank interest income	52	49
Exchange gain, net	247	402
Rental income	1,763	1,121
Government subsidies (<i>Note(i)</i>)	265	1,057
Sales of scrap materials	729	403
Write-back of other payables	804	1,262
Write-back of lease liabilities (<i>Note (ii)</i>)	2,486	–
Others	995	322
	<u>7,341</u>	<u>4,616</u>
Discontinued operation		
Government subsidies (<i>Note (i)</i>)	63	255
Exchange gain, net	9	86
Others	164	381
	<u>236</u>	<u>722</u>
	<u><u>7,577</u></u>	<u><u>5,338</u></u>

Notes:

- (i) In the opinion of the directors of the Company, there was no unfulfilled condition or contingency relating to the government subsidies.
- (ii) Amount represents the difference between the sum of approximately HK\$418,000 in respect of the relevant lease based on the outcome of final and interlocutory judgement made by the court as set out in Note 16(d) to this announcement and the corresponding lease liabilities of approximately HK\$2,904,000 at 31 March 2021.

6. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance costs		
Continuing operations		
Interest on bank borrowings	988	956
Interest on other borrowings	1,206	1,986
Interest on convertible bonds	–	4,480
Interest on lease liabilities	50	233
	<u>2,244</u>	<u>7,655</u>
	<u>2,244</u>	<u>7,655</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs (excluding directors' emoluments)		
Continuing operations		
Salaries, allowances and benefits-in-kind	30,918	19,002
Contribution to defined contribution plans (<i>Notes (i) and (ii)</i>)	2,311	792
	<u>33,229</u>	<u>19,794</u>
	<u>33,229</u>	<u>19,794</u>
Discontinued operation		
Salaries, allowances and benefits-in-kind	2,603	6,811
Contribution to defined contribution plans	312	701
	<u>2,915</u>	<u>7,512</u>
	<u>2,915</u>	<u>7,512</u>
	<u>36,144</u>	<u>27,306</u>
	<u>36,144</u>	<u>27,306</u>

6. LOSS BEFORE TAXATION (CONTINUED)

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other items		
Continuing operations		
Auditor's remuneration		
– Audit services	1,300	1,174
– Non-audit services	360	870
Amortisation of intangible assets (included in administrative expenses)	308	205
Cost of inventories (<i>Note (iii)</i>)	98,670	55,605
Depreciation	10,102	10,695
Exchange gain, net	(247)	(402)
Loss on disposal of property, plant and equipment, net	480	437
Loss on termination of leases	–	84
Legal and professional fee (included in administrative expenses)	5,932	9,311
Other rental and related expenses	477	412
	<u> </u>	<u> </u>
Discontinued operation		
Auditor's remuneration		
– Audit services	–	126
Depreciation	286	6,595
Exchange gain, net	(9)	(86)
Legal and professional fee	268	313
Other rental and related expenses	59	–
Repair and maintenance	807	2,651
	<u> </u>	<u> </u>

6. LOSS BEFORE TAXATION (CONTINUED)

Notes:

- (i) For the years ended 31 March 2022 and 2021, there were no forfeited contributions which were available to reduce the Group's existing level of contributions to the relevant defined contribution retirement scheme in Hong Kong and the PRC.
- (ii) To support the PRC entities under COVID-19 pandemic, for the period 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 contributions.
- (iii) Cost of inventories includes approximately HK\$28,093,000 (2021: HK\$15,387,000) 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

	2022 HK\$'000	2021 HK\$'000
Continuing operations		
Current tax		
Hong Kong Profits Tax	537	569
Over-provision in prior years – Singapore corporate income tax (“CIT”)	(23)	–
	<u>514</u>	<u>569</u>
Deferred tax	(70)	(37)
Income tax expense for continuing operations	<u>444</u>	<u>532</u>
Discontinued operation		
Over-provision in prior years – Singapore CIT	(465)	(3)
Deferred tax	–	(454)
Income tax credit for discontinued operation	<u>(465)</u>	<u>(457)</u>
Total income tax (credit) expense for continuing and discontinued operations	<u><u>(21)</u></u>	<u><u>75</u></u>

PRC Enterprise Income Tax has not been provided for the years ended 31 March 2022 and 2021 as the Group's entities in the PRC incurred a loss for taxation purposes.

