DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

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 2020 together with the comparative figures of the previous corresponding year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*3*	**1,205,810**	1,516,823
Cost of sales		**(1,179,676)**	(1,502,506)
Gross profit		**26,134**	14,317
Other income	*5*	**7,162**	25,893
Selling and distribution expenses		**(5,301)**	(5,544)
Administrative expenses		**(51,261)**	(68,213)
Other operating expenses		**(17,416)**	(14,525)
Gain on disposal of a subsidiary		**–**	170,291
Loss on early redemption of promissory notes		**–**	(10,905)
Fair value gain on derivative financial instruments	*11*	**1,542**	25,743
Impairment loss on property, plant and equipment		**(2,377)**	–
Impairment loss on trade receivables, net		**(22,504)**	(5,642)
Impairment loss on deposits paid for acquisition of property, plant and equipment	*13*	**(14,574)**	–
Equity-settled share-based payment expenses		**(1,577)**	–
Finance costs	*6*	**(17,864)**	(14,944)
(Loss) Profit before taxation	*6*	**(98,036)**	116,471
Income tax credit (expenses)	*7*	**10,788**	(16,005)
(Loss) Profit for the year		**(87,248)**	100,466
(Loss) Earnings per share	*8*		
Basic (Hong Kong cents)		**(15.14)**	17.43
Diluted (Hong Kong cents)		**(15.14)**	10.49

	2020	2019
	HK$'000	*HK$'000*
(Loss) Profit for the year	**(87,248)**	100,466
Other comprehensive loss:		
Item that has been reclassified to profit or loss:		
Reclassification adjustment of exchange translation reserve upon disposal of a subsidiary	**–**	(8,084)
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of functional currency to presentation currency	**(10,453)**	(13,592)
Other comprehensive loss for the year	**(10,453)**	(21,676)
Total comprehensive (loss) income for the year	**(97,701)**	78,790

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**113,672**	119,134
Refundable deposit paid for acquisition of subsidiaries	12	**12,000**	–
Deposits paid for acquisition of property, plant and equipment		**–**	15,885
		125,672	135,019
Current assets			
Inventories		**79**	731
Trade and bill receivables	9	**93,008**	456,410
Other receivables, deposits and prepayments		**8,208**	20,390
Pledged bank deposits		**–**	117,724
Cash and cash equivalents		**30,649**	62,541
		131,944	657,796
Current liabilities			
Trade payables	10	**5,873**	355,611
Other payables and accruals		**35,915**	18,349
Interest-bearing borrowings		**–**	98,461
Derivative financial instruments	11	**101**	–
Convertible bonds	11	**78,360**	–
Lease liabilities		**1,751**	–
Tax payable		**532**	15,823
		122,532	488,244
Net current assets		**9,412**	169,552
Total assets less current liabilities		**135,084**	304,571
Non-current liabilities			
Derivative financial instruments	11	**–**	1,643
Convertible bonds	11	**–**	73,548
Lease liabilities		**1,751**	–
Deferred tax liabilities		**247**	170
		1,998	75,361
NET ASSETS		**133,086**	229,210
Capital and reserves			
Share capital		**57,624**	57,624
Reserves		**75,462**	171,586
TOTAL EQUITY		**133,086**	229,210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2019 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 below.

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:

Annual Improvements to HKFRSs	2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Except for HKFRS 16 as set out below, 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.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

2. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

HKFRS 16: Leases (Continued)

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA;

(c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA;

(d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA; and

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

2. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

HKFRS 16: Leases (Continued)

As lessee – leases previously classified as operating leases (Continued)

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 5%.

	Carrying amounts at 31 March 2019 under HKAS 17	**Adjustments**	**Carrying amounts at 1 April 2019 under HKFRS 16**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets, presented in property, plant and equipment	–	198	198
Current liabilities			
Lease liabilities	–	130	130
Non-current liabilities			
Lease liabilities	–	68	68

	At 1 April 2019
	HK$'000
Operating lease commitment at 31 March 2019 *(Note)*	200
Lease liabilities recognised at 1 April 2019 discounted using the incremental borrowing rate	198
Analysed as:	
Current	130
Non-current	68
	198

Note:

The amount excluded commitments on short-term leases which are exempted from recognising assets and liabilities under HKFRS 16.

