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## DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

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 2019 together with the comparative figures of the previous corresponding year are as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>1,516,823</b>	411,859
Cost of sales		<b>(1,502,506)</b>	(399,461)
Gross profit		<b>14,317</b>	12,398
Other income		<b>25,893</b>	11,354
Selling and distribution expenses		<b>(5,544)</b>	(7,176)
Administrative expenses		<b>(68,213)</b>	(43,310)
Other operating expenses		<b>(14,525)</b>	(844)
Gain on disposal of a subsidiary	13	<b>170,291</b>	–
Impairment loss of property, plant and equipment		–	(24,291)
Loss on disposal of available-for-sale financial assets		–	(3,357)
Loss on early redemption of promissory notes	11	<b>(10,905)</b>	–
Fair value gain (loss) on derivative financial instruments	12	<b>25,743</b>	(17,136)
Provision for impairment loss on trade receivable		<b>(5,642)</b>	–
Finance costs		<b>(14,944)</b>	(7,715)
<b>Profit (Loss) before taxation</b>	5	<b>116,471</b>	(80,077)
Income tax expenses	6	<b>(16,005)</b>	–
<b>Profit (Loss) for the year</b>		<b>100,466</b>	(80,077)
<b>Earnings (Loss) per share</b>	7		
Basic (Hong Kong cents)		<b>17.43</b>	(13.90)
Diluted (Hong Kong cents)		<b>10.49</b>	(13.90)

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Profit (Loss) for the year</b>	<u><b>100,466</b></u>	<u>(80,077)</u>
<b>Other comprehensive (loss) income:</b>		
<i>Item that has been reclassified subsequently to profit or loss:</i>		
Reclassification adjustment of translation reserve upon disposal of a subsidiary	<b>(8,084)</b>	–
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of functional currency to presentation currency	<u><b>(13,592)</b></u>	<u>22,132</u>
<b>Other comprehensive (loss) income for the year</b>	<u><b>(21,676)</b></u>	<u>22,132</u>
<b>Total comprehensive income (loss) for the year</b>	<u><b>78,790</b></u>	<u>(57,945)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>119,134</b>	104,847
Prepaid lease payments		–	12,972
Deposits paid for acquisition of property, plant and equipment		<b>15,885</b>	23,501
		<b>135,019</b>	141,320
<b>Current assets</b>			
Inventories		<b>731</b>	31,504
Trade and bill receivables	8	<b>456,410</b>	83,538
Other receivables, deposits and prepayments		<b>20,390</b>	13,412
Pledged bank deposits		<b>117,724</b>	154,441
Cash and cash equivalents		<b>62,541</b>	59,607
		<b>657,796</b>	342,502
<b>Current liabilities</b>			
Trade payables	9	<b>355,611</b>	77,044
Other payables and accruals		<b>18,349</b>	25,846
Interest-bearing borrowings	10	<b>98,461</b>	105,543
Tax payable		<b>15,823</b>	–
		<b>488,244</b>	208,433
<b>Net current assets</b>		<b>169,552</b>	134,069
<b>Total assets less current liabilities</b>		<b>304,571</b>	275,389
<b>Non-current liabilities</b>			
Promissory note payable	11	–	28,272
Derivative financial instruments	12	<b>1,643</b>	27,386
Convertible bonds	12	<b>73,548</b>	69,311
Deferred tax liabilities		<b>170</b>	–
		<b>75,361</b>	124,969
<b>NET ASSETS</b>		<b>229,210</b>	150,420
<b>Capital and reserves</b>			
Share capital		<b>57,624</b>	57,624
Reserves		<b>171,586</b>	92,796
<b>TOTAL EQUITY</b>		<b>229,210</b>	150,420

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These 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. These 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.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 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:

HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

#### **HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration**

The HK(IFRIC)-Int 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the HK(IFRIC)-Int 22 does not have any significant impact on the consolidated financial statements.