7. INCOME TAX (CONTINUED)

For the years ended 31 March 2022 and 2021, the assessable profits of Hong Kong incorporated subsidiaries of the Group are entitled to the two-tiered profits tax rates regime that the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Singapore CIT has not been provided for the years ended 31 March 2022 and 2021 as the Group's entities in Singapore incurred a loss for taxation purposes.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss:		
Loss attributable to the owners of the Company, used in basic loss per share calculation	<u>(29,128)</u>	<u>(66,976)</u>
	2022	2021
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>1,040,901,980</u>	<u>645,363,785</u>

During the year ended 31 March 2022, there were no potential dilutive ordinary shares in issue.

For the year ended 31 March 2021, the computation of diluted loss per share did 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 2022 and 2021.

The bonus-element effect of the rights issue during the year ended 31 March 2022, if any, has been considered in the calculation of the weighted average number of shares outstanding for the years ended 31 March 2022 and 2021. Details of the rights issue are set out in Note 14.

9. OTHER LONG-TERM INVESTMENTS

	Listed equity securities <i>HK\$'000</i>
At 1 April 2020	–
Additions	29,940
Change in fair value recognised in other comprehensive loss	<u>(9,782)</u>
At 31 March 2021 and 1 April 2021	20,158
Change in fair value recognised in other comprehensive loss	<u>(14,437)</u>
At 31 March 2022	<u><u>5,721</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 (the “Allocated Shares”) at the offer price of HK\$1.647 per share (the “Pine Care Acquisition”). Pine Care is a company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. On 6 October 2020, the Pine Care Acquisition was completed. The transaction costs directly attributable to the Pine Care Acquisition are approximately HK\$30,000.

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

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

10. TRADE AND BILLS RECEIVABLES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from third parties	<i>10(a)</i>	36,021	38,359
Less: Loss allowance	<i>10(b)</i>	(6,211)	(7,718)
	<i>10(a)</i>	29,810	30,641
Bills receivables		–	271
		29,810	30,912

10(a) Trade receivables

Included in the balances are the trade receivables (before loss allowance) from contracts with customers within HKFRS 15:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the reporting period	38,359	120,720
At the end of the reporting period	36,021	38,359

The Group's business with its trade debtors is mainly on credit basis and the credit period is ranging from 30 to 120 days (*2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 1 month	6,139	11,494
1 to 2 months	7,031	3,462
2 to 3 months	6,563	4,830
Over 3 months	16,288	18,573
	36,021	38,359

10. TRADE AND BILLS 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Not past due	17,883	18,793
Less than 1 month past due	2,437	2,946
1 to 2 months past due	3,243	797
2 to 3 months past due	19	299
Over 3 months past due	6,228	7,806
	<u>29,810</u>	<u>30,641</u>

Information about the Group's exposure to credit risks and loss allowance on trade receivables is included in Note 10(b).

10(b) Loss allowance

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the reporting period	7,718	27,712
Acquisition of subsidiaries	–	48
Amount recovered	(2,198)	–
Increase in allowance	390	2,859
Amount written off as uncollectible	–	(23,309)
Exchange realignment	301	408
At the end of the reporting period	<u>6,211</u>	<u>7,718</u>

During the year ended 31 March 2022, the significant changes in loss allowance on trade receivables were due to the changes in past due trade receivables.

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.

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.

For 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.