3. REVENUE

	2020 *HK$'000*	2019 *HK$'000*
Revenue from contracts with customers within HKFRS 15		
Manufacturing and trading of printed circuit boards	**37,009**	136,060
Trading of petroleum and energy products	**1,148,398**	1,369,848
Revenue from other sources		
Vessel chartering income	**20,403**	10,915
	1,205,810	1,516,823

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 2020	**Manufacturing and trading of printed circuit boards** *HK$'000*	**Trading of petroleum and energy products** *HK$'000*	**Total** *HK$'000*
Geographical region:			
– Singapore	**–**	**532,842**	**532,842**
– North America	**13,475**	**–**	**13,475**
– Hong Kong	**2,280**	**615,556**	**617,836**
– Japan	**2,470**	**–**	**2,470**
– The People's Republic of China (the "PRC")	**17,264**	**–**	**17,264**
– Europe	**1,486**	**–**	**1,486**
– Other countries	**34**	**–**	**34**
	37,009	**1,148,398**	**1,185,407**
Timing of revenue recognition:			
– at a point in time	**37,009**	**1,148,398**	**1,185,407**
Type of transaction price:			
– fixed price	**37,009**	**1,148,398**	**1,185,407**

3. REVENUE (CONTINUED)

Year ended 31 March 2019	Manufacturing and trading of printed circuit boards *HK$'000*	Trading of petroleum and energy products *HK$'000*	Total *HK$'000*
Geographical region:			
– Singapore	–	353,747	353,747
– North America	23,718	–	23,718
– Hong Kong	12,772	1,016,101	1,028,873
– Japan	15,772	–	15,772
– The PRC	81,370	–	81,370
– Europe	1,861	–	1,861
– Other countries	567	–	567
	136,060	1,369,848	1,505,908
Timing of revenue recognition:			
– at a point in time	136,060	1,369,848	1,505,908
Type of transaction price:			
– fixed price	136,060	1,369,848	1,505,908

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; and

(iii) Vessel chartering.

Segment results represent the results before taxation earned by each segment without allocation of other income generated, administrative expenses and other operating expenses incurred by the corporate office, gain on disposal of a subsidiary, fair value gain on derivative financial instruments, equity-settled share-based payment expenses and finance costs.

All assets are allocated to reportable segments other than unallocated assets which are mainly refundable deposit paid for acquisition of subsidiaries, pledged bank deposits, 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.

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 2020

	Manufacturing and trading of printed circuit boards *HK$'000*	Trading of petroleum and energy products and related business *HK$'000*	Vessel chartering *HK$'000*	Consolidated *HK$'000*
Segment revenue				
Major customer A	–	615,556	–	615,556
Major customer D	–	285,681	–	285,681
Major customer E	–	149,383	–	149,383
Other customers	37,009	97,778	20,403	155,190
	37,009	1,148,398	20,403	1,205,810
Segment results	(39,837)	5,230	3,498	(31,109)
Unallocated other income				2,159
Unallocated administrative expenses				(32,086)
Unallocated other operating expenses				(4,527)
Impairment loss on deposits paid for acquisition of property, plant and equipment				(14,574)
Equity-settled share-based payment expenses				(1,577)
Fair value gain on derivative financial instruments				1,542
Finance costs				(17,864)
Loss before taxation				(98,036)
Income tax credit				10,788
Loss for the year				(87,248)

4. SEGMENT INFORMATION (CONTINUED)

(A) By Business Segments (Continued)

Year ended 31 March 2019

	Manufacturing and trading of printed circuit boards *HK$'000*	Trading of petroleum and energy products and related business *HK$'000*	Vessel chartering *HK$'000*	Consolidated *HK$'000*
Segment revenue				
Major customer A	–	663,356	–	663,356
Major customer B	–	352,713	–	352,713
Major customer C	–	180,103	–	180,103
Other customers	136,060	173,676	10,915	320,651
	136,060	1,369,848	10,915	1,516,823
Segment results	(40,623)	3,478	(7,843)	(44,988)
Unallocated other income				1,498
Unallocated administrative expenses				(14,904)
Unallocated other operating expenses				(6,225)
Gain on disposal of a subsidiary				170,291
Fair value gain on derivative financial instruments				25,743
Finance costs				(14,944)
Profit before taxation				116,471
Income tax expenses				(16,005)
Profit for the year				100,466

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:

As at 31 March 2020

	Manufacturing and trading of printed circuit boards *HK$'000*	Trading of petroleum and energy products and related business *HK$'000*	Vessel chartering *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Segment assets	63,939	77,094	86,327	30,256	257,616
Segment liabilities	20,106	595	14,198	89,631	124,530
Other segment information:					
Depreciation	(4,997)	(1,811)	(6,206)	(125)	(13,139)
Equity-settled share-based payment expenses	–	–	–	(1,577)	(1,577)
Fair value gain on derivative financial instruments	–	–	–	1,542	1,542
Gain (Loss) on disposal of property, plant and equipment, net	2	–	–	(16)	(14)
Impairment loss on property, plant and equipment	(2,377)	–	–	–	(2,377)
Impairment loss on trade receivables, net	(335)	(22,174)	5	–	(22,504)
Impairment loss on deposits paid for acquisition of property, plant and equipment	–	–	–	(14,574)	(14,574)
Reversal of write down of inventories	2,157	–	–	–	2,157
Write-back of trade payables	1,129	–	–	–	1,129
Additions to property, plant and equipment (including right-of-use assets)	2,060	–	10,602	6,230	18,892
Refundable deposit paid for acquisition of subsidiaries	–	–	–	12,000	12,000

4. SEGMENT INFORMATION (CONTINUED)

(A) By Business Segments (Continued)

As at 31 March 2019

	Manufacturing and trading of printed circuit boards *HK$'000*	Trading of petroleum and energy products and related business *HK$'000*	Vessel chartering *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Segment assets	69,008	452,710	88,098	182,999	792,815
Segment liabilities	19,976	341,822	6,006	195,801	563,605
Other segment information:					
Amortisation	(300)	–	–	–	(300)
Depreciation	(5,660)	–	(2,270)	(862)	(8,792)
Fair value gain on derivative financial instruments	–	–	–	25,743	25,743
Gain on disposal of a subsidiary	–	–	–	170,291	170,291
Gain (Loss) on disposal of property, plant and equipment, net	17,138	–	–	(801)	16,337
Loss on early redemption on promissory notes	–	–	(10,905)	–	(10,905)
Impairment loss on trade receivables, net	(4,181)	(1,456)	(5)	–	(5,642)
Reversal of impairment loss on other receivables, deposits and prepayments	642	–	–	–	642
Reversal of write down of inventories	2,440	–	–	–	2,440
Write down of inventories	(2,007)	–	–	–	(2,007)
Write-back of trade payables	186	–	–	–	186
Deposits paid for acquisition of property, plant and equipment	1,311	–	–	–	1,311
Additions to property, plant and equipment	5,860	–	47,674	146	53,680

4. SEGMENT INFORMATION (CONTINUED)

(B) Geographical Information

(i) Revenue form external customers

	2020	2019
	HK$'000	*HK$'000*
Singapore	**553,245**	364,662
North America	**13,475**	23,718
Hong Kong	**617,836**	1,028,873
Japan	**2,470**	15,772
The PRC	**17,264**	81,370
Europe	**1,486**	1,861
Other countries	**34**	567
	1,205,810	1,516,823

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

(ii) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**4,611**	1,046
Singapore	**85,093**	100,147
The PRC	**23,968**	33,826
	113,672	135,019

The non-current assets information above is based on the locations of assets and excluded refundable deposits paid for acquisition of subsidiaries.

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**860**	1,799
Equipment rental income	**–**	759
Gain on disposal of property, plant and equipment, net	**–**	16,337
Reversal of impairment loss on other receivables, deposits and prepayments	**–**	642
Sales of scrap materials	**4,175**	4,540
Write-back of trade payables	**1,129**	186
Others	**998**	1,630
	7,162	25,893

6. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2020	2019
	HK$'000	*HK$'000*
Finance costs		
Interest on bank borrowings	**8,521**	4,333
Interest on convertible bonds *(Note 11)*	**9,174**	9,037
Interest on lease liabilities	**169**	–
Imputed interest on promissory notes	**–**	1,574
	17,864	14,944
Staff costs (excluding directors' emoluments)		
Salaries, allowances and benefits-in-kind	**9,438**	19,886
Contribution to defined contribution plans	**682**	1,620
Share-based payment expenses	**805**	–
Voluntary termination benefits	**–**	22,713
	10,925	44,219
Other items		
Auditor's remuneration		
– Audit services	**1,200**	1,200
– Non-audit services	**410**	563
Amortisation of prepaid lease payments	**–**	300
Cost of inventories *(Note)*	**1,179,676**	1,502,506
Depreciation	**13,139**	8,792
Exchange loss, net (included in other operating expenses)	**4,502**	5,816
Loss (Gain) on disposal of property, plant and equipment, net	**14**	(16,337)
Legal and professional fee (included in administrative expenses)		
– withholding tax on capital gain	**9,184**	–
– others	**6,429**	1,710
	15,613	1,710
Other rental and related expenses	**1,519**	4,956
Relocation and re-installation costs (included in other operating expenses)	**12,889**	8,008
Repair and maintenance (included in administrative expenses)	**2,962**	5
Reversal of write down of inventories	**(2,157)**	(2,440)
Write down of inventories	**–**	2,007

