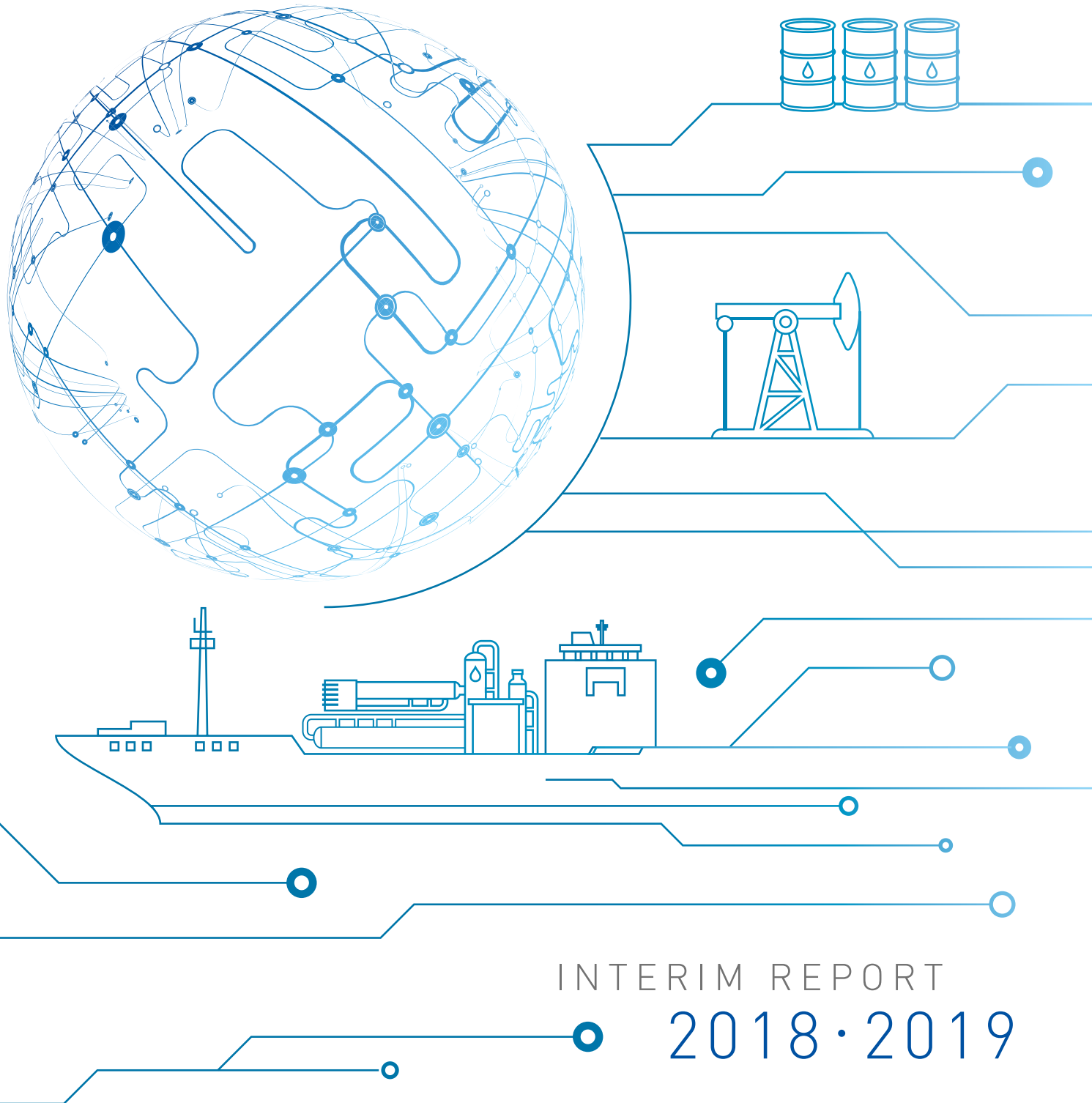




DAISHO MICROLINE HOLDINGS LIMITED

大昌微纜集團有限公司

Stock Code : 0567



INTERIM REPORT

2018·2019

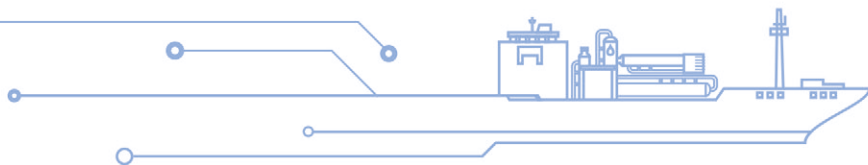


UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Daisho Microline Holdings Limited (the “Company”) presents the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2018 together with the comparative figures for the corresponding period in 2017 as follows. The interim results have not been audited by the external auditors but they have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		(Unaudited)	
		Six months ended 30 September	
	Note	2018	2017
		HK\$'000	HK\$'000
Revenue	3	347,560	178,787
Cost of sales		<u>(345,556)</u>	<u>(175,724)</u>
Gross profit		2,004	3,063
Other income	4	26,483	5,137
Selling and distribution expenses		(3,431)	(2,528)
Administrative expenses		(23,371)	(19,040)
Other operating expenses		(8,253)	(626)
Loss on early redemption of a promissory note	15	(2,100)	–
Fair value gain on derivative financial instruments	16	25,073	–
Staff compensation	20	(25,242)	–
Finance costs	5	<u>(7,918)</u>	<u>(1,531)</u>
Loss before taxation	5	(16,755)	(15,525)
Income tax expenses	6	<u>(184)</u>	<u>–</u>
Loss for the period		<u><u>(16,939)</u></u>	<u><u>(15,525)</u></u>
Loss per share			
Basic and diluted	8	<u><u>HK(2.94) cents</u></u>	<u><u>HK(2.69) cents</u></u>