The results of the Discontinued Operation for the years ended 31 March 2022 and 2021 are analysed as follows:

	Note	2022 HK\$'000	2021 HK\$'000
Revenue		2,767	21,219
Other income	5	236	722
Administrative expenses		(5,128)	(19,583)
Impairment loss on property, plant and equipment		—	(32,295)
Loss before taxation	6	(2,125)	(29,937)
Income tax credit	7	465	457
Loss for the year		(1,660)	(29,480)

11. DISCONTINUED OPERATION (CONTINUED)

Vessel chartering business (Continued)

The aggregate net carrying amount of Vessel I and the Vessel II of approximately HK\$50,740,000 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assets classified as held for sale		
Property, plant and equipment	–	50,740
	<u>–</u>	<u>50,740</u>
Liabilities associated with assets classified as held for sale		
Security deposits	–	1,959
	<u>–</u>	<u>1,959</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net cash used in operating activities	(5,186)	(6,886)
Net cash from investing activities	48,781	–
Net cash used in financing activities	(46,694)	9,825
	<u>(5,186)</u>	<u>(6,886)</u>

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

	2022	2021
Loss per share for the Discontinued Operation		
Basic (Hong Kong cents)	(0.16)	(4.57)
	<u>(0.16)</u>	<u>(4.57)</u>
Diluted (Hong Kong cents)	(0.16)	(4.57)
	<u>(0.16)</u>	<u>(4.57)</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 to this announcement.

11. DISCONTINUED OPERATION (CONTINUED)

Vessel chartering business (Continued)

The bonus-element effect of the rights issue during the year ended 31 March 2022, if any, has been considered in the calculation of the weighted average number of shares outstanding for the years ended 31 March 2022 and 2021. Details of the rights issue are set out in Note 14.

12. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables to third parties	<u>14,821</u>	<u>17,754</u>

The trade payables are non-interest bearing and the Group is normally granted with a credit term ranging from 30 to 90 days (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 1 month	833	2,968
1 to 2 months	4,619	5,138
2 to 3 months	2,170	3,494
Over 3 months	<u>7,199</u>	<u>6,154</u>
	<u>14,821</u>	<u>17,754</u>

13. INTEREST-BEARING BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Secured		
Bank revolving loan (<i>Note a</i>)	–	37,026
Other borrowings (<i>Note b</i>)	<u>8,880</u>	<u>8,534</u>
	8,880	45,560
Unsecured		
Shareholder's loan (<i>Note c</i>)	<u>–</u>	<u>40,000</u>
	8,880	85,560
Denominated in:		
HK\$	–	77,026
Renminbi (“RMB”)	<u>8,880</u>	<u>8,534</u>
	8,880	85,560
Analysed for reporting purpose:		
Non-current	–	8,534
Current	<u>8,880</u>	<u>77,026</u>
	8,880	85,560

Notes:

- (a) At 31 March 2021, the secured revolving bank loan bear floating interest rate at 1-month Hong Kong Inter-bank Offered Rate plus 3.5% per annum, matured on 30 April 2021 and was further extended and fully settled in December 2021.
- (b) The other borrowings of approximately HK\$8,880,000 (2021: 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 relating to the PCB CGU located in the PRC with aggregate net carrying amounts of approximately HK\$10,489,000 (2021: HK\$19,532,000) and was subsequently renewed in April 2022 and being repayable on demand.
- (c) At 31 March 2021, the shareholder's loan of HK\$40,000,000 bear fixed interest rate of 5% per annum, was unsecured and repayable on demand. The amount was fully settled in May 2021.

14. SHARE CAPITAL

	2022		2021	
	<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	<u>2,000,000,000</u>	<u>200,000</u>	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At the beginning of the reporting period	806,643,785	80,664	576,243,785	57,624
Issue of new shares upon the placings (Notes (i) and (ii))	–	–	230,400,000	23,040
Issue of new shares upon the rights issue (Note (iii))	<u>806,643,785</u>	<u>80,664</u>	<u>–</u>	<u>–</u>
At the end of the reporting period	<u>1,613,287,570</u>	<u>161,328</u>	<u>806,643,785</u>	<u>80,664</u>

Notes:

- (i) 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”.
- (ii) 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”.
- (iii) 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”.

15. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations			
Machinery and equipment	<i>15(a)</i>	5,010	–
Right-of-use assets	<i>15(b)</i>	<u>–</u>	<u>2,314</u>
		5,010	2,314
Discontinued operation			
Vessels	<i>15(c)</i>	<u>–</u>	<u>32,295</u>
		<u>5,010</u>	<u>34,609</u>

- (a) In light of the continuous operating losses of the Group's printed circuit board ("PCB") business over past years, the management of the Group considered that property, plant and equipment relating to the PCB business might be impaired. In view of this, the management of the Group estimated the recoverable amount of the cash-generating unit in respect of PCB business as the higher of the fair value less costs of disposal and the value in use of the cash-generating unit based on the valuation report prepared by an independent professional valuer. The cash-generating unit consisted of the Group's PCB manufacturing facility, which is composed of property, plant and equipment (the "PCB CGU") with aggregate net carrying values of approximately HK\$10,503,000 (2021: HK\$20,392,000). The recoverable amount of PCB CGU is lower than its carrying amount at 31 March 2022 and therefore impairment loss of approximately HK\$5,010,000 (2021: Nil) against the machinery and equipment was recognised in profit or loss during the year ended 31 March 2022.
- (b) During the year ended 31 March 2021, the impairment of the right-of-use assets of approximately HK\$2,314,000 was charged to profit or loss 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 and final and interlocutory judgement made by District Court in November 2021. Details of which are set out in Note 16(d) to this announcement.
- (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 was charged to profit or loss and included in the results of the Discontinued Operation. Details of which are set out in Note 11.

16. LITIGATIONS

(a) Litigation with Mr. Harry Chan

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

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

On 24 May 2017, the Company and Huafeng 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, 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. 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.

16. 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.

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 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.

(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.

16. LITIGATIONS (CONTINUED)

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

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 immediate 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.

(d) Litigation with the Landlord

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

On 5 November 2021, a final and interlocutory judgment (the "Final Judgement") (case number: DCCJ 2659/2021) has been made by the District Court against DML pursuant to which, among others, DML was ordered to pay to the Landlord (a) the sum of approximately HK\$418,000; (b) damages to be assessed; and (c) costs.

DML received a winding-up petition dated 12 January 2022 (the "Winding-up Petition") filed by the Landlord as petitioner against DML in the High Court in the sum of approximately HK\$418,000. The hearing of the winding-up petition was first scheduled on 23 March 2022 and was further re-fixed to 29 June 2022.

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

Details of the Winding-up Petition are set out in the Company's announcements dated 21 January 2022 and 19 May 2022.

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2022, save as disclosed elsewhere in this announcement, the Group has the following subsequent event:

On 8 June 2022, Digital Mind Investments Limited (“Digital Mind”), a direct wholly-owned subsidiary of the Company entered into a memorandum of understanding with an independent third party (the “Partner”), pursuant to which, among other matters, propose to (i) establish and manage a special purpose fund (the “SP Fund”) and (ii) subscribe the SP Fund under a company to be incorporated and controlled by Digital Mind and the Partner (the “MOU”). Up to the date of this announcement, no formal agreement has been entered into by Digital Mind and the Partner. The management of the Group is of the view that the MOU has no binding and material impact to the Group as a whole.

Details of the MOU are set out in the Company’s announcement dated 8 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group's total revenue was approximately HK\$106.5 million, representing an increase of 56.8% as compared with approximately HK\$67.9 million for the last year. The increase in total revenue was mainly due to the revenue from printing and packaging products business ("Printing Business") has only covered 8-months period in last year as the Group completed the acquisition of Sky Will Printing & Packaging Limited ("Sky Will"), representing the Printing Business, on 12 August 2020. The segment revenue had recorded an overall increase by approximately HK\$34.7 million from approximately HK\$36.1 million for the period from acquisition to 31 March 2021 to approximately HK\$70.8 million for the year.

Due to the suspension of petroleum trading business, there had been no revenue generated from petroleum trading business since last year. It recorded a segment loss of approximately HK\$0.2 million as compared to the segment loss of approximately HK\$0.9 million for the last year.

The Group's vessel chartering income had decreased to approximately HK\$2.8 million, representing a decrease of 86.8% as compared with the revenue of approximately HK\$21.2 million in last year. The decrease in revenue was due to the completion of disposal of the vessels in May 2021 as detailed in "Significant Investment and Material Acquisitions and Disposals" below. It recorded a segment loss of approximately HK\$2.1 million as compared to a segment loss of approximately HK\$29.9 million for the last year. The decrease in segment loss was due to the one-off effect of impairment loss on vessels of HK\$32.3 million recognised last year.