Note:

Cost of inventories excludes write down of inventories and related reversal but includes approximately HK$4,689,000 *(2019: HK$15,727,000)* 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

	2020	2019
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**22**	212
Singapore corporate income tax	**238**	185
	260	397
(Overprovision of) Provision for withholding tax on capital gain upon disposal of a PRC wholly-owned subsidiary	**(11,139)**	15,438
Deferred tax	**91**	170
Total income tax (credit) expenses for the year	**(10,788)**	16,005

PRC Enterprise Income Tax has not been provided for the years ended 31 March 2020 and 2019 as the Group's entities in the PRC incurred a loss for taxation purposes.

For the years ended 31 March 2020 and 2019, the assessable profits of a Hong Kong incorporated subsidiary 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% *(2019: 17%)* of the estimated assessable profits without CIT rebate *(2019: CIT rebate of 20%, capped at SG$10,000)* for the year ended 31 March 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 *(2019: 75% tax exemption on the first SG$10,000 of normal chargeable income and a further 50% tax exemption on the next SG$290,000 of normal chargeable income)* during the year ended 31 March 2020.

Indirect transfer of equity interests sourced in the PRC of non-resident enterprises is subject to withholding tax at a rate of 10% of the capital gain, subject to any tax concession and adjustments, for the year ended 31 March 2019. During the year ended 31 March 2020, the Group concluded and settled the final withholding tax on the capital gain with the local tax authority.

7. INCOME TAX (CONTINUED)

Reconciliation of income tax (credit) expenses

	2020	2019
	HK$'000	*HK$'000*
(Loss) Profit before taxation	**(98,036)**	116,471
Tax calculated at domestic tax rates applicable to (loss) profit in the respective tax jurisdictions	**(17,803)**	16,655
Non-deductible expenses	**3,536**	8,602
Tax exempted revenue	**(105)**	(28,238)
Unrecognised temporary differences	**3,545**	(2,476)
Unrecognised tax losses	**11,358**	8,208
Utilisation of previously unrecognised tax losses	**–**	(2,056)
(Overprovision of) Provison for withholding tax on capital gain upon disposal of a PRC wholly-owned subsidiary	**(11,139)**	15,438
Others	**(180)**	(128)
Income tax (credit) expenses	**(10,788)**	16,005

8. (LOSS) EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
(Loss) Profit:		
(Loss) Profit attributable to owners of the Company, used in basic (loss) earnings per share calculation	**(87,248)**	100,466
Adjustment of (loss) profit attributable to owners of the Company:		
– Interest saving of the convertible bonds	**–**	9,037
– Fair value gain on derivative financial instruments	**–**	(25,743)
(Loss) Profit attributable to owners of the Company, used in diluted (loss) earnings per share calculation	**(87,248)**	83,760

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**576,243,785**	576,243,785
Effect of dilutive potential ordinary shares: Conversion of convertible bonds	**–**	222,222,222
Weighted average number of ordinary shares for the purpose of calculating dilutive (loss) earnings per share	**576,243,785**	798,466,007

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 for the year ended 31 March 2020 and the exercise price per share option was higher than the average share price of the Company, respectively.

9. TRADE AND BILL RECEIVABLES

	Note	2020 *HK$'000*	2019 *HK$'000*
Trade receivables			
– from related parties		**–**	1,835
– from third parties		**120,720**	458,825
	9(a)	**120,720**	460,660
Less: Loss allowance		**(27,712)**	(5,642)
	9(a)	**93,008**	455,018
Bill receivables	*9(b)*	**–**	1,392
		93,008	456,410

9(a) Trade receivables

The trade receivables from related parties are unsecured, interest-free and repayable on demand. The Group's business with its trade debtors is mainly on credit basis and the credit period is ranging from 7 to 120 days *(2019: 7 to 120 days)*. At the end of the reporting period, the ageing analysis of trade receivables (before loss allowance) by invoice date is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Less than 1 month	**3,626**	313,450
1 to 2 months	**911**	75,704
2 to 3 months	**678**	1,529
Over 3 months	**115,505**	69,977
	120,720	460,660

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

	2020 *HK$'000*	2019 *HK$'000*
Not past due	**5,316**	378,059
Less than 1 month past due	**1,109**	8,752
1 to 2 months past due	**516**	46,771
2 to 3 months past due	**59**	509
Over 3 months past due	**86,008**	20,927
	93,008	455,018

9(b) Bill receivables

As at 31 March 2019, all bill receivables are interest-free and guaranteed by banks in the PRC and have maturities of less than six months.