## 2. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

### HKFRS 9: Financial Instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 April 2018 (i.e. the date of initial application), except as described below (if applicable):

- (a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:
  - (i) the determination of the business model within which a financial asset is held;
  - (ii) the designation of financial assets or financial liabilities at fair value through profit or loss (“FVPL”) or, in case of financial assets, at equity investment measured at fair value through other comprehensive income; and
  - (iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

- (b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.
- (c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

## 2. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

### HKFRS 9: Financial Instruments (Continued)

#### *Classification and measurement of financial assets and financial liabilities*

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

Measurement category under HKAS 39	Carrying amount under HKAS 39 <i>HK\$'000</i>	Measurement category under HKFRS 9	Carrying amount under HKFRS 9 <i>HK\$'000</i>
<b>Loans and receivables (Note)</b>			
Refundable deposits included in deposits paid for acquisition of property, plant and equipment	22,770	Amortised cost	22,770
Trade and bills receivables	83,538	Amortised cost	83,538
Financial assets included in other receivables, deposits and prepayments	8,235	Amortised cost	8,235
Pledged bank deposits	154,441	Amortised cost	154,441
Cash and cash equivalents	59,607	Amortised cost	59,607
	<u>328,591</u>		<u>328,591</u>

#### *Note:*

These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these investments to collect the contractual cash flows and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

In addition, the Group has remeasured the impairment allowances of financial assets at 1 April 2018 (i.e. the date of initial application) using expected credit losses ("ECL") under HKFRS 9, which approximate to the impairment allowances under HKAS 39. Accordingly, no transition adjustment to the financial assets and components of equity at 1 April 2018 was recognised.

## 2. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

### HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 April 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 April 2018 in accordance with the transitional provisions therein.

The adoption of HKFRS 15 has no significant effect on the Group's accumulated losses and other components of equity at 1 April 2018.

At the date of initial application, included in the other payables and accruals amounting to HK\$1,146,000 are related to deposits received from customers on sales of printed circuit boards. These balances were reclassified to contract liabilities upon application of HKFRS 15.

## 3. REVENUE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue from contracts with customers within HKFRS 15</b>		
Manufacturing and trading of printed circuit boards	136,060	199,876
Trading of petroleum and energy products	1,369,848	211,983
<b>Revenue from other sources</b>		
Vessel chartering income	10,915	–
	<u>1,516,823</u>	<u>411,859</u>

### 3. REVENUE (CONTINUED)

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

Year ended 31 March 2019	Manufacturing and trading of printed circuit boards <i>HK\$'000</i>	Trading of petroleum and energy products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Geographical region:</i>			
– 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
	<u>136,060</u>	<u>1,369,848</u>	<u>1,505,908</u>
<i>Timing of revenue recognition:</i>			
– at a point in time	<u>136,060</u>	<u>1,369,848</u>	<u>1,505,908</u>
<i>Type of transaction price:</i>			
– fixed price	<u>136,060</u>	<u>1,369,848</u>	<u>1,505,908</u>

### 4. SEGMENT INFORMATION

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

- (i) Manufacturing and trading of printed circuit boards;
- (ii) Trading of petroleum and energy products and related business; and
- (iii) Vessel chartering.

Segment results represent the results before taxation earned by each segment without allocation of other income generated, finance costs, administrative expenses and other operating expenses incurred by the corporate office, gain on disposal of a subsidiary, fair value gain (loss) on derivative financial instruments and loss on disposal of available-for-sale financial assets.

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.



#### 4. SEGMENT INFORMATION (CONTINUED)

##### (A) By Business Segments

Year ended 31 March 2019

	Manufacturing and trading of printed circuit boards <i>HK\$'000</i>	Trading of petroleum and energy products and related business <i>HK\$'000</i>	Vessel chartering <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue</b>				
Major customer C	–	663,356	–	663,356
Major customer D	–	352,713	–	352,713
Major customer E	–	180,103	–	180,103
Other customers	136,060	173,676	10,915	320,651
	<u>136,060</u>	<u>1,369,848</u>	<u>10,915</u>	<u>1,516,823</u>
<b>Segment results</b>	<u>(40,623)</u>	<u>3,478</u>	<u>(7,843)</u>	<u>(44,988)</u>
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)
<b>Profit for the year</b>				<u>100,466</u>

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (A) By Business Segments (Continued)

Year ended 31 March 2018

	Manufacturing and trading of printed circuit boards <i>HK\$'000</i>	Trading of petroleum and energy products and related business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue</b>			
Major customer A	–	186,168	186,168
Major customer B	91,280	–	91,280
Other customers	108,596	25,815	134,411
	<u>199,876</u>	<u>211,983</u>	<u>411,859</u>
<b>Segment results</b>	<u>(40,978)</u>	<u>627</u>	<u>(40,351)</u>
Unallocated other income			6,592
Unallocated administrative expenses			(17,927)
Unallocated other operating expenses			(183)
Loss on disposal of available-for-sale financial assets			(3,357)
Fair value loss on derivative financial instruments			(17,136)
Finance costs			<u>(7,715)</u>
Loss before taxation			(80,077)
Income tax expense			<u>–</u>
Loss for the year			<u>(80,077)</u>

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

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (A) By Business Segments (Continued)

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

**As at 31 March 2019**

	Manufacturing and trading of printed circuit boards <i>HK\$'000</i>	Trading of petroleum and energy products and related business <i>HK\$'000</i>	Vessel chartering <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment assets</b>	<b>69,008</b>	<b>452,710</b>	<b>88,098</b>	<b>182,999</b>	<b>792,815</b>
<b>Segment liabilities</b>	<b>19,976</b>	<b>341,822</b>	<b>6,006</b>	<b>195,801</b>	<b>563,605</b>
<b>Other segment information:</b>					
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)
Provision for impairment loss on trade receivables	(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)

##### (A) By Business Segments (Continued)

As at 31 March 2018

	Manufacturing and trading of printed circuit boards <i>HK\$'000</i>	Trading of petroleum and energy products and related business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment assets</b>	<u>166,288</u>	<u>98,263</u>	<u>219,271</u>	<u>483,822</u>
<b>Segment liabilities</b>	<u>65,235</u>	<u>58,447</u>	<u>209,720</u>	<u>333,402</u>
<b>Other segment information:</b>				
Amortisation	(305)	–	–	(305)
Depreciation	(11,487)	–	(587)	(12,074)
Gain on disposal of financial assets at fair value through profit or loss, net	–	–	310	310
Fair value loss on derivative financial instruments	–	–	(17,136)	(17,136)
Loss on disposal of available- for-sale financial assets	–	–	(3,357)	(3,357)
Gain (Loss) on disposal of property, plant and equipment	96	–	(256)	(160)
Reversal of impairment loss on other receivables, deposits and prepayments	996	–	–	996
Impairment loss on property, plant and equipment	(24,291)	–	–	(24,291)
Deposits paid for acquisition of property, plant and equipment	731	22,770	–	23,501
Additions to property, plant and equipment	<u>3,843</u>	<u>39,642</u>	<u>1,776</u>	<u>45,261</u>

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (B) Geographical Information

###### (i) Revenue from external customers

	2019 HK\$'000	2018 HK\$'000
Singapore	364,662	186,168
North America	23,718	103,037
Hong Kong	1,028,873	40,425
Japan	15,772	37,834
The PRC	81,370	34,551
Europe	1,861	3,528
Other countries	567	6,316
	<u>1,516,823</u>	<u>411,859</u>

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

###### (ii) Non-current assets

	2019 HK\$'000	2018 HK\$'000
Hong Kong	1,046	2,244
Singapore	100,147	62,412
The PRC	33,826	76,664
	<u>135,019</u>	<u>141,320</u>

The non-current assets information above is based on the locations of assets.

#### 5. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

	2019 HK\$'000	2018 HK\$'000
<b>Finance costs</b>		
Interest on bank borrowings	4,333	2,968
Interest on convertible bonds ( <i>Note 12</i> )	9,037	4,747
Imputed interest on promissory notes ( <i>Note 11</i> )	1,574	–
	<u>14,944</u>	<u>7,715</u>
<b>Staff costs (excluding directors' emoluments)</b>		
Salaries, allowances and benefits-in-kind	19,886	39,972
Contribution to defined contribution plans	1,620	4,231
Voluntary termination benefits	22,713	–
	<u>44,219</u>	<u>44,203</u>

## 5. PROFIT (LOSS) BEFORE TAXATION (CONTINUED)

This is stated after charging (crediting):

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Other items</b>		
Auditor's remuneration		
– Audit services	1,200	1,080
– Non-audit services	563	370
Amortisation of prepaid lease payments	300	305
Cost of inventories ( <i>Note (i)</i> )	1,502,939	399,461
Depreciation	8,792	12,074
Exchange loss (gain), net (included in other operating expenses)	5,816	(3,796)
(Gain) Loss on disposal of property, plant and equipment, net	(16,337)	160
Operating lease charges for premises	4,956	1,320
Relocation costs (included in other operating expenses)	8,008	–
Reversal of write down of inventories	(2,440)	–
Write down of inventories	2,007	–
	<hr/>	<hr/>

*Note:*

- (i) Cost of inventories excludes write down of inventories and related reversal but includes HK\$15,727,000 (2018: HK\$37,446,000) relating to aggregate amount of certain staff costs, depreciation and operating lease charges for premises, which are included in the respective total amounts disclosed separately above.

## 6. INCOME TAX EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Current tax</b>		
Hong Kong Profits Tax	212	–
Singapore corporate income tax	185	–
	<hr/>	<hr/>
	397	–
<b>Withholding tax on capital gain upon disposal of a PRC wholly-owned subsidiary</b>	15,438	–
<b>Deferred tax</b>	170	–
	<hr/>	<hr/>
Total income tax expenses for the year	16,005	–
	<hr/>	<hr/>

## 6. INCOME TAX EXPENSES (CONTINUED)

PRC Enterprise Income Tax has not been provided (2018: Nil) as the Group's entities in the PRC incurred a loss for taxation purposes for the year.

Hong Kong Profits Tax has not been provided for the year ended 31 March 2018 as the Group's entities in Hong Kong incurred a loss for taxation purposes.

Where there are assessable profits, Hong Kong Profits Tax is calculated at 16.5% and PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits for both years.

Singapore corporate income tax ("CIT") is calculated at 17% (2018: 17%) of the estimated assessable profits for the year ended 31 March 2019. Singapore incorporated companies are granted with 20% CIT rebate, capped at SG\$10,000 and they 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 year ended 31 March 2018. Such tax exemption scheme lapsed during the year ended 31 March 2019.

Indirect transfer of equity interests sourced in the PRC of non-resident enterprises is subject to withholding tax at a rate of 10% (2018: Nil) of the capital gain for the year ended 31 March 2019.

## 7. EARNINGS (LOSS) PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Profit (Loss):</b>		
Profit (Loss) attributable to owners of the Company, used in basic earnings (loss) per share calculation	<b>100,466</b>	(80,077)
Adjustment of profit (loss) attributable to owners of the Company:		
– Interest saving of the convertible bonds	<b>9,037</b>	–*
– Fair value gain on derivative financial instruments	<b>(25,743)</b>	–*
Profit (Loss) attributable to owners of the Company	<b>83,760</b>	(80,077)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<b>576,243,785</b>	576,243,785
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	<b>222,222,222</b>	–*
Weighted average number of ordinary shares for the purpose of calculating dilutive earnings (loss) per share	<b>798,466,007</b>	576,243,785

\* No adjustment/effect considered due to anti-dilutive effects.

## 8. TRADE AND BILL RECEIVABLES

	<i>Note</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables			
– from related parties		<b>1,835</b>	–
– from third parties		<b>458,825</b>	83,757
		<hr/>	<hr/>
Loss allowance	<i>8(a)</i> <i>8(b)</i>	<b>460,660</b> <b>(5,642)</b>	83,757 (219)
		<hr/>	<hr/>
	<i>8(a)</i>	<b>455,018</b>	83,538
Bill receivables	<i>8(c)</i>	<b>1,392</b>	–
		<hr/>	<hr/>
		<b>456,410</b>	83,538
		<hr/> <hr/>	<hr/> <hr/>

### 8(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 (2018: 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:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Less than 1 month	<b>313,450</b>	50,129
1 to 2 months	<b>75,704</b>	20,467
2 to 3 months	<b>1,529</b>	5,994
Over 3 months	<b>69,977</b>	7,167
	<hr/>	<hr/>
	<b>460,660</b>	83,757
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Not past due	<b>378,059</b>	69,104
Less than 1 month past due	<b>8,752</b>	11,704
1 to 2 months past due	<b>46,771</b>	2,419
2 to 3 months past due	<b>509</b>	33
Over 3 months past due	<b>20,927</b>	278
	<hr/>	<hr/>
	<b>455,018</b>	83,538
	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2018, the trade receivables that are past due but not impaired related to a number of independent customers that have a good track record with the Group. The Group has not recognised impairment on these balances as there has not been a significant change in credit quality and the directors of the Company believe that the amounts are recoverable.

Receivables that were neither past due nor impaired as at 31 March 2018 relate to a wide range of customers for whom there was no recent history of default.



## 8. TRADE AND BILL RECEIVABLES (CONTINUED)

### 8(b) Loss allowance

At the end of the reporting period, the Group recognised loss allowance of HK\$5,642,000 (2018: HK\$219,000) on the trade receivables. The movement in the loss allowance for trade receivables during the year is summarised below. The comparative amounts represent the loss allowance for impairment losses recognised under HKAS 39.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At the beginning of the reporting period	219	199
Increase in allowance	5,642	–
Amount written off	(205)	–
Exchange realignment	(14)	20
	<u>5,642</u>	<u>219</u>
<b>At the end of the reporting period</b>	<b><u>5,642</u></b>	<b><u>219</u></b>

### 8(c) 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.

## 9. TRADE PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables to third parties	<u>355,611</u>	<u>77,044</u>

The trade payables are non-interest bearing and the Group is normally granted with a credit term ranging from 7 to 90 days (2018: 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Less than 1 month	140,574	39,676
1 to 2 months	206,141	9,465
2 to 3 months	4,171	14,128
Over 3 months	4,725	13,775
	<u>355,611</u>	<u>77,044</u>

## 10. INTEREST-BEARING BORROWINGS

At the end of the reporting period, the details of the secured bank loans of the Group are as follows:

2019		2018	
Effective interest rate (%)	HK\$'000	Effective interest rate (%)	HK\$'000
<b>HIBOR + 1.2% to LIBOR + 3.924%</b>	<b>87,761</b>	HIBOR + 1.2% to LIBOR + 3.924%	105,543
<b>4.28%</b>	<b>10,700</b>	N/A	–
	<b><u>98,461</u></b>		<b><u>105,543</u></b>

As at 31 March 2019, all bank loans of HK\$98,461,000 (2018: HK\$105,543,000) are secured by the Group's pledged bank deposits amounting to HK\$117,724,000 (2018: HK\$154,441,000).

All bank loans are repayable within one year as at 31 March 2019 and 2018.

## 11. PROMISSORY NOTE PAYABLE

	2019 HK\$'000	2018 HK\$'000
At the beginning of the reporting period	28,272	–
Issued during the year	33,294	28,272
Early redemption of promissory notes	(63,140)	–
Imputed interest expense	1,574	–
	<u>–</u>	<u>28,272</u>
Carrying value at the end of the reporting period	–	28,272
	<u>–</u>	<u>33,310</u>
Face value, at the end of the reporting period	–	33,310

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 to 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 payment of cash on 18 May 2018.

## 11. PROMISSORY NOTE PAYABLE (CONTINUED)

*Notes: (Continued)*

(i) *(Continued)*

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 mature in 2 years from the issue date. The effective interest rate of the PN 1 is determined to be approximately 8.54% per annum.

On 23 May 2018, the Company has exercised its right to early redeem part of the PN 1 in the principal amount of approximately HK\$14,950,000. On 19 February 2019, the Company has further redeemed all of the remaining principal amount of the PN 1 of approximately HK\$18,360,000. The carrying value of the PN 1 on redemption dates was approximately HK\$12,849,000 and HK\$16,775,000 respectively. Settlement loss of approximately HK\$3,686,000 was charged to profit or loss during the year ended 31 March 2019.

- (ii) On 31 January 2019, a promissory note in the principal amount of HK\$40,735,000 (the “PN 2”) was issued by the Company to the Vendor as part of consideration of HK\$54,640,000 for acquisition of one of four vessels, named Pacific Energy 138, upon fulfillment of conditions set out in the Agreement entered with the Vendor on 29 September 2017.

The PN 2 may be redeemed by the Company at any time before maturity by giving the Vendor prior notice. HK\$8,196,000 was paid to the Vendor by cash as deposit of acquisition of Pacific Energy 138 at the date of the Agreement and the remaining consideration of HK\$5,709,000 was settled by payment of cash on 18 February 2019.

The fair value of the PN 2 at issue date was approximately HK\$33,294,000, based on the valuation performed by an independent professional valuer. The PN 2 is interest free and will mature in 2 years from the issue date. The effective interest rate of the PN 2 are determined to be approximately 10.61% per annum.

On 25 February 2019, the Company exercised its right to early redeem all of the PN 2 of approximately HK\$40,735,000. The carrying value of the PN 2 on redemption date was approximately HK\$33,516,000. Settlement loss of approximately HK\$7,219,000 was charged to profit or loss during the year ended 31 March 2019.

- (iii) Refundable deposits of HK\$14,574,000 in relation to acquisition of the remaining two vessels, namely, Pacific Energy 8 and Pacific Energy 168, which were paid on 29 September 2017 by the Company in accordance with the Agreement were recognised as deposits paid for acquisition of property, plant and equipment. Details of the acquisition of the four vessels have been disclosed in the Company’s circular dated 27 December 2017.

On 1 March 2019, the Group and the Vendor have entered into a supplemental agreement to further extend the Long-Stop Date (as defined in the Company’s circular dated 27 December 2017) with retrospective effect from 30 September 2018 to 30 September 2019. Up to the date of this announcement, the acquisition of the remaining two vessels has yet to be completed.

## 12. 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.

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:

	2019	2018
Stock price	<b>HK\$0.240</b>	HK\$0.465
Exercise price	<b>HK\$0.360</b>	HK\$0.360
Volatility	<b>76.80%</b>	91.34%
Option life	<b>17 months</b>	29 months
Risk-free interest rate	<b>1.42%</b>	1.47%
Discount rate	<b>11.22%</b>	8.56%

## 12. CONVERTIBLE BONDS (CONTINUED)

The movement of the convertible bonds is as follows:

### Derivative components, classified as net financial liabilities at FVPL

	Conversion option <i>HK\$'000</i>	Call option <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 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 and at 1 April 2018	64,778	(37,392)	27,386
Fair value changes	<u>(50,083)</u>	<u>24,340</u>	<u>(25,743)</u>
<b>At 31 March 2019</b>	<b><u>14,695</u></b>	<b><u>(13,052)</u></b>	<b><u>1,643</u></b>

### Liability component, classified as financial liability at amortised costs

	<i>HK\$'000</i>
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 and at 1 April 2018	69,311
Effective interest expenses	9,037
Interest paid	<u>(4,800)</u>
<b>At 31 March 2019</b>	<b><u>73,548</u></b>

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

### 13. DISPOSAL OF A SUBSIDIARY

On 21 August 2018, Daisho Microline Limited and Juko Industrial Limited (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 the land and buildings of the Group (the “Disposal”).

The consideration for the Disposal is HK\$200,000,000, in which deposit of HK\$20,000,000 in relation to the Disposal was received in May 2018 in accordance with the Sales and Purchases Agreement. Details of the Disposal have been disclosed in the Company’s circular dated 21 September 2018. The Disposal was completed on 25 December 2018. The aggregate amounts of assets and liabilities attributable to Da Feng Hua at the date of disposal were as follows:

	<i>HK\$’000</i>
<b>Net assets disposed of</b>	
Property, plant and equipment	23,947
Prepaid lease payments	11,873
Bank balances and cash	598
Other payables and accruals	(594)
	<hr/>
<b>Net assets upon disposal</b>	35,824
Transaction costs and professional fees	1,969
Release of exchange translation reserve	(8,084)
Gain on disposal of a subsidiary	170,291
	<hr/>
<b>Consideration</b>	<u>200,000</u>
<b>Net cash inflow on disposal</b>	
Cash consideration received	200,000
Less: bank balances and cash disposed of and direct costs	(2,567)
	<hr/>
	<u>197,433</u>

\* *English name is for identification purpose only*

## 14. 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 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 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 announcement, there is no further update from the High Court for the above cases.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The Group's total revenue for the current year was approximately HK\$1,516.8 million, representing an increase of 268% as compared with approximately HK\$411.9 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 increased to HK\$1,369.8 million, representing an increase of 546% as compared with the revenue of approximately HK\$212.0 million in the preceding year. The Group had recorded the considerable growth in the revenue of trading of petroleum and energy products and related business segment in the current financial year as the trade of these products could be financed and negotiated by issuing letter of credit shortly after it had successfully secured new bank facilities in the third quarter of 2018. During the year, the Group recorded the revenue of approximately HK\$136.1 million for its printed circuit boards ("PCB") segment, representing a decrease of 32% as compared with the revenue of HK\$200.0 million in the preceding year. The decrease in revenue of PCB segment was mainly due to (i) the relocation of the Group's production plant in the third quarter of 2018 which inevitably caused some disruption in the Group's production activities and the loss of customer orders; and (ii) 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.

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\$3.5 million, representing an increase of 483% as compared with the profit of HK\$0.6 million for the preceding year. The significant growth in the segment profit of the Group's trading of petroleum and energy products and related business segment was mainly due to the granting of new bank facilities to the Group in late 2018 which allowed the trade to be financed and negotiated by means of a letter of credit, thus greatly increasing the trading volume of these petroleum products for the remaining months of the year ended 31 March 2019. The Group's PCB segment recorded a segment loss of approximately HK\$40.6 million, representing a decrease of 1% as compared with the segment loss of HK\$41.0 million for the preceding year. The relocation of the PCB production had not only caused disruption in the production activities but also incurred some substantial one-off relocation and related costs including disposal of irremovable property, plant and equipment and voluntary compensation costs paid for termination employment contracts of certain staff and workers recognised during the process of the relocation which had brought about the adverse impact on the segment result of PCB.

The Group recorded a net profit of approximately HK\$100.5 million for the year ended 31 March 2019 as compared to a net loss approximately HK\$80.1 million for the preceding year. The Group achieved a turnaround profit for the current year from the last year's loss after taking into account the following: (i) the gain of approximately HK\$170.3 million on the disposal of the entire interest in Da Feng Hua Microline Technology (Huizhou) Company Limited, a wholly owned subsidiary of the Company, which owns the land and buildings of the Group being used for the PCB production activities before the relocation, (ii) fair value gain on derivative financial instruments of HK\$25.7 million, (iii) loss on early redemption of promissory notes of HK\$10.9 million and (iv) the excess of operating loss of the PCB segment over the operating profit of the trading of petroleum and energy products and related business segment for the current year.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Business and Financial Review (Continued)

The Group's gearing ratio (defined as interest-bearing borrowings, promissory note payable and liability component of convertible bonds divided by total capital) as at 31 March 2019 was 75% (2018: 135%). The Group's current ratio as at 31 March 2019 and 2018 was 1.35 times and 1.64 times respectively.

As at 31 March 2019, the Group's total cash and bank balances (including pledged bank deposits) were approximately HK\$180 million (2018: HK\$214 million) and the Group's total interest-bearing borrowings amounting to approximately HK\$98 million (2018: HK\$106 million). Therefore, the Group had a net cash balance of approximately HK\$82 million (2018: HK\$108 million). Besides, the total credit facilities available to the Group were approximately HK\$610 million (2018: HK\$218 million) and, therefore, the unutilised credit facilities were approximately HK\$512 million (2018: HK\$112 million).

### Capital Structure

The capital structure of the Group for the year ended 31 March 2019 is summarised as below:

#### *Bank Borrowings*

The interest rate structure, maturity profile, currency structure and underlying security of the Group's interest-bearing borrowings as at 31 March 2019 and 2018 are detailed in note 10 to the consolidated financial statements in this announcement.

#### *Promissory Notes*

On 27 March 2018 and 31 January 2019 respectively, promissory notes in the principal amounts of HK\$33,310,000 (the "PN 1") and HK\$40,735,000 (the "PN 2") were issued by the Company to Inter-Pacific Group Pte. Limited upon the completion of acquisition of two of four vessels and fulfillment of the conditions set out in the sale and purchase agreement. The Company had exercised its right to early redeem the two promissory notes during the year and did not have any outstanding balance as at 31 March 2019 (2018: HK\$33 million).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Capital Structure (Continued)

#### Convertible Bonds

As at 31 March 2019, 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 12 to the consolidated financial statements in this announcement.

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

#### Use of Proceeds from the Placing of Convertible Bonds Under Specific 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. Up to the date of this announcement, the use of net proceeds are as follows:

Date of particulars of the convertible bonds	Net proceeds raise (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 (2) Purchase of new machineries and equipment of the existing PCB business (3) Purchase on petroleum related products (4) Purchase of vessels (5) Bank facility line secured for petroleum trading (6) Working capital for petroleum trading	(1) Deposit for purchase of vessels of HK\$34.1 million (2) Purchase of petroleum related products of HK\$30 million (3) Purchase of new machineries of existing PCB business of HK\$1.4 million (4) Marketing development of HK\$0.3 million (5) Working capital for petroleum trading business of HK\$11.4 million
		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, 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 2019. 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 2019, 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 14 to the consolidated financial statements in this announcement, the Group is not a party to any other significant legal proceedings.

### **Capital Commitments**

As at 31 March 2019, the Group had a total capital commitments of approximately HK\$84 million, contracted for but not provided for in the consolidated financial statements, of which mainly consisted of the capital commitments for acquisition of the two vessels.

### **Share Option Scheme**

A share option scheme (the "Share Option Scheme") was approved and conditionally adopted by an ordinary resolution of the shareholder of the Company on 22 November 2016. On 23 June 2017, the Share Option Scheme was confirmed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

### **Contingent Liabilities**

As at 31 March 2019, the Group did not have any material contingent liability (2018: Nil).

### **Employee Benefits**

As at 31 March 2019, the Group had 84 (2018: 461) employees, including directors, working mainly in Hong Kong, Mainland China and Singapore. For the year ended 31 March 2019, the Group's total staff costs including directors' emoluments were approximately HK\$47 million (2018: approximately HK\$46 million).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

### Material Acquisition and Disposals of Subsidiaries and Associated Companies

On 29 September 2017, the Group (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 of the vessels at an aggregate consideration of HK\$196,480,000; and the master lease agreement. Details of the acquisition have been set out in the Company’s circular dated 27 December 2017. The first two vessels, namely Pacific Energy 28 and Pacific Energy 138, were delivered to the Group and the promissory notes in the principal amounts of HK\$33,310,000 and HK\$40,735,000 were issued to the Vendor upon fulfillment of the conditions set out in the sale and purchase agreement on 27 March 2018 and 31 January 2019 respectively.

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 the land and buildings of the Group (the “Disposal”). The consideration for the Disposal was HK\$200,000,000 and the net proceeds therefrom were approximately HK\$197.4 million. The Group had realised a gain on disposal of approximately HK\$170.3 million. Details of the Disposal have been disclosed in the Company’s circular dated 21 September 2018. The Disposal had been approved by the shareholders of the Company at the special general meeting held on 16 October 2018 and the completion thereof took place on 25 December 2018.

\* *English name is for identification purpose only.*

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Outlook

#### *Printed Circuit Boards Segment*

During the year ended 31 March 2019, the Group had completed the relocation of the PCB manufacturing facility. The re-installation of the production lines in the new PCB plant opened a new chapter for the Group by further streamlining the production process and greatly improved the efficiency of the production. After commencing the operation of PCB production in a leased factory in Huizhou in late 2018, the Group no longer has to incur high operating costs to comply with stringent environmental requirements imposed by the local government. By pursuing the low-cost strategy after successfully reducing the operating costs and improving the production efficiency, the Group can better negotiate with its trade partners for better terms and thus is able 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 uncertainties, including Brexit and the slowdown of China's economy which has been hard hit by the escalating China-US trade dispute, 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 sustain its business development and expansion in the coming days.

#### *Trading of Petroleum and Energy Products and Related Business Segment*

In the past, the Group had been focusing on the PCB business. The industrial complex, which had been occupied by the Group for its PCB, had been disposed of in late 2018 and the part of the net proceeds of the disposal had been used for the further development of the Group's trading of petroleum and energy products and related business segment. The Group established its trading of petroleum and energy products and related business segment in late 2017 but the revenue for the year ended 31 March 2018 were only approximately of HK\$212.0 million. The main reason that the Group could not generate decent revenue and gross profit margins from the trading of the petroleum and energy products and related business segment was mainly due to the fact that the Group had difficulties in securing sufficient bank facilities that were needed to grow the business. With the proceeds from the disposal of the industrial complex and the new bank facilities the Group has recently secured for the petroleum trading, it has established its development blueprint for this new business in a proactive manner. The Board believes that there will be growing demand for petroleum and oil products as the countries and economies across Asia, Europe and Africa have taken part in some mega-infrastructure projects since China implemented its One Belt, One Road Initiative in 2013. The Group will use the experience and knowledge of its traders in the Asian region to establish working cooperation and strengthen good relationships with its business partners for sourcing the supplies of petroleum products and securing long-term supply contracts. At the same time, the Group will continue expanding the sales channels by providing oil supply and trading services to its customers in wider regional and overseas markets. The Board is confident that the long-term growth in the trading of petroleum and energy products and related business segment will contribute to steady growth in revenue for the Group in the coming years.

## **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 2019, except that only three regular board meetings were held during the year ended 31 March 2019.

## **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 2019 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 2019. 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 2019 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 2019 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 Na**  
*Chairman*

Hong Kong, 26 June 2019

*As at the date of this announcement, 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:***

LEUNG King Fai  
CHOU Yuk Yan  
CHAN Yau Ching, Bob