The Group recorded a revenue of approximately HK\$35.7 million for its manufacturing and trading of printed circuit boards (the "PCB") business, representing an increase of 12.3% as compared with the revenue of approximately HK\$31.8 million in last year. The increase in revenue was mainly due to the increase in customers' demand as a result of economic recovery in the second half of the year of 2021. The Group's PCB business recorded a segment loss of approximately HK\$9.0 million as compared with the segment loss of approximately HK\$12.5 million for the last year. Such decrease in segment loss was mainly due to the reversal of impairment loss on trade receivable of HK\$2.2 million this year.

The Group's Printing Business recorded a segment loss of approximately HK\$5.1 million as compared with a segment gain of approximately of HK\$4.9 million in last year. The gross profit margin for the Printing Business was approximately 8.6% as compared with approximately 23.7% for the last year. The segment loss and decrease in gross profit margin was mainly due to (i) the sharp increase in raw materials price as a result of supply chain disruption caused by the resurgence of COVID-19 pandemic and (ii) increase in staff costs due to the increase in staff numbers. The cost cannot be reflected instantly to the selling price as the management would like to remain competitive in the market.

As a result of aforementioned factors, the Group's gross profit margin of continuing operation was reduced to approximately 7.3%, representing a decrease as compared with approximately 18.1% in the last year.

The Group had recorded a total net loss of approximately HK\$29.1 million for the year as compared to the total net loss of approximately HK\$67.0 million for the last year. Such decrease in the net loss was mainly derived from (i) decrease in the loss from discontinued operation from approximately HK\$29.5 million for the last year to approximately HK\$1.7 million this year due to the one-off effect of impairment loss on vessels of HK\$32.3 million in last year; (ii) decrease in finance cost from approximately HK\$7.7 million for the last year to approximately HK\$2.2 million for this year mainly due to the maturity of the convertible bonds on 21 September 2020 with an aggregated principal amount of HK\$80.0 million and fully redeemed last year; and (iii) an one-off loss on early redemption of a promissory note of HK\$4.5 million incurred last year.

The Group's equity attributable to owners of the Company increased from approximately HK\$95.1 million as at 31 March 2021 to approximately HK\$132.7 million as at 31 March 2022, which was mainly due to the increase in share capital resulted from the Rights Issue completed during the year net off with the reported loss for the year.

The Group's gearing ratio (defined as interest-bearing borrowings and lease liabilities) as at 31 March 2022 was 7% (2021: 95%). The decrease in gearing ratio was mainly due to the repayment of shareholder's loan of approximately HK\$40.0 million and bank revolving loan of approximately HK\$37.0 million during the year as detailed in Note 13 in this announcement. The Group's current ratio as at 31 March 2022 and 2021 was 2.92 times and 1.20 times, respectively.

As at 31 March 2022, the Group's total cash and bank balances were approximately HK\$55.0 million (2021: approximately HK\$30.3 million), in which approximately HK\$2.7 million as at 31 March 2021 that were placed with banks in Hong Kong were restricted from use, had been fully released from restriction of use since 18 May 2021 as a result of the discharge of the injunction order as detailed in Note 16(b) in this announcement. The Group's total interest-bearing borrowings, comprise other borrowings, were approximately HK\$8.9 million (2021: comprise bank revolving loan, other borrowings and shareholder's loan in aggregate of approximately HK\$85.6 million).

Capital Structure

The capital structure of the Group during the year ended 31 March 2022 is summarised as follows:

Interest-bearing Borrowings

As at 31 March 2022, the balance of the interest-bearing borrowings was approximately HK\$8.9 million (2021: approximately HK\$85.6 million). The shareholder's loan of approximately HK\$40.0 million and bank revolving loan of approximately HK\$37.0 million were fully settled during the year. Details are set out in Note 13 in this announcement.