10. TRADE PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables to third parties	**5,873**	355,611

The trade payables are non-interest bearing and the Group is normally granted with a credit term ranging from 7 to 90 days *(2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Less than 1 month	**2,939**	140,574
1 to 2 months	**1,085**	206,141
2 to 3 months	**381**	4,171
Over 3 months	**1,468**	4,725
	5,873	355,611

11. 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 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.

11. 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 were determined with reference to a valuation conducted by an independent professional valuer.

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

	2020	2019
Stock price	**HK$0.120**	HK$0.240
Exercise price	**HK$0.360**	HK$0.360
Volatility	**102.94%**	76.80%
Option life	**5 months**	17 months
Risk-free interest rate	**0.62%**	1.42%
Discount rate	**23.45%**	11.22%

The movement of the convertible bonds is as follows:

Derivative components, classified as net financial liabilities at FVPL

	Conversion option *HK$'000*	**Call option** *HK$'000*	**Total** *HK$'000*
As at 1 April 2018	64,778	(37,392)	27,386
Fair value changes	(50,083)	24,340	(25,743)
As at 31 March 2019 and at 1 April 2019	14,695	(13,052)	1,643
Fair value changes	(13,627)	12,085	(1,542)
As at 31 March 2020	**1,068**	**(967)**	**101**

Liability component, classified as financial liability at amortised costs

	HK$'000
As at 1 April 2018	69,311
Effective interest expenses	9,037
Interest paid	(4,800)
At 31 March 2019 and at 1 April 2019	73,548
Effective interest expenses	9,174
Interest paid	(4,362)
At 31 March 2020	**78,360**

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

12. COMMITMENTS

(a) Capital commitments

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

	2020	2019
	HK$'000	*HK$'000*
Contracted but not provided for, net of deposits paid in respect of		
– Acquisition of subsidiaries *(Note)*	**23,000**	–
– Property, plant and equipment	**–**	83,824
	23,000	83,824

Note:

On 23 March 2020, Perfect Design Limited ("Perfect Design"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sky Will Printing & Packing (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 (together referred to as the "Target Group") at an aggregate consideration of HK$35 million and the Guarantor agreed to guarantee the performance of the obligations of the Vendor under the Agreement (the "Acquisition"). On 24 June 2020, Perfect Design entered into a supplemental agreement with the Vendor and the Guarantor, pursuant to which the consideration of HK$35 million was lowered to HK$30 million. The Vendor is a company incorporated in Hong Kong with limited liability and wholly owned by a substantial shareholder of the Company. Accordingly, the Acquisition constitutes a connected transaction under the Listing Rules.

The Target Group is principally engaged in manufacturing and trading of packaging products.

During the year ended 31 March 2020, a refundable deposit for acquisition of the Target Group of HK$12,000,000 was paid to the Vendor and was included in "Refundable deposit paid for acquisition of subsidiaries" in the consolidated financial statements.

The Acquisition was not yet completed up to the date of this announcement. Upon completion of the Acquisition, the Target Group will become indirect non-wholly owned subsidiaries of the Company. Details of the Acquisition were set out in the Company's announcements dated 23 March 2020, 8 May 2020, 27 May 2020, 15 June 2020 and 24 June 2020.

The Acquisition will constitute a business combination and will be accounted for using the acquisition method under HKFRS 3, *Business Combinations*.

As the initial accounting for the Acquisition of the Target Group is incomplete, it is not practicable to reliably estimate its financial effect.

12. COMMITMENTS (CONTINUED)

(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:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**180**	1,089
In the second to fifth years inclusive	**–**	63
	180	1,152

As at 31 March 2020, the balance only represented commitment for short-term leases and leases of low-value assets. The total future minimum lease payments for the non-cancellable operating leases after initial application of HKFRS 16 on 1 April 2019 are set out in Note 2 to the consolidated financial statements. In accordance with the transition provisions of HKFRS 16, comparative information is not restated.

As Lessor

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

	2020	2019
	HK$'000	*HK$'000*
Within one year	**–**	21,388
In the second to fifth years inclusive	**–**	11,112
	–	32,500

The Group leases out all of its vessels and certain equipment under operating leases with lease terms ranging from twenty four months and twenty six months.

The Group is insured against loss that may arise from accidents or physical damages of each vessel up to the amount of US$500,000,000 (equivalent to approximately HK$3,876,600,000).

Subsequent to the end of the reporting period, the Group has entered into two vessel chartering agreements for a period of 1 year to lease out its vessels. The total future minimum lease receivables under this non-cancellable operating lease are approximately HK$20,867,000.

13. LITIGATION

(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 High Court would find the Company liable for the 1st Action. The directors of the Company are of the opinion that it is not probable that an outflow of economic benefits will be required and therefore no provision for the Claims is considered necessary.

On 24 May 2017, the Company and Huafeng 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 High Court for the above cases.

(b) Litigation with Societe Generale

On 17 September 2019, the Group received an amended writ of summons (the "Writ") issued by Societe Generale, Singapore Branch (the "Plaintiff") in which, among others, Pacific Dragon and DML, two wholly-owned subsidiaries of the Company, have been joined as additional defendants to the proceedings of the High Court of Hong Kong (case number HCA 1617/2019) (the "Proceedings") which were originally issued against, among others, (1) Ms. Cheung, an ex-director of the Company who resigned on 4 September 2019 and an ex-shareholder of the Company holding approximately 20.84% interest in the Company on trust for her family until she ceased to hold any of the interest on trust for her family on 14 August 2019, and (2) Inter-Pacific Petroleum Pte Ltd ("Inter-Pacific Petroleum"), a wholly owned subsidiary of Inter-Pacific Group. Pursuant to the Writ, the Plaintiff claims, among other things, against Inter-Pacific Petroleum for payment for breach of certain trade finance facilities granted to Inter-Pacific Petroleum in the outstanding sum as at 28 August 2019 of approximately US$89,849,000.

In connection with the Writ, the Plaintiff obtained an injunction order against, among others, Pacific Dragon and DML, pursuant to which (1) Pacific Dragon is restricted from disposing of or dealing with the sum of approximately US$24,963,000 paid into its bank account during the period from 1 June 2019 to 31 August 2019 and any of its assets whether within or outside Hong Kong up to the same value; and (2) DML is restricted from disposing of or dealing with the sum of approximately US$6,653,000 paid into its bank account during the period from 1 June 2019 to 31 August 2019 and any of its assets whether within or outside Hong Kong up to the same value. The injunction order was continued on the return hearing held on 20 September 2019. The hearing has been adjourned to be heard on 5 February 2020.

13. LITIGATION (CONTINUED)

(b) Litigation with Societe Generale (Continued)

The above details have been disclosed in the Company's announcements dated 4 September 2019, 18 September 2019 and 29 October 2019 respectively. As at 31 March 2020, the bank balances of DML and Pacific Dragon subject to the above litigation amounted to approximately HK$12,019,000. Given the general adjourned period started on 29 January 2020 and ended on 3 May 2020, the hearing has been rescheduled to 22 June 2020. On 22 June 2020, the hearing was held and judgement was deferred and would be handed down later.

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

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

(c) Litigation with Inter-Pacific Group

In November 2019, the Company 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 Company which had paid Inter-Pacific Group for the acquisition of the two of the four vessels, namely Pacific Energy 8 and Pacific Enerygy 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 Company in the following manner: (i) on the date of 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 Company 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 Company (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 Company 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.

14. EVENTS AFTER THE REPORTING PERIOD

In addition to information disclosed elsewhere in the consolidated financial statements, subsequent to 31 March 2020, the Group has the following subsequent events:

(a) In view of the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of these consolidated financial statements, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19. The management considers that there is no significant adverse impact to the financial position and operation of the Group.

(b) On 4 June 2020, the Company entered into a loan facility agreement with an independent third party (the "Lender"), pursuant to which the Lender agrees to grant the Company a loan facility amounted to HK$50,000,000, which shall be repayable within 12 months after the drawdown date. The loan bears an interest rate of 2% per month which will accrue at the end of each month and repay to the Lender in full together with the principal.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group's total revenue for the current year was approximately HK1,205.8 million, representing a decrease of 20.5% as compared with approximately HK$1,516.8 million for the last year. During the year under review, the revenue generated from trading of petroleum and energy products and related business segment had decreased to HK$1,148.4 million, representing a decrease of 16.2% as compared with the revenue of approximately HK$1,369.8 million in the preceding year. The Group had recorded lower than expected growth in the revenue of trading of petroleum and energy products and related business segment in the current financial year as the trading activities came to a standstill in September 2019 due to two of its subsidiaries received an interim injunction issued by Societe Generale Singapore Branch ("SG Bank"), restricting the Company's two subsidiaries from disposing of or dealing with the claimed sums pursuant to the injunction order. In addition, the recent fluctuation in oil price caused the petroleum and energy product trading business to be uncertain and challenging. 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 lose substantial trading of petroleum and energy products business for the second half of the year. During the year, the Group recorded the revenue of approximately HK$37.0 million for its printed circuit boards ("PCB") segment, representing a decrease of 72.8% as compared with the revenue of HK$136.1 million in the preceding year. The decrease in revenue of PCB segment was mainly due to (i) the raft of negative sentiment triggered by the recent escalating trade dispute between the USA and China which made its existing clients hold back on placing orders; and (ii) the dampened business environments in domestic and overseas markets, especially those in Europe and Japan, deteriorated sharply as the COVID-19 epidemic had reduced people and cargo flows and caused disruption to a wide range of economic activities. During the year, the Group recorded the revenue of approximately HK$20.4 million for its vessel chartering business, representing an increase of 87.2% as compared with the revenue of approximately HK$10.9 million in the same corresponding period of last year. The Group recorded the increase in revenue due to the fact that it leased two vessels for the whole current year but leased only one vessel for the first 10 months of the last corresponding year and started leasing the two vessels for the remaining 2 months of the last corresponding year.

During the year under review, the Group's trading of petroleum and energy products and related business segment recorded a segment profit of approximately HK$5.2 million, as compared to the profit of HK$3.5 million for the preceding year. The Group's PCB segment recorded a segment loss of approximately HK$39.8 million, representing a decrease of 2.0% as compared with the segment loss of HK$40.6 million for the preceding year. The decrease in the PCB segment loss was mainly due to the cost-conscious measures taken by the Group for its leased factory in Huizhou.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business and Financial Review (Continued)

The Group recorded a net loss of approximately HK$87.2 million for the year ended 31 March 2020 as compared to a net profit approximately HK$100.5 million for the preceding year after taking into account the following: (1) Impairment loss on the deposit of HK$14,574,000 paid for the acquisition of the two of the four vessels pursuant to the Sale and Purchase Agreement dated 29 September 2017 which was terminated subsequently by the deadline and the Vendor was known to have financial difficulties and had yet to fulfill its obligation to return the Third Deposit to the Company by the prescribed deadline (the details of which had been disclosed in the Company's announcement dated 4 September 2019); (2) Impairment loss of approximately HK$22.5 million on the outstanding trade receivables of the Group; (3) the decrease in the fair value gain on derivative financial instruments from HK$25.7 million for last corresponding period to HK$1.5 million for the current year under review; (4) Impairment loss on property, plant and equipment of approximately HK$2.4 million; (5) legal and professional fee of approximately HK$15.6 million (2019: HK$1.7 million) incurred for professional advice on settlement of withholding tax on capital gain and various outstanding litigations; and (6) the absence of the preceding year's gain of approximately HK$170.3 million on the disposal of the subsidiary in the current financial year.

The Group's gearing ratio (defined as interest-bearing borrowings, lease liabilities and liability component of convertible bonds divided by total capital) as at 31 March 2020 was 62% (2019: 75%). The Group's current ratio as at 31 March 2020 and 2019 was 1.08 times and 1.35 times respectively.

As at 31 March 2020, the Group's total cash and bank balances (including pledged bank deposits) were approximately HK$30.6 million (2019: HK$180.3 million) and the Group did not have any interest-bearing bank borrowings (2019: HK$98.5 million). Therefore, the Group had a net cash balance of approximately HK$30.6 million (2019: HK$81.8 million). Besides, there were no credit facilities available to the Group (2019: HK$610 million) as at 31 March 2020.

Capital Structure

The capital structure of the Group for the year ended 31 March 2020 is summarised as be below:

Convertible Bonds

As at 31 March 2020, the Company had 6% interest-bearing convertible bonds. Summary of the movement of the convertible bonds is as follow, further details are set out in note 11 to the consolidated financial statements in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure (Continued)

Convertible Bonds (Continued)

Date of issue	Principal amount *(HK$)*	Maturity date	Conversion price per share *(HK$)*	Amount convert into shares during the year *(HK$)*	Balance *(HK$)*	Number of shares to be issued upon full conversion
22 September 2017	80,000,000	21 September 2020	0.36	–	80,000,000	222,222,222

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 2020. 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 2020, but the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate time.

Litigation

Save as disclosed outstanding litigation set out in note 13 to the consolidated financial statements in this announcement, the Group is not a party to any other significant legal proceedings.

Contingent Liabilities

As at 31 March 2020, the Group did not have any material contingent liability (2019: Nil).

Employee Benefits

As at 31 March 2020, the Group had 44 (2019: 84) employees, including directors, working mainly in Hong Kong, Mainland China and Singapore. For the year ended 31 March 2020, the Group's total staff costs including directors' emoluments were approximately HK$14.6 million (2019: approximately HK$47.0 million).

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Material Acquisition and Disposals 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"), 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 conditionally agreed to sell the entire shares of Sky Will Printing & Packaging Limited (the "Target Company") at a consideration of HK$35 million and the Guarantor agreed to guarantee the performance of the obligations of the Vendor under the Sale and Purchase Agreement.

The consideration for the Acquisition is HK$35 million, which shall be settled in the following manners:

(i) HK$12 million will be payable to the Vendor (or its nominee) in cash as refundable deposit (the "Deposit") within three (3) Business Days after the date of the Sale and Purchase Agreement; and

(ii) Subject to Completion, HK$23 million will be payable to the Vendor in cash and/or issue of a promissory note (the "Promissory Note") or a combination of both.

The Target Company and its subsidiaries (the "Target Group") is principally engaged in the manufacture and trading of printing and packaging products businesses. The Target 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, 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 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 was 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 Target Group for the year ending 31 March 2021.

At the date of this announcement, the Acquisition is not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Outlook

Printed Circuit Boards Segment

During the year ended 31 March 2020, the Group's PCB business had been hit hard by the year-long trade war between China and the U.S. and the COVID-19 outbreak in early 2020. In March 2020, the PRC government reported its weakened export sentiment with all the relevant sub-indexes at all-time low amid the deteriorating business environments in the European countries and the US, meaning that the Group's export business would be subject to even greater pressure in the near term, and the exact impact will be hinging on the duration and severity of the pandemic around the world. As such, the Group will continue pursuing its low-cost strategy by reducing the operating costs and improving the production efficiency to increase its sales revenue by expanding the PRC market for its PCB segment while maintaining the long-term business relationship with its existing domestic and overseas customers. Going forward, the business environment, both locally and abroad, will continue to be challenging amid the recent economic fallout. the Board believes that the expertise and experience of its management team, as well as the reputation in the PCB industry, will enable the Group to resume its business development and expansion in the coming days.But at the same time, we should be prepared for the worst as the global economy may go into recession since the outbreak.

Trading of Petroleum and Energy Products and Related Business Segment

The legal proceedings against the Company initiated by SG Bank in August 2019 had greatly hindered the pace of the development and expansion of the Group's trading of petroleum and energy products and related business. Since SG Bank is the one and only bank providing the banking facilities for the Company's oil trading business and therefore the temporary suspension of the banking facilities granted to the Group by SG Bank together with the injunction order issued against the Company have caused it to lose substantial business. As such, the Company had vigorously defended the plaintiff's claims and discharge the injunction order and would continue to do so in order that its trading business could be back to normal as soon as practicable. As at the time of this announcement, the injunction order has not been discharged and therefore still remains in force and effective. Oil prices fell to a new all-time low in 21 years as countries around the world are implementing lockdown measures and travel restrictions to contain and slow the spread of the novel coronavirus. Until the outbreaks of the the coronavirus pandemic have been brought under control, lockdowns would continue to sap demand for transportation fuel in the coming days. The Board believes that the Company's petroleum and energy product trading business will be extremely dim in the foreseeable future as the timing and degree of economic recovery remain highly uncertain. It is quite worried that the Company's oil trading business will continue to go through an extremely difficult period and may even be forced out of business if there is no improvement in the operating environments in the coming days.

Vessel Chartering Business Segment

The leasing income from these vessels will provide the Group with another stable income stream and at a reasonable rate of return based on the prevailing market leasing rates in the coming days.

CORPORATE GOVERNANCE

In the opinion of the directors, 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 2020, except that only three regular board meetings were held during the year ended 31 March 2020.

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 management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 March 2020 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 2020. 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 2020 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 2020 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
Cheung Lai Ming
Chairman

Hong Kong, 26 June 2020

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

Executive directors:
CHEUNG Lai Ming *(Chairman)*
LEE Man Kwong

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