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited)	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Loss for the period	<u>(16,939)</u>	<u>(15,525)</u>
Other comprehensive (loss) income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of functional currency to presentation currency	<u>(17,839)</u>	<u>7,650</u>
Other comprehensive (loss) income for the period	<u>(17,839)</u>	<u>7,650</u>
Total comprehensive loss for the period	<u><u>(34,778)</u></u>	<u><u>(7,875)</u></u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	9	199,480	104,847
Prepaid lease payments		–	12,972
Deposits paid for acquisition of property, plant and equipment		1,257	23,501
		<u>200,737</u>	<u>141,320</u>
CURRENT ASSETS			
Inventories		2,575	31,504
Trade receivables	10	178,760	83,538
Other receivables, deposits and prepayments	11	14,855	13,412
Pledged bank deposits		154,612	154,441
Cash and cash equivalents		51,626	59,607
		<u>402,428</u>	<u>342,502</u>
Assets classified as held for sale	12	36,184	–
		<u>438,612</u>	<u>342,502</u>
CURRENT LIABILITIES			
Trade payables	13	85,367	77,044
Other payables and accruals		37,178	25,846
Tax payable		184	–
Interest-bearing borrowings	14	216,657	105,543
		<u>339,386</u>	<u>208,433</u>
Liabilities associated with assets classified as held for sale	12	369	–
		<u>339,755</u>	<u>208,433</u>
NET CURRENT ASSETS		<u>98,857</u>	<u>134,069</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>299,594</u>	<u>275,389</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
	Note		
NON-CURRENT LIABILITIES			
Promissory notes payable	15	110,166	28,272
Derivative financial instruments	16	2,313	27,386
Convertible bonds	16	71,473	69,311
		<u>183,952</u>	<u>124,969</u>
NET ASSETS			
		<u>115,642</u>	<u>150,420</u>
CAPITAL AND RESERVES			
Share capital		57,624	57,624
Reserves		58,018	92,796
		<u>115,642</u>	<u>150,420</u>
TOTAL EQUITY			
		<u>115,642</u>	<u>150,420</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018 (Unaudited)

	Reserves					Sub-Total HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000		
Balance at 1 April 2018	57,624	128,492	9,379	110,354	(155,429)	92,796	150,420
Loss for the period	-	-	-	-	(16,939)	(16,939)	(16,939)
Other comprehensive loss							
<i>Exchange difference on translation of functional currency to presentation currency</i>	-	-	-	(17,839)	-	(17,839)	(17,839)
Total comprehensive loss for the period	-	-	-	(17,839)	(16,939)	(34,778)	(34,778)
Balance at 30 September 2018	<u>57,624</u>	<u>128,492</u>	<u>9,379</u>	<u>92,515</u>	<u>(172,368)</u>	<u>58,018</u>	<u>115,642</u>
Balance at 1 April 2017	57,624	128,492	9,379	88,222	(75,352)	150,741	208,365
Loss for the period	-	-	-	-	(15,525)	(15,525)	(15,525)
Other comprehensive income							
<i>Exchange difference on translation of functional currency to presentation currency</i>	-	-	-	7,650	-	7,650	7,650
Total comprehensive income (loss) for the period	-	-	-	7,650	(15,525)	(7,875)	(7,875)
Balance at 30 September 2017	<u>57,624</u>	<u>128,492</u>	<u>9,379</u>	<u>95,872</u>	<u>(90,877)</u>	<u>142,866</u>	<u>200,490</u>



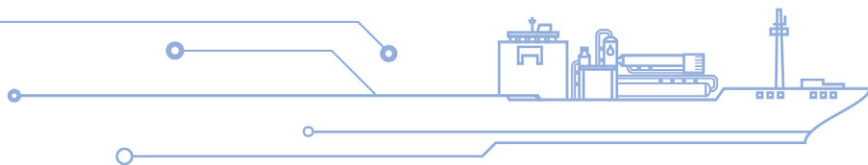
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(16,755)	(15,525)
Adjustments for:		
Interest income	(626)	(998)
Depreciation	4,632	5,883
Amortisation of prepaid lease payments	152	148
Dividend income from listed equity investments	–	(80)
Fair value gain on derivative financial instruments	(25,073)	–
(Gain) Loss on disposal of property, plant and equipment	(21,468)	256
Loss on early redemption of promissory note	2,100	–
Reversal of impairment loss on other receivables	–	(970)
Reversal of write down of inventories	(2,590)	–
Finance costs	7,918	1,531
	<hr/>	<hr/>
Operating cash flows before changes in working capital	(51,710)	(9,755)
Changes in working capital:		
Financial assets at fair value through profit or loss	–	1,615
Inventories	28,589	1,276
Trade receivables	(96,637)	(61,059)
Other receivables, deposits and prepayments	(2,698)	4,256
Trade payables	11,523	1,784
Other payables and accruals	17,896	(478)
	<hr/>	<hr/>
Cash used in operations	(93,037)	(62,361)
Interest received	1,062	1,690
	<hr/>	<hr/>
Net cash used in operating activities	(91,975)	(60,671)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

		(Unaudited)	
		Six months ended 30 September	
	Note	2018	2017
		HK\$'000	HK\$'000
INVESTING ACTIVITIES			
Dividend income from listed equity investments		–	80
Payment for purchase of property, plant and equipment, including deposits paid		(21,426)	(33,681)
Proceeds from disposal of property, plant and equipment		22,839	23
Increase in pledged bank deposits		(13,442)	(11,729)
Net cash used in investing activities		(12,029)	(45,307)
FINANCING ACTIVITIES			
New bank and other loans raised		136,342	27,335
Repayment of bank loans		(25,228)	(16,948)
Repayment of part of the principal of promissory note		(14,950)	–
Interest paid		(4,906)	(1,330)
Proceeds from issue of convertible bonds, net of issue costs		–	77,195
Net cash from financing activities		91,258	86,252
Net decrease in cash and cash equivalents		(12,746)	(19,726)
Cash and cash equivalents at beginning of period		59,607	74,453
Effect of foreign exchange rate changes, net		4,769	(882)
Cash and cash equivalents at end of period		51,630	53,845
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		51,630	53,845
Less: included in the assets classified as held for sale	12	(4)	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows and condensed consolidated statement of financial position		51,626	53,845



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

The unaudited condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2018, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by HKICPA. They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 March 2018 (the “Annual Report”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value.

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

2. Adoption of New/Revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Annual Improvements to HKFRSs	<i>2014–2016 Cycle: HKFRS 1 and HKAS 28</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
HK(IFRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>

Except for HKFRS 9 and HKFRS 15 as set out below, the adoption of other new/revised HKFRSs did not result in material impact on the Group’s unaudited condensed consolidated financial statements for current and prior periods.



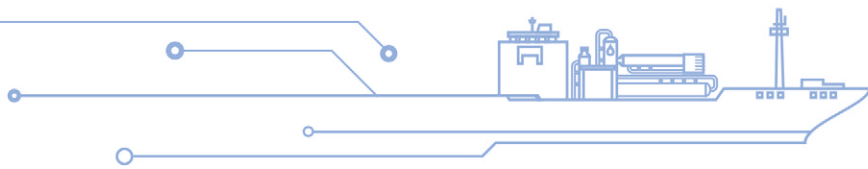
2. Adoption of New/Revised HKFRSs (continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment requirements for financial assets. Key requirement of HKFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The management of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 for classification and measurement based on the facts and circumstances that existed at that date and for impairment on expected credit losses using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The application of HKFRS 9 has had no material effect on classification and measurement of financial assets and no impairment allowance was recognised in the condensed consolidated interim financial information.



2. Adoption of New/Revised HKFRSs (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of the Company considers that the performance obligations that may be identified under HKFRS 15 are similar to the identification of revenue components under the Group’s existing revenue recognition policy and therefore, the adoption of HKFRS 15 do not have any significant impact on recognition of revenue.

As at the date of authorisation of the unaudited condensed interim financial statements, the Group has not early adopted the new/revised HKFRSs that have been issued but are not yet effective.



3. Revenue and Segment Information

The principal activities of the Group are investment holding, manufacturing and trading of printed circuit boards and trading of petroleum and energy products and related business.

Revenue represents the net invoiced value of goods sold after allowances for returns, trade discounts and valued-added tax. An analysis of the Group's revenue is as follows:

	(Unaudited)	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Trading of printed circuit boards	102,321	85,357
Trading of petroleum and energy products	240,552	93,430
Vessel chartering income	4,687	–
	<u>347,560</u>	<u>178,787</u>

In order to realise business diversification, the Group has commenced the business of trading of petroleum and energy products and related business during the period ended 30 September 2017. 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; and
- (ii) Trading of petroleum and energy products and related business.

Segment results represent the results before taxation earned by each segment without allocation of certain other income generated, selling and distribution expenses, administrative expenses, other operating expenses and finance costs incurred by the corporate office and fair value gain on derivative financial instruments.

All assets are allocated to reportable segments other than unallocated assets which are mainly 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.

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.

3. Revenue and Segment Information (continued)

(A) By Business Segments

Six months ended 30 September 2018 (unaudited)

	Manufacturing and trading of printed circuit boards HK\$'000	Trading of petroleum and energy products and related business HK\$'000	Consolidated HK\$'000
Segment revenue			
Major customer A	–	161,949	161,949
Major customer B	–	51,303	51,303
Major customer C	45,364	–	45,364
Other customers	56,957	31,987	88,944
	<u>102,321</u>	<u>245,239</u>	<u>347,560</u>
Segment results	<u>(18,812)</u>	<u>(1,062)</u>	(19,874)
Unallocated other income			626
Unallocated selling and distribution expenses			(1,070)
Unallocated administrative expenses			(6,189)
Unallocated other operating expenses			(8,253)
Fair value gain on derivative financial instruments			25,073
Finance costs			<u>(7,068)</u>
Loss before taxation			(16,755)
Income tax expenses			<u>(184)</u>
Loss for the period			<u>(16,939)</u>



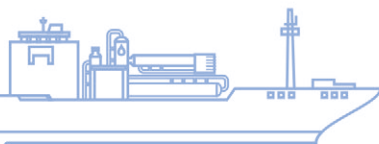
3. Revenue and Segment Information (continued)

(A) By Business Segments (continued)

Six months ended 30 September 2017 (unaudited)

	Manufacturing and trading of printed circuit boards HK\$'000	Trading of petroleum and energy products and related business HK\$'000	Consolidated HK\$'000
Segment revenue			
Major customer B	–	93,430	93,430
Major customer D	44,466	–	44,466
Major customer E	18,344	–	18,344
Other customers	22,547	–	22,547
	<u>85,357</u>	<u>93,430</u>	<u>178,787</u>
Segment results	<u>(8,048)</u>	<u>331</u>	<u>(7,717)</u>
Unallocated other income			2,225
Unallocated administrative expenses			(8,236)
Unallocated other operating expenses			(266)
Finance costs			<u>(1,531)</u>
Loss before taxation			(15,525)
Income tax expenses			<u>–</u>
Loss for the period			<u>(15,525)</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.



3. Revenue and Segment Information (continued)

(A) By Business Segments (continued)

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

As at 30 September 2018 (unaudited)

	Manufacturing and trading of printed circuit boards HK\$'000	Trading of petroleum and energy products and related business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	<u>141,770</u>	<u>287,170</u>	<u>210,409</u>	<u>639,349</u>
Segment liabilities	<u>68,148</u>	<u>158,533</u>	<u>297,026</u>	<u>523,707</u>

As at 31 March 2018 (audited)

	Manufacturing and trading of printed circuit boards HK\$'000	Trading of petroleum and energy products and related business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	<u>166,288</u>	<u>98,263</u>	<u>219,271</u>	<u>483,822</u>
Segment liabilities	<u>65,235</u>	<u>58,447</u>	<u>209,720</u>	<u>333,402</u>



3. Revenue and Segment Information (continued)

(B) Geographical Information

(i) Revenue from external customers

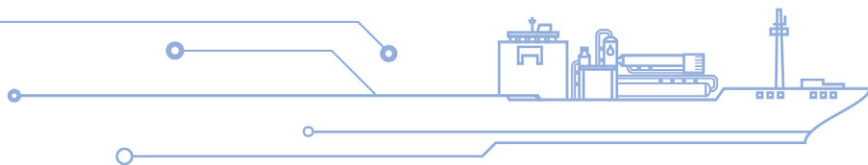
	(Unaudited)	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	198,305	6,529
The People's Republic of China (the "PRC")	56,976	9,701
Singapore	55,990	93,430
North America	19,562	47,731
Japan	13,817	18,359
Europe	851	1,905
Other countries	2,059	1,132
	<u>347,560</u>	<u>178,787</u>

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

(ii) Non-current assets

	(Unaudited)	(Audited)
	30 September	31 March
	2018	2018
	HK\$'000	HK\$'000
Hong Kong	1,221	2,244
Singapore	170,324	62,412
The PRC	29,192	76,664
	<u>200,737</u>	<u>141,320</u>

The non-current assets information above is based on the locations of assets and excluded non-current assets held for sale as detailed in note 12.



4. Other Income

	(Unaudited)	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Bank interest income	626	998
Dividend income from listed equity investments	–	80
Exchange gain, net	–	375
Gain on disposal of property, plant and equipment	21,468	–
Gain on disposal of scrap materials	3,738	1,629
Reversal of impairment loss on other receivables	–	970
Others	651	1,085
	<u>26,483</u>	<u>5,137</u>

5. Loss Before Taxation

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

	(Unaudited)	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Finance costs		
Interest on bank borrowings	2,101	1,330
Interest on convertible bonds	4,582	201
Interest on other loans	385	–
Imputed interest on promissory notes	850	–
	<u>7,918</u>	<u>1,531</u>
Other items		
Amortisation of prepaid lease payments	152	148
Cost of inventories (Note)	350,743	175,724
Depreciation	4,632	5,883
Exchange loss (gain), net	7,952	(375)
(Gain) Loss on disposal of property, plant and equipment, net	(21,468)	256
Operating lease charges for premises	1,857	660
Staff costs (including directors' emoluments and staff compensation)	43,627	26,311
Reversal of write down of inventories, included in cost of sales	(2,590)	–
	<u>(2,590)</u>	<u>–</u>

Note:

Cost of inventories excludes write down of inventories and related reversal but includes HK\$12,912,000 (six months ended 30 September 2017: HK\$20,918,000) relating to staff costs and depreciation, which are included in the respective total amounts disclosed separately above.



6. Income Tax Expenses

	(Unaudited)	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Current tax		
Singapore Corporate Income Tax	<u>184</u>	<u>-</u>

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

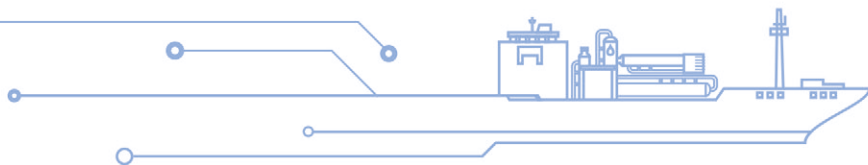
Hong Kong Profits Tax has not been provided as the Group's entities incurred a loss for taxation purposes during both periods.

Singapore Corporate Income Tax ("CIT") is calculated at 17% of the estimated assessable profits with CIT rebate of 20%, capped at Singapore Dollars ("SG\$") 10,000 for the six months ended 30 September 2018. 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\$290,000 of normal chargeable income during the six months ended 30 September 2018 (*six months ended 30 September 2017: Nil*).

Deferred tax assets have not been recognised for certain deductible temporary differences and certain tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

7. Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2018 to the shareholders (*six months ended 30 September 2017: Nil*).



8. Loss Per Share

(a) Basic Loss Per Share

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

	(Unaudited)	
	Six months ended 30 September	
	2018	2017
Loss attributable to the owners of the Company (HK\$'000)	<u>(16,939)</u>	<u>(15,525)</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>576,243,785</u>	<u>576,243,785</u>
Basic loss per share (HK cents)	<u>(2.94)</u>	<u>(2.69)</u>

(b) Diluted Loss Per Share

As the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation for the periods ended 30 September 2018 and 30 September 2017, the conversion of the potential dilutive ordinary shares is not assumed in the computation of the diluted loss per share for the periods ended 30 September 2018 and 30 September 2017. There were no other potential dilutive ordinary shares in issue during the periods ended 30 September 2018 and 30 September 2017. The diluted loss per share is the same as the basic loss per share for the periods ended 30 September 2018 and 2017.

9. Property, Plant and Equipment

During the six months ended 30 September 2018, the Group incurred expenditures on property, plant and equipment with total cost of approximately HK\$132,546,000 (*six months ended 30 September 2017: approximately HK\$4,995,000*). The Group has written off and disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$1,371,000 (*six months ended 30 September 2017: approximately HK\$279,000*) during the six months ended 30 September 2018.



10. Trade Receivables

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Trade receivables	178,960	83,757
Allowance for doubtful debts	<u>(200)</u>	<u>(219)</u>
	<u><u>178,760</u></u>	<u><u>83,538</u></u>

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

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Less than 1 month	138,498	50,129
1 to 2 months	20,742	20,467
2 to 3 months	16,395	5,994
Over 3 months	<u>3,325</u>	<u>7,167</u>
	<u><u>178,960</u></u>	<u><u>83,757</u></u>

At the end of the reporting period, the ageing analysis of trade receivables (net of allowance for doubtful debts) which are past due but not impaired is as follows:

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Not past due	158,933	69,104
Less than 1 month past due	15,780	11,704
1 to 2 months past due	737	2,419
2 to 3 months past due	2,073	33
Over 3 months past due	<u>1,237</u>	<u>278</u>
	<u><u>178,760</u></u>	<u><u>83,538</u></u>



11. Other Receivables, Deposits and Prepayments

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Deposits and other receivables	9,183	7,349
Prepayments	5,213	4,128
Bank interest receivable on time deposits	450	886
Value-added tax recoverable	9	1,049
	<u>14,855</u>	<u>13,412</u>

12. Disposal Assets/Liabilities Classified as Held for Sale

On 21 August 2018, Daisho Microline Limited and Juko Industrial Ltd. (collectively the “Sellers”, both are wholly-owned subsidiaries of the Company) and an independent third party (the “Purchaser”) entered into a conditional sales and purchases agreement (the “Sales and Purchases Agreement”) pursuant to which the Sellers agreed to sell and the Purchaser agreed to purchase the entire issued shares in 大鋒華微綫科技(惠州)有限公司 (Da Feng Hua Microline Technology (Huizhou) Company Ltd.)* (“Da Feng Hua”), a wholly-owned subsidiary of the Company, which owns potential redevelopment and disposal of the land and buildings due to intended relocation of the Group’s printed circuit board manufacturing facility (the “Disposal”). The assets and liabilities attributable to Da Feng Hua, which are expected to be sold within twelve months from the end of the current interim reporting period, have been classified as disposal assets and liabilities held for sale and are separately presented in the condensed consolidated statement of financial position.

The consideration for the Disposal is HK\$200,000,000, which are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised. Deposit of HK\$20,000,000 in relation to the Disposal received in May 2018 in accordance with the Sales and Purchases Agreement was recognised as other payables and accruals. Details of the Disposal have been disclosed in the Company’s circular dated 21 September 2018.

* English name is for identification purpose only.



12. Disposal Assets/Liabilities Classified as Held for Sale (continued)

Major classes of assets and liabilities of Da Feng Hua as at 30 September 2018 are as follows:

	(Unaudited) 30 September 2018 HK\$'000
Property, plant and equipment	24,176
Prepaid lease payments	11,711
Prepayments	293
Cash and cash equivalents	4
	<hr/>
Total assets classified as held for sale	36,184
	<hr/>
Other payables	369
	<hr/>
Total liabilities associated with assets classified as held for sale	369

13. Trade Payables

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

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

	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
Less than 1 month	62,197	39,676
1 to 2 months	6,413	9,465
2 to 3 months	765	14,128
Over 3 months	15,992	13,775
	<hr/>	<hr/>
	85,367	77,044

14. Interest-Bearing Borrowings

		(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
	Note		
Secured bank loans repayable within one year	(i)	136,623	105,543
Unsecured other loans repayable within one year	(ii)	80,034	–
		<u>216,657</u>	<u>105,543</u>

Notes:

- (i) At 30 September 2018 and 31 March 2018, all bank loans were subjected to floating interest rates.

At the end of the reporting period, except for certain bank loans denominated in United States dollars equivalent to HK\$83,623,000 (31 March 2018: HK\$52,543,000), all other bank loans were denominated in Hong Kong dollars.

At the end of the reporting period, all bank loans are secured by the Group's pledged bank deposits amounting to HK\$154,612,000 (31 March 2018: HK\$154,441,000).

- (ii) Unsecured other loans from an independent third party amounting to approximately HK\$80,034,000 (31 March 2018: Nil) are carrying interest rate of 8% per annum and repayable on or before 31 December 2018.

15. Promissory Notes Payable

		(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
	Note		
At the beginning of the reporting period		28,272	–
Issued during the period/year	(i), (ii)	93,894	28,272
Early redemption of part of the PN 1	(i)	(12,849)	–
Imputed interest expense		849	–
Carrying value at the end of the reporting period		<u>110,166</u>	<u>28,272</u>
Face value, at the end of the reporting period		<u>131,530</u>	<u>33,310</u>



15. Promissory Notes Payable (continued)

Notes:

- (i) On 27 March 2018, a promissory note in the principal amount of HK\$33,310,000 (the "PN 1") was issued by the Company to Inter-Pacific Group Pte. Limited (the "Vendor"), a company incorporated in Singapore with limited liability which is principally engaged in trading of petrochemical products and owned as to 50% by Ms. Cheung Lai Na, the Chairman and an executive director of the Company, and 50% by independent third parties, as part of consideration amounting HK\$44,680,000 for acquisition of one of four vessels, named Pacific Energy 28, upon fulfillment of the conditions set out in the sale and purchase agreement (the "Agreement") entered with the Vendor on 29 September 2017. The PN 1 may be redeemed by the Company at any time by giving the Vendor prior notice. HK\$6,702,000 was paid to the Vendor by cash as deposit of acquisition of Pacific Energy 28 at the date of the Agreement and the remaining consideration of HK\$4,668,000 was settled by cash on 18 May 2018.

The fair value of the PN 1 at issue date was approximately HK\$28,272,000, based on the valuation performed by an independent professional valuer. The PN 1 is interest free and will be matured in 2 years from the issue date. The effective interest rate of the PN 1 is determined to be approximately 8.54% per annum. The PN 1 is classified under non-current liabilities and measured subsequently at amortised cost.

On 23 May 2018, the Company had exercised its right to early redeem part of the PN 1 of approximately HK\$14,950,000. The carrying value of the PN 1 redeemed was approximately HK\$12,849,000 and a settlement loss of approximately HK\$2,100,000 was charged to profit or loss during the six months ended 30 September 2018.

- (ii) On 28 September 2018, promissory notes in the principal amounts of HK\$40,735,000 (the "PN 2") and HK\$72,435,000 (the "PN 3") respectively were issued by the Company to the Vendor as part of consideration amounting HK\$151,800,000 in total for acquisition of the remaining three of four vessels, named Pacific Energy 8, Pacific Energy 138 and Pacific Energy 168, upon fulfillment of conditions set out in the Agreement entered with the Vendor on 29 September 2017. The PN 2 and PN 3 may be redeemed by the Company at any time by giving the Vendor prior notice. Aggregate cash deposits of HK\$22,770,000 were paid to the Vendor for the acquisition of Pacific Energy 8, Pacific Energy 138 and Pacific Energy 168 at the date of the Agreement and the remaining consideration of HK\$15,860,000 was settled by cash on 28 September 2018.

The fair values of the PN 2 and PN 3 at issue date were approximately HK\$33,797,000 and HK\$60,097,000 respectively, based on the valuation performed by an independent professional valuer. The PN 2 and PN 3 are interest free and will be matured in 2 years from the issue date. The effective interest rates both of the PN 2 and PN 3 are determined to be approximately 9.78% per annum. The PN 2 and PN 3 are classified under non-current liabilities and measured subsequently at amortised cost.

Details of the acquisition of four vessels have been disclosed in the Company's circular dated 27 December 2017.

16. Convertible Bonds

The carrying amounts of the convertible bonds recognised are calculated as follows:

Derivative components, classified as net financial liabilities at fair value through profit or loss

	Conversion option HK\$'000	Call option HK\$'000	Total HK\$'000
At the issue date	54,442	(44,192)	10,250
Fair value changes	<u>10,336</u>	<u>6,800</u>	<u>17,136</u>
At 31 March 2018 (Audited)	64,778	(37,392)	27,386
Fair value changes	<u>(39,071)</u>	<u>13,998</u>	<u>(25,073)</u>
At 30 September 2018 (Unaudited)	<u>25,707</u>	<u>(23,394)</u>	<u>2,313</u>

Liability component, classified as financial liability at amortised costs

	HK\$'000
Nominal value of the convertible bonds issued	80,000
Derivative components	(10,250)
Transaction costs allocated	<u>(2,806)</u>
At the issue date	66,944
Effective interest expenses	4,747
Interest paid	<u>(2,380)</u>
At 31 March 2018 (Audited)	69,311
Effective interest expenses	4,582
Interest paid	<u>(2,420)</u>
At 30 September 2018 (Unaudited)	<u>71,473</u>

The fair values of the derivative financial instruments were determined with reference to a professional valuation conducted by an independent professional valuer for the respective dates.



17. Fair Value Measurement

The following table presents the liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis as at 30 September 2018 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

Financial liabilities measured at fair value

	30 September 2018 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Liabilities				
Derivative financial instruments	–	–	2,313	2,313
	<u>–</u>	<u>–</u>	<u>2,313</u>	<u>2,313</u>
	31 March 2018 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Liabilities				
Derivative financial instruments	–	–	27,386	27,386
	<u>–</u>	<u>–</u>	<u>27,386</u>	<u>27,386</u>

During the six months ended 30 September 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

In the opinion of the directors of the Company, no financial liabilities of the Group are carried at amount materially different from their fair values as at 30 September 2018 and 31 March 2018.

17. Fair Value Measurement (continued)

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

	Derivative financial instruments	
	(Unaudited) 30 September 2018 HK\$'000	(Audited) 31 March 2018 HK\$'000
At the beginning of the reporting period	27,386	–
At the issue date	–	10,250
Changes in fair value recognised in profit or loss during the period/year	<u>(25,073)</u>	<u>17,136</u>
At the end of the reporting period	<u>2,313</u>	<u>27,386</u>
Changes in unrealised (gain) loss for the period/year included in profit or loss for the net liability held as at 30 September 2018/ 31 March 2018	<u>(25,073)</u>	<u>17,136</u>

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

Liability	Fair value hierarchy	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Derivative financial instruments	Level 3	Binomial Option Pricing Model	Expected volatility	The higher the expected volatility, the higher the fair value



18. Related Party Transactions

The Group had the following transactions with a related party during the period:

	(Unaudited)	
	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Chartering income from a vessel	<u>4,687</u>	<u>-</u>

Chartering income from a vessel represents leasing of Pacific Energy 28 to Pacific Energy 28 Pte Limited, a subsidiary of the Vendor.

19. Capital Commitments

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

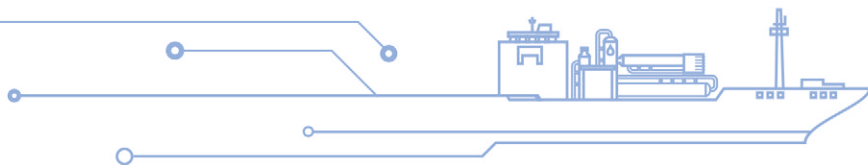
	(Unaudited)	(Audited)
	30 September	31 March
	2018	2018
	HK\$'000	HK\$'000
Contracted but not provided for net of deposits paid in respect of – property, plant and equipment	<u>6,480</u>	<u>129,134</u>

20. Staff Compensation

In April 2018, a formal detailed plan of relocation of the Group's printed circuit board manufacturing facility was conditionally approved by the Board of Directors and the Group had agreed with the employees of the Group's printed circuit board manufacturing facility for a voluntary compensation for termination of employment contracts of approximately HK\$25 million.

21. Event after the Reporting Period

Further to note 12 to the unaudited condensed consolidated financial statements, the Disposal had been approved by the shareholders of the Company at a special general meeting held on 16 October 2018. Accordingly, the fulfillment of the conditions of the Sales and Purchases Agreement had been duly accomplished by the Sellers and the Group on the same date. Up to the date of this report, the transaction has yet to be completed pending the Purchaser's acceptance of the relevant closing documents stipulated in the Sales and Purchases Agreement.



22. Litigation

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 the Group 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 Microline (Huizhou) Circuits Limited as first and second plaintiffs filed a statement of claim to the High Court in High Court Action No. 818/2017 against Mr. Harry Chan for his breaches (i) under the terms of his service agreement; and/or (ii) of his fiduciary and statutory duties to both the Company and Huafeng as an executive director (the "2nd Action"). The ultimate liability or amount is to be assessed. Pursuant to the order made by the High Court on 20 June 2017, the 1st Action was consolidated with the 2nd Action. The directors of the Company are of the opinion, with reference to the opinion of the Group's lawyer, any damages (or part thereof) may be set off against any amounts which may be awarded in Mr. Harry Chan's favour (if any) in the 1st Action.

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



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the period ended 30 September 2018, the Group's total revenue was approximately HK\$347.6 million, representing an increase of 94% as compared with approximately HK\$178.8 million for the corresponding period in 2017. During the period, the sales of petroleum products and vessel chartering income had increased to an aggregate of approximately HK\$245.2 million, representing an increase of 162% as compared with the sales of approximately HK\$93.4 million in the same period of the last year. The Group had recorded the considerable growth in the revenue of petroleum products since it commenced the petroleum trading business in June 2017 to improve its income stream and overall performance. During the period, the Group recorded the revenue of approximately HK\$102.4 million for its printed circuit board ("PCB") business, representing an increase of 20% as compared with the revenue of approximately HK\$85.4 million in the same corresponding period of last year. The mild growth in revenue was mainly due to the Group's strategy to broaden its customer bases by expanding the domestic market for its PCB business in mainland China since late 2017.

In the third quarter of the current year, the Group started the relocation of its PCB production activities to a newly furnished PCB plant from its industrial complex (the "Property") in the Huizhou, PRC, which had been disposed of pursuant to the agreement entered into between Daisho Microline Limited and Juko Industrial Limited, wholly-owned subsidiaries of the Company, with an independent third party in August 2018. The relocation of the PCB production activities had nevertheless caused some disruptions in the Group's production activities, which in turn led to the substantial increase in production costs. Even though the one-off relocation costs had brought about the adverse impact on the gross profit margin, the implementation of the new design of the production line in the new PCB plant and the replacement of certain obsolete machines will greatly improve the production efficiency by reducing the labour and production costs.

During the period, the Group's petroleum trading business recorded a segment loss of approximately HK\$1.1 million, which changed from a profit of approximately HK\$0.3 million for the same period in last year. The Group's PCB business recorded a segment loss of approximately HK\$18.8 million, representing an increase of 134% as compared with the segment loss of approximately HK\$8.0 million for the same period in last year. The Group's total net loss for the period had increased from approximately HK\$15.5 million in the same period last year to approximately HK\$16.9 million after taking into account of the following: (1) the compensation costs of HK\$25.2 million paid to the workers being laid off due to the plant re-location; (2) the gain of HK\$25.1 million in fair value on the derivative financial instruments; and (3) the gain of HK\$21.5 million on disposal of the property, plant and equipment.

The equity attributable to owners of the Company amounted to HK\$115.6 million as at 30 September 2018 as compared to HK\$150.4 million as at 31 March 2018. The decrease in the equity was mainly due to (1) the reported loss for the period; and (2) the decrease in exchange translation reserve of HK\$17.8 million as a result of the depreciation of Renminbi for the period under review.

The Group's gearing ratio (defined as interest-bearing borrowings, promissory notes payable and liability component of convertible bonds divided by total capital) as at 30 September 2018 was 344% (31 March 2018: 135%). The significant increase in gearing ratio was mainly due to further issuance of two promissory notes on the completion of acquisitions of three vessels and increase in other loans of approximately HK\$80 million. The transactions were further elaborated in the section "Major Transactions and Connected Transaction" below. The Group's current ratio as at 30 September 2018 and 31 March 2018 was 1.3 times and 1.6 times respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Capital Structure

The capital structure of the Group during the six months ended 30 September 2018 is summarised as follows:

Interest-bearing borrowings

The Group's interest-bearing borrowings as at 30 September 2018 are detailed in note 14 to the unaudited condensed financial statements.

Promissory notes

As at 30 September 2018, the Group had total outstanding promissory notes in the principal amount of approximately HK\$131.5 million (31 March 2018: approximately HK\$33.3 million) upon the completion of acquisition of all four vessels. The promissory notes are interest free and will be matured in 2 years from the respective issue dates.

Convertible bonds

As at 30 September 2018, the Company had 6% interest-bearing convertible bonds issued. Summary of the outstanding convertible bonds is as follows, further details are set in note 16 to the unaudited condensed financial statements.

Date of issue	Principal amount (HK\$)	Maturity date	Conversion price per share (HK\$)	Amount convert into shares during the period (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

Use of Proceeds from the Issue of Convertible Bonds Under Special Generate Mandate

The net proceeds from issue of convertible bonds under the supplemental placing agreement dated 26 May 2017 were approximately HK\$77.2 million and completed on 22 September 2017. Total unutilised proceeds of HK\$16.1 million was brought forward as at 1 April 2018 and up to 30 September 2018, the use of net proceeds are as follows:

Date of particulars of the convertible bonds	Net proceeds raised (approximately) (HK\$)	Intended use of proceeds	Actual use of proceeds (approximately)
222,222,222 new shares to be issued upon full conversion on 21 September 2020 at conversion price of HK\$0.36 per share	77.2 million	(1) Marketing development	(1) Deposit for purchase of vessels of HK\$34.1 million
		(2) Purchase of new machineries and equipment of the existing PCB business	(2) Purchase of petroleum related products of HK\$30 million
		(3) Purchase on petroleum related products	(3) Purchase of new machineries of existing PCB business of HK\$1.4 million
		(4) Purchase of vessel	(4) Marketing development of HK\$0.3 million
		(5) Bank facility line secured for petroleum trading	(5) Working capital for petroleum trading business of HK\$11.4 million
		(6) Working capital for petroleum trading	
		Utilised	HK\$77.2 million
		Unutilised	HK\$ Nil



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 six months ended 30 September 2018. The Group did not enter any foreign exchange derivative contract to manage the currency translation risk of Renminbi against United States dollars during the six months ended 30 September 2018, 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.

Contingent Liabilities

The Group did not have any material contingent liability as at 30 September 2018. The Group has provided the corporate guarantees of approximately HK\$217 million (31 March 2018: approximately HK\$210 million) to its principal bankers for security of the banking facilities of the subsidiaries. As at 30 September 2018, the facilities were utilised to the extent of approximately HK\$136.6 million (31 March 2018: approximately HK\$105.5 million).

Litigations

Same as disclosed outstanding litigations set out in note 22 to the unaudited condensed financial statements, the Group is not a party to any other significant legal proceedings.

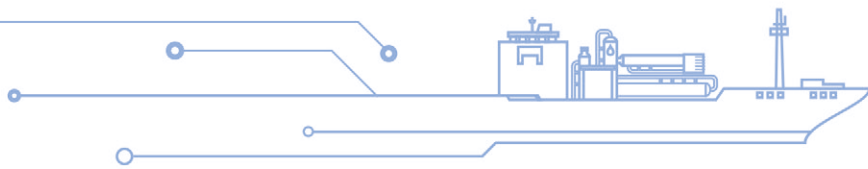
Outlook

Printed Circuit Board Segment

Upon completion of the re-installation of the production lines in the new PCB plant, the Group has further streamlined the production process and greatly improved the efficiency of the production. The Group will no longer need to incur high operating costs to comply with stringent environmental requirements imposed by the local government. The new plant can help further lower the production costs by reducing the manpower and replacing obsolete machines. While the Group continues to maintain the business relationship of its existing customers, it will further increase its revenue by exploring new customers by expanding the domestic market for its PCB business in mainland China. The directors expect that the revenue of the Group's PCB business will gradually pick up again later this year when the existing and new customers start placing their orders immediately after the commencement of the new production plant. The improvement in the efficiency of the new production line will also help improve the gross margin in the coming days.

Trading of Petroleum and Energy Products and Related Business Segment

The Group will continue developing and expanding its petroleum trading business to improve its revenue base by having multiple income streams. The extensive experience and knowledge of the directors in the business and the Group's good track record of fulfilling its duties can help to establish and strengthen good relationships with its suppliers and customers. To increase the trading volumes of petroleum-related products, the Group will need more back-to-back letter of credits to finance the trade. As such, the Group will use a certain portion of the proceeds from the disposal of the Property to secure more bank facilities for financing the trade so as to support the development and expansion of its petroleum trading business to overseas markets. The transactions in relation to the acquisition of the vessels pursuant to the agreement entered into in September 2017 had been duly completed during the period under review. 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.



Major Transactions and Connected Transaction

On 29 September 2017, the Company (“the Purchaser”) entered into the sale and purchase agreement with Inter-Pacific Group Pte. Limited (the “Vendor”), pursuant to which, the Vendor conditionally agreed to dispose, the vessels at an aggregate consideration of approximately HK\$196.5 million; and the master lease agreement. Details of acquisitions have been disclosed in the Company’s circular dated 27 December 2017.

The first vessel had been delivered to the Group and the promissory note in the principal amount of approximately HK\$33.3 million was issued to the Vendor upon fulfillment of the conditions set out in the sale and purchase agreement on 27 March 2018.

On 28 September 2018, the remaining three vessels were delivered to the Group and two promissory notes in the principal amount of approximately HK\$113.2 million were issued to the Vendor upon fulfillment of the conditions set out in the sale and purchase agreement.

Save as the aforesaid and the Disposal and those disclosed in this report, the Group did not make any other material acquisitions nor disposals during the period.

Human Resources

Because of in the processing of factory re-location, as at 30 September 2018, the Group had approximately 85 employees (*31 March 2018: 461*) including directors, working mainly in Mainland China. For the period ended 30 September 2018, the Group’s total staff costs (including directors’ emoluments and staff compensation) were approximately HK\$44 million (*six months ended 30 September 2017: HK\$26 million*).

The Company is committed to recruiting, training and retaining skilled and experienced employees to better serve our customers. The Company intends to do this through our remuneration packages, including discretionary bonuses and share option scheme, as well as an emphasis on employee training. The emolument of the employees of the Group is determined on the basis of their merit, qualifications and competence. The emoluments of the directors and senior management of the Company are decided by the Company’s board of directors with the recommendation of the Remuneration Committee, having regard to the Company’s operating results, individual performance and comparable market statistics.

Share Option Scheme

A share option scheme (the “Share Option Scheme”) was approved and adopted by an ordinary resolution of the shareholders of the Company on 22 November 2016.

The purpose of the share option scheme is to provide incentives or rewards to eligible participants for their contribution to and continuing efforts to promote the interests of the Company and to enable the Group to recruit and retain high-calibre employees.

No share options had been granted by the Company under the Share Option Scheme since its adoption.



Corporate Governance

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2018, except for the following deviation:

Chairman and Chief Executive Officer

The Group has not appointed any Chief Executive Officer. The daily operations of the Group are delegated to the executive directors and the senior management. The Board is of the view that the current management structure can effectively facilitate the Company's operations and business developments.

Changes in Directors' Biographical Details

Changes in directors' biographical details which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules are set out below:

Mr. Lee Man Kwong, executive director of the Company, has been appointed as director of certain wholly-owned subsidiaries of the Company with effect from 3 September 2018.

Mr. Law Ping Wah has been re-designated from an independent non-executive director to an executive director and appointed as the Chief Financial Officer of the Company with effect from 1 November 2018.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2018, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name	Capacity	Number of issued ordinary shares held (Long positions)	Percentage of the Company's issued share capital
Cheung Lai Na	Trustee	120,068,000	20.84%

Note: Cheung Lai Na holds 120,068,000 shares of the Company in trust for Cheung Ling Mun, who is a substantial shareholder of the Company and a senior management of the Group, and the father of Cheung Lai Na and Cheung Lai Ming, executive directors of the Company.

Save as disclosed above, as at 30 September 2018, none of the directors had any interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.



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

As at 30 September 2018, the interests and short positions of 5% or more held by the substantial shareholders and other persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name	Capacity and nature of interest	Number of issued ordinary shares held (Long positions)	Percentage of the Company's issued share capital
Cheung Ling Mun	Beneficial owner	120,068,000	20.84%
Alexis Consortium Ltd. (Note)	Beneficial owner	50,000,000	8.68%
BC Management Services Ltd.	Interest in controlled corporation	50,000,000	8.68%

Note: Alexis Consortium Ltd. is wholly-owned by BC Management Services Ltd. BC Management Services Ltd. is deemed to be interested in all the shares in which Alexis Consortium Ltd. is interested under Part XV of the SFO.

Save as disclosed above, as at 30 September 2018, no other persons had any interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

During the current period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2018.

By Order of the Board
Cheung Lai Na
Chairman

Hong Kong, 28 November 2018

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

Executive directors:

CHEUNG Lai Na (*Chairman*)
CHEUNG Lai Ming
LEE Man Kwong
LAW Ping Wah

Independent non-executive directors:

CHOU Yuk Yan
LEUNG King Fai
Dr. CHAN Yau Ching, Bob