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. The use of net proceeds up to the date of this announcement 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) Not yet used and are expected to be used during the year ending 31 March 2023
		(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 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 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 year ended 31 March 2022, 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 16 in this announcement, the Group is not a party to any other significant legal proceedings.

Contingent Liabilities

As at 31 March 2022, the Group did not have any material contingent liabilities (2021: Nil). During the year ended 31 March 2021, the Group's subsidiary had provided a bank with unlimited corporate guarantee to secure banking facilities granted to the Group's another subsidiary as result from acquisition of subsidiaries. As at 31 March 2022, there was no outstanding facilities (2021: approximately HK\$37.0 million).

Capital Commitments

The Group had no capital commitments during the year (2021: Nil).

Pledge of Assets

As at 31 March 2022, the other borrowings were secured by the property, plant and equipment of the Group relating to the PCB business located in the PRC with an aggregate net carrying amount of approximately HK\$10.5 million (2021: HK\$19.5 million).

Employees and Remuneration Policy

As at 31 March 2022, the Group had 349 (2021: 262) employees, including directors, working mainly in Hong Kong and the PRC. For the year ended 31 March 2022, the Group's total staff costs including directors' emoluments were approximately HK\$38.8 million (2021: approximately HK\$29.9 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, sick, maternity, funeral, injury and breast-feeding), 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 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 2022 and 2021.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

Significant Investment and Material Acquisitions and Disposals

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 resurgence of COVID-19 pandemic. Lockdown measures and travel restrictions are implemented in the countries around the world to contain and slow the spread of the virus. The Board expected the demand for printed circuit boards will be under pressure in the second half of the year of 2022. The Group will continue to implement cost control scheme and improve our own technology to develop high technology business.

Printing Business Segment

Although the global economy continued to recover during the second half of the year of 2021 and the demand for printing and packaging products has been steadily resumed, the resurgence of COVID-19 pandemic and the war in Ukraine have disrupted the global supply chain, lead to the soaring of raw materials price. The gross profit margin of the business has decreased sharply. The Board expected the business continue to be under pressure under the macroeconomic environment. The Group will continue to implement cost control measures and expand the customer base, we hope, with the government policies from different countries to suppress the commodity prices, 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 had 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 was paid into the Court.

In November 2020, a subsidiary paid an amount of approximately HK\$6.8 million into the Court. The injunction order against this subsidiary was discharged by the 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 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 against this subsidiary was discharged by the order of the Court dated 18 May 2021 and therefore the bank balances held by this subsidiary were released from restriction of use.

With reference to the opinion of the Group's lawyer, the Group is of view that we have a reasonable ground of defense, and will continue to defend the case.

Details of the legal proceedings are set out in Note 16(b) in this announcement.

The supply chain of the commodity market is affected by the war in Ukraine, which lead to the price soaring for a number of commodities. The credit availability to trading companies has also been tightening. The resumption of the trading of petroleum and energy products is still difficult; however, the global commodity demand is foreseen to be strong, and the Group will continue to 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 Acquisitions 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 since last year. Details of the discontinued operation are set out in Note 11 in this announcement.

Other Investment

On 8 June 2022, the Group entered into a Memorandum of Understanding to set up a Special Purpose Fund (the “SP Fund”). The Group is of the view that the establishment and subscription of the SP Fund, will present an investment opportunity to maximise return on the unutilised idle funds of the Group by making investments in emerging sectors such as energy and technology. The subscription of the SP Fund also allows 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. For details of the investment in the SP Fund, please refer to the Company’s announcement dated 8 June 2022.

On 16 December 2021, the Group completed the Rights Issue and raised net proceeds of approximately HK\$79.1 million of which approximately HK\$37.0 million had been utilised to repay the majority of the outstanding loans. Save as amount of approximately HK\$20 million which is expected to be used as investments in appropriate opportunities during the year ending 31 March 2023, the remaining net proceeds have been utilised as general working capital as intended.

Looking forward, the Group will closely monitor the external environment and continue to grow our existing business when opportunity arises, and to explore investment and growth opportunities in different business sectors.

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 2022.

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 2022 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 2022. 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 2022 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 2022 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, 24 June 2022